

東方滙財證券國際控股有限公司

ORIENT SECURITIES INTERNATIONAL HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

Stock Code : 8001



ORIENT

Annual Report
2014

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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This report, for which the directors (the “Directors”) of Orient Securities International Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM (the “GEM 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 report 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 report misleading.

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Lam Shu Chung (*Chairman*)
Ms. Fung Yuk Chun Emily
Mr. Chu Sung Hei

Non-Executive Director

Mr. Lum Pak Sum

Independent non-executive Directors

Mr. Choy Sze Chung Jojo
Mr. Lee Siu Leung
Mr. See Lee Seng Reason
Dr. Fong Ping Wah

AUTHORISED REPRESENTATIVES

Mr. Lam Shu Chung
Mr. Law Fei Shing

AUDIT COMMITTEE MEMBERS

Mr. Lee Siu Leung (*Chairman*)
Mr. Choy Sze Chung Jojo
Mr. See Lee Seng Reason
Dr. Fong Ping Wah

NOMINATION COMMITTEE MEMBERS

Mr. Lee Siu Leung (*Chairman*)
Mr. Choy Sze Chung Jojo
Mr. See Lee Seng Reason
Dr. Fong Ping Wah

REMUNERATION COMMITTEE MEMBERS

Mr. Lee Siu Leung (*Chairman*)
Mr. Choy Sze Chung Jojo
Mr. See Lee Seng Reason
Dr. Fong Ping Wah

COMPLIANCE OFFICER

Mr. Chu Sung Hei

COMPANY SECRETARY

Mr. Law Fei Shing, *AICPA, HKICPA (Practising)*

AUDITOR

CCIF CPA Limited
Certified Public Accountants
9/F, Leighton Centre
77 Leighton Road
Causeway Bay, Hong Kong

COMPLIANCE ADVISER

Altus Capital Limited
21 Wing Wo Street
Central
Hong Kong

REGISTERED OFFICE

Codan Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
PO Box 2681, Grand Cayman
KY1-1111, Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Rooms 2801-2804
28th Floor, Dah Sing Financial Centre
No. 108 Gloucester Road
Wanchai, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Codan Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
PO Box 2681, Grand Cayman
KY1-1111 Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

Chong Hing Bank Limited
Chong Hing Bank Centre
24 Des Voeux Road Central
Hong Kong

STOCK CODE

8001

WEBSITE OF THE COMPANY

www.orientsec.com.hk

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of Directors (the "Board") of the Company, I am delighted to present to you the annual report of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2014.

REVIEW

The Group was successfully listed on GEM on 15 January 2014. In October 2014, the Company raised a further sum of HK\$58.2 million by means of placing of new shares. The proceeds raised have strengthened the cash position of the Group including enhancing the capacity of providing financing services to clients or providing placing and underwriting service with a larger commitment.

In the 2014 financial year, the Group achieved an increase in turnover of approximately HK\$7.2 million or 19.9% to approximately HK\$43.4 million compared with the 2013 financial year. Such growth was mainly attributable to the increase in commission income on brokerage and underwriting and placing services of approximately HK\$3.7 million and HK\$3.3 million respectively. In line with such increase and the smaller amount of listing expenses incurred as compared to the previous year, the profit before tax was increased by approximately HK\$6.3 million or 37.2% to HK\$23.1 million compared the 2013 financial year, despite there are higher compliance costs and staff costs incurred after listing.

The Directors and senior management are mindful of the regulatory reporting and compliance requirements, and will continue to keep abreast of their development in additional to change of general business environment.

OUTLOOK

Going forward, the Group will continue to strengthen the foundation and focus on further developing of our existing businesses including brokerage service, underwriting and placing service, and financing service through various opportunities including Shanghai-Hong Kong Stock Connect program and potential Shenzhen-Hong Kong Stock Connect program with a view to becoming a prominent player in the securities brokerage industry in Hong Kong. In addition, the Group has incorporated a new wholly-owned subsidiary and is in the process of applying for a money lender license, and intends to engage in money lending business going forwards. Initially the customer base of money lending business is expected to be derived from existing customers or referrals from customers or managements' networks.

At the same time, the Group will seek to minimise credit risk exposure by assessing and reviewing new and existing customers' portfolios carefully and conservatively and keep the outstanding balances of customers at the level commensurate with the respective risk associated. In order to maximise returns to our shareholders over the longer term, the Group will seek and develop new business strategies and plans for expanding its core businesses, including identification of new services and products to customers.

CHAIRMAN'S STATEMENT

Looking ahead, while actively exploring new businesses opportunities, the Group also plans to extend its business reach and expand service coverage to lay a foundation for our long-term development. These strategic directions aim to capture new business opportunities in the market and contribute satisfactory long-term returns to our shareholders.

On behalf of the Board, I would like to take this opportunity to express my sincere gratitude to the Group's shareholders, bankers, customers and business partners for their continuous support, and to our management and staff members for their diligence, dedication and contribution to the growth of the Group.

On behalf of the Board,

Lam Shu Chung

Chairman and Executive Director

Hong Kong, 17 March 2015

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is principally engaged in the provision of (i) brokerage service; (ii) underwriting and placing service; and (iii) financing service. During 2014, the Group focused on developing the business of these services by exploring opportunities available under the existing risk management framework.

The Group was successfully listed on GEM on 15 January 2014. In October 2014, the Company raised a further sum of HK\$58.2 million by means of placing of new shares. The proceeds raised have strengthened the cash position of the Group. After having evaluated the Group's business objectives as stated in the prospectus of the Company dated 31 December 2013 (the "Prospectus"), the Group and the Directors considered that no modification of the business objectives or the business plans as stated in the Prospectus was required.

FINANCIAL REVIEW

Turnover

The Group's turnover is mainly generated from (i) commission income from the brokerage service; (ii) commission income from the underwriting and placing service; and (iii) interest income from the financing service.

Total turnover for 2014 was approximately HK\$43.4 million (2013: HK\$36.2 million) which represents a HK\$7.2 million or 19.9% growth compared with 2013. Such growth was attributable to (i) an increase of approximately HK\$3.7 million in commission income from the brokerage service; (ii) an increase of approximately HK\$3.3 million in commission income from the underwriting and placing service. The increase in commission income from the brokerage service was in line with the increase in the trading volume under the Main Board and GEM of the Stock Exchange. The increase in income from the underwriting and placing service was driven by an increase in the scale of underwriting and placing commitments undertaken in 2014 (total approximately HK\$801.4 million) as compared with 2013 (total approximately HK\$654.7 million).

	2014 HK\$'000	2013 HK\$'000
Commission income from the brokerage service	13,832	10,109
Commission income from the underwriting and placing service	22,208	18,937
Interest income from the financing service	7,316	7,104
Total	43,356	36,150

As stated in the section headed "Recent development" and "Risk factors" in the Prospectus, the interim report for the six months ended 30 June 2014 and the third quarterly report for the nine months ended 31 September 2014, the financial performance as well as revenue mix of the Group may continue to change depending on the stock market environment. Brokerage income will continue to be directly correlated with the overall stock market trading volume while underwriting and placing income correlates to market fund raising activities, the number of underwriting and placing exercises the Group can be involved in and/or the size of fund the customers intended to raise. Such external factors are beyond the Group's control and the Group's financial performance is susceptible to fluctuation as a result.

MANAGEMENT DISCUSSION AND ANALYSIS

Other revenue

The other revenue for 2014 was approximately HK\$0.2 million (2013: HK\$0.05 million) which represents a 3.7 times growth compared with 2013.

	2014 HK\$'000	2013 HK\$'000
Interest income from bank deposits and employee loan	49	27
Sundry income	169	19
Total	218	46

Staff costs

As at 31 December 2014, the Group had a total of 27 employees including Directors (2013: 28). Staff costs is a major expense item of the Group which accounted for approximately 38.6% of the total expenses of the Group for 2014 (2013: 29.7%). The total staff costs for 2014 was approximately HK\$7.9 million (2013: HK\$5.7 million) and represented an increase of approximately HK\$2.2 million or 37.7% compared with 2013. The increase was mainly attributable to the increase in director remunerations by HK\$1.8 million which is due to the execution of directors' agreements upon successful listing.

	2014 HK\$'000	2013 HK\$'000
Commission paid to staff	397	732
Directors' emoluments	1,981	815
Staff salaries and allowances	5,118	3,928
Other staff costs including MPF and insurance	409	268
Total	7,905	5,743

MANAGEMENT DISCUSSION AND ANALYSIS

Administrative expenses

Administrative expenses accounted for approximately 42.0% of the total expenses of the Group for 2014 (2013: 30.6%). The total administrative expenses for 2014 was approximately HK\$8.6 million (2013: HK\$5.9 million) and represents an increase of HK\$ 2.7 million. Such increase was mainly attributable to the increase in legal and professional and compliance costs upon listing by approximately HK\$ 1.4 million and the increase in office rental by approximately HK\$ 1.1 million.

	2014 HK\$'000	2013 HK\$'000
Rent and rates and management fee for office	3,598	2,466
Stock information subscription fees and CCASS charges	1,772	1,673
Legal and professional fees, listing and compliance fees of the Company	1,419	8
Other office expenses excluding staff costs	1,823	1,776
Total	8,612	5,923

Finance costs

The total finance costs were HK\$76,000 in 2014 (2013: HK\$50,000) which were the credit facility arrangement fees. The Group did not draw down on this credit facility in 2014.

Listing expenses

The listing expenses for 2014 was approximately HK\$3.9 million (2013: HK\$7.7 million) which represents a HK\$3.8 million or 49.0% decrease compared with 2013. Such decrease was related to the approval of Prospectus and listing of the Group obtained by the Group in December 2013 such that relevant professional expenses were recognised in 2013. The remaining portion is recognized in 2014 in relation to the successful listing on 15 January 2014.

Income tax expenses

The income tax expense for 2014 was approximately HK\$5.2 million (2013: HK\$4.0 million) and such growth was consistent with the increase in profits assessable under Hong Kong Profits tax.

Profit for the year

The Group recorded a net profit attributable to equity shareholders of approximately HK\$17.9 million (2013: HK\$12.8 million) and represents a growth of HK\$5.1 million or 40.2%. Such growth is mainly attributable to the increase in turnover of approximately HK\$7.2 million or 19.9%. In particular, the increase in commission income from underwriting and placing service, which generally yields higher gross profits margin.

MANAGEMENT DISCUSSION AND ANALYSIS

COMPARISON BETWEEN BUSINESS OBJECTIVES AND ACTUAL BUSINESS PROGRESS

As set out in the Prospectus of the Group, the overall business objective of our Group is to become a prominent player in the securities brokerage industry in Hong Kong with a focus on our brokerage service, underwriting and placing service, and financing service. The Group plans to achieve this objective by expanding the financing service and developing the underwriting and placing service of the Group.

Business Objectives as stated in the Prospectus

Expanding finance services

Actual Business Progress during the year ended 31 December 2014

As stated in the interim report for the six months ended 30 June 2014, the net proceeds of HK\$37.0 million designated for expansion of financing services had been lent to customers as intended.

During the year ended 31 December 2014, in order to manage the risk by not heavily rely on a single customer or single securities, the Group generally did not grant much loans with high principals and long duration. As customers usually repaid outstanding amount within a short period of time, the interest income did not grow as much as we would have anticipated.

The number of customers continued to increase in 2014 and there were over 880 active cash and margin securities accounts as reported pursuant to Securities and Futures (Financial Resources) Rules (Cap 571N) ("active securities accounts") at the end of 2014 and it is expected that such growing trend will continue. In line with this growth and the overall increase in trading volume in the Stock Exchange's Main Board and GEM, the relevant commission income from brokerage services has increased by HK\$3.7 million or 36.8%.

During the year ended 31 December 2014, there were 77 additional active securities accounts, of which 65 cash accounts, and 12 margin accounts. These represented expansion of our customer base in both brokerage services segment and financing services segment, and are partly attributable to the Group's listing status and financial capability enhanced by the net proceeds from the initial public offering ("IPO"). Relationship with these customers is maintained at a satisfactory level and is expected to continue.

Saved as disclosed in the "Business Review" section, the Directors do not envisage material change in business risk in brokerage and financing services.

MANAGEMENT DISCUSSION AND ANALYSIS

Developing underwriting and placing services

During the year ended 31 December 2014, the Group participated in provision of underwriting and placing services of larger scale. The amount of underwriting and placing commitments undertaken in 2014 was approximately HK\$801.4 million as compared with approximately HK\$654.7 million in 2013. As a result, the commission income from underwriting and placing services increased by HK\$3.3 million or 17.3%.

As underwriting and placing transactions are non-recurring, the Group will continue to identify suitable customers for this service by sourcing customers while being vigilant of changes in market trends and needs.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

During the year ended 31 December 2014, the Group financed its operations by cash flow from operating activities. As at 31 December 2014, the Group had net current assets of approximately HK\$246.9 million (2013: HK\$131.3 million), including cash of approximately HK\$121.3 million (2013: HK\$40.5 million). The current ratio, being the ratio of current assets to current liabilities, was approximately 3.9 times as at 31 December 2014 (2013: 2.6 times). The raise in the current ratio was mainly attributable to the higher balances of bank and cash and receivables from margin clients in 2014 compared to 2013. No gearing ratio was calculated for 2014 as there was no loan as at 31 December 2014 (2013: nil).

The capital of the Group comprises only ordinary shares. Total equity attributable to owners of the Company amounted to approximately HK\$247.7 million as at 31 December 2014 (2013: HK\$132.7 million).

EMPLOYEE INFORMATION

Total remuneration for the year ended 31 December 2014 (including directors' emoluments and commission paid to staff and directors excluding MPF contributions, medical and insurance and staff welfare and recruitment) was approximately HK\$7.5 million (2013: HK\$5.4 million). Such increase was mainly due to the increase in director remunerations by HK\$1.8 million as mentioned under the Staff Costs section above. The Group's remuneration policies are formulated on the basis of performance, qualifications and experience of individual employee and make reference to the prevailing market conditions. Our remuneration packages comprise monthly fixed salaries and discretionary year-end bonuses based on individual performance, which are paid to employees as recognition of, and reward for, their contributions.

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

There was no material acquisition or disposal of subsidiaries and affiliated companies during the year ended 31 December 2014.

CHARGES ON THE GROUP'S ASSETS

The Group did not have any charge arranged with any financial institution in Hong Kong in 2014 (2013: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

FOREIGN EXCHANGE EXPOSURE

The revenue and business costs of the Group were principally denominated in Hong Kong dollars, and as such the exposure to the risk of foreign exchange rate fluctuations for the Group was minimal. Hence, no financial instrument for hedging was employed.

CONTINGENT LIABILITIES

No material contingent liability had come to the attention of the Directors in 2014 and up to the date of results announcement and annual report issuance of the Company.

EVENT AFTER THE REPORTING PERIOD

Up to the date of this report, there was no significant event relevant to the business or financial performance of the Group that come to the attention of the Directors after the year ended 31 December 2014.

CORPORATE GOVERNANCE REPORT

Pursuant to Rule 18.44 of the GEM Listing Rules, the Board is pleased to present this corporate governance report for the year ended 31 December 2014. This report highlights the key corporate governance practices of the Company.

CORPORATE GOVERNANCE PRACTICES

The Group is committed to promoting high standards of corporate governance. The Directors of the Company believe that sound and reasonable corporate governance practices are essential for the growth of the Group and for safeguarding the shareholders' interests and the Group's assets.

The Company's corporate governance practices are based on the principles and code provisions as set out in the Corporate Governance Code and Corporate Governance Report (the "CG Code and Report") in Appendix 15 of the GEM Listing Rules. Throughout the year ended 31 December 2014 and up to the date of this report, to the best knowledge of the Board, the Company has complied with all the code provisions set out in the CG Code and Report, save for the deviation as mentioned in the following section headed "Chairman and Chief Executive Officer" in this report.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct for dealing in securities of the Company by the Directors (the "Required Standard of Dealings"). Having made specific enquiries of all the Directors, each of them have confirmed that they have complied with the Required Standard of Dealings throughout the year ended 31 December 2014. No incident of non-compliance was noted by the Company during the year.

BOARD OF DIRECTORS

Composition of the Board

Up to the date of this annual report, the Board comprises eight directors, including three executive Directors, one non-executive Director and four independent non-executive Directors. Details of their composition by category are as follows:

Executive Directors

Mr. Lam Shu Chung (*Chairman*)
Ms. Fung Yuk Chun Emily
Mr. Chu Sung Hei

Non-Executive Director

Mr. Lum Pak Sum

Independent non-executive Directors

Mr. Choy Sze Chung Jojo
Mr. Lee Siu Leung
Mr. See Lee Seng Reason
Dr. Fong Ping Wah (Appointed on 9 January 2015)

The biographical details of the Directors of the Company are set out under the section headed "Biographical Details of Directors and Senior Management" in this report.

CORPORATE GOVERNANCE REPORT

The Company has arranged for appropriate insurance cover in respect of legal action against the Directors since 18 February 2014.

Independent non-executive Directors

In compliance with Rules 5.05(1) and (2), and 5.05A of the GEM Listing Rules, the Company has appointed four independent non-executive Directors representing more than one-third of the Board, and with at least one of them possessing the appropriate professional qualifications or accounting or related financial management expertise. The independent non-executive Directors, together with the executive Directors, ensure that the Board prepares its financial and other mandatory reports in strict compliance with the relevant standards. The Company has received an annual confirmation of independence from each of the independent non-executive Directors and believes that their independence is in compliance the Rule 5.09 of the GEM Listing Rules.

The Board

The Board has the responsibility for leadership and control of the Group. They are collectively responsible for promoting the success of the Group by directing and supervising the Groups' affairs. The Board is accountable to shareholders for the strategic development of the Group with the goal of maximizing long-term shareholder value, while balancing broader stakeholder interests. The Board has delegated the day-to-day responsibility to the Executive Directors and senior management of the Company who meet on a regular basis to review the financial results and performance of the Group and make financial and operational decisions for the implementation of strategies and plans approved by the Board. The Board also communicates with shareholders and regulatory bodies and makes recommendations to shareholders on final dividends and the declaration of any interim dividend.

Board Meetings and Attendance

The Board meets in person or through other electronic means of communication to determine overall strategic direction and objectives and approve quarterly, interim and annual results, and other significant matters. The Board held 7 meetings during the year ended 31 December 2014. Individual attendance records of each Director at the respective Board and committee meetings are set out in the table on page 16 of this report.

The Board meets regularly on a quarterly basis. Notice of at least 14 days is given to all Directors for a regular Board meeting. Apart from the regular Board meetings of the year, the Board also meets on other occasions when a Board-level decision on a particular matter is required. For such, reasonable notice is generally given. All Directors have full and timely access to all relevant information as well as the advice and services of the Company Secretary, senior management and Compliance Officer who are responsible for ensuring the compliance of the Company with the GEM Listing Rules and advising the Board on compliance matters. Directors are also provided with access to independent professional advice, where necessary, in carrying out their obligations as Directors of the Company. Any Directors and their associates who are considered to have conflict of interests or material interests in the proposed transactions or issues to be discussed in the Board meetings shall abstain from voting on the relevant resolutions and are not to be counted in the quorum at meetings.

At least 3 days (or such other period as agreed in advance) before each Board meeting, a draft agenda is sent out to all Directors in order to allow the Directors to include any other matters in the agenda that are required for discussion and resolution in the meeting. To enable the Directors to make informed decisions, Board papers together with all appropriate and relevant information in relation to the matters of the meeting are sent to all Directors 3 days or such other period as agreed before each Board meeting such that the Directors have sufficient time to review the related documents and be adequately prepared for the meeting.

CORPORATE GOVERNANCE REPORT

The Company Secretary is responsible to keep minutes of all Board meetings and committees meetings. Draft minutes are normally circulated to all Directors for comments within a reasonable time after each meeting and the final versions are open for Directors' inspection.

Relationships between the Board

There was no financial, business, family or other material relationship among the Directors. The biographical details of each of the Directors are set out in the section headed "Biographical Details of Directors and Senior Management" of this annual report.

Directors' Continuing Professional Development Programme

Each Director receives comprehensive and formal induction and orientation to ensure he/she adequately understand the operations and business of the Group. The Company also provided detailed director's responsibilities and obligations statement pursuant to the GEM Listing Rules for the Director to review and study. In addition, materials in relation to regularly update on latest development in relation to the GEM Listing Rules, other applicable regulatory requirements and the Group's business and governance policies (the "Reading Materials in relation to Continuous Professional Developments") were circulated to the Directors. Continuing briefings and seminars for the directors will be arranged as necessary. The Directors are encouraged to participate in continuous professional developments to develop and refresh their knowledge and skills periodically.

During the year ended 31 December 2014 the Directors participated in the continuous professional developments in the following manner:

Name	Reading Materials in relation to Continuous Professional Developments	Attending seminars/courses/conferences in relation to Continuous Professional Developments
<i>Executive Directors</i>		
Mr. Lam Shu Chung	✓	✓
Ms. Fung Yuk Chun Emily	✓	✓
Mr. Chu Sung Hei	✓	✓
<i>Non-executive Director</i>		
Mr. Lum Pak Sum	✓	✓
<i>Independent non-executive Directors</i>		
Mr. Choy Sze Chung Jojo	✓	✓
Mr. Lee Siu Leung	✓	✓
Mr. See Lee Seng Reason	✓	✓
Dr. Fong Ping Wah (Appointed on 9 January 2015)	N/A	N/A

CORPORATE GOVERNANCE REPORT

CHAIRMAN AND CHIEF EXECUTIVE OFFICER (“CEO”)

The Company has not yet adopted A.2.1 of the CG Code and Report. Pursuant to A.2.1 of the CG Code and Report, the roles of Chairman and CEO should be separate and should not be performed by the same individual. The division of responsibilities between the Chairman and CEO should be clearly established and set out in writing.

Mr. Lam Shu Chung is the Chairman of the Board and is responsible for formulation of corporate strategy, overseeing the management of the Group and business development. The Chairman also takes the lead to ensure that the Board works effectively and acts in the best interest of the Company by encouraging the Directors to make active contributions to the Board’s affairs and promoting a culture of openness and debate.

The Company has no such position as the CEO and therefore the daily operation and management of the Company is monitored by the executive Directors as well as the senior management.

The Board is of the view that although there is no CEO, the balance of power and authority is ensured by the operation of the Board, which comprises experienced individuals who would meet from time to time to discuss issues affecting operation of the Company and the Group.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Executive Directors

Each of Mr. Lam Shu Chung, Ms. Fung Yuk Chun Emily and Mr. Chu Sung Hei, being all the executive Directors, has entered into a service agreement with the Company on 25 March 2013 for an initial fixed term of three years commencing from 15 January 2014 (the “Listing Date”) and shall continue thereafter until terminated by either party by giving 3 months’ notice in writing to the other. Each of these executive Directors is entitled to the respective director’s fee. In addition, each of the executive Directors is also entitled to a discretionary bonus determined by the Board.

Non-executive Director and the independent non-executive Directors

Each of Mr. Lum Pak Sum, a non-executive Director and Mr. Choy Sze Chung Jojo, Mr. Lee Siu Leung and Mr. See Lee Seng Reason, the independent non-executive Directors has entered into a letter of appointment with our Company on 25 March 2013 and Dr. Fong Ping Wah, an independent non-executive Director has entered into a letter of appointment with our Company on 9 January 2015. Each letter of appointment is for a term of 3 years commencing from the Listing Date and 9 January 2015 respectively, provided that either our Company or our non-executive Director or our independent non-executive Directors may terminate such appointment at any time by giving at least three months’ notice in writing to the other. Each of our non-executive Director and independent non-executive Directors is entitled to a director’s fee. Our non-executive Director and independent non-executive Directors are entitled to receive a discretionary bonus to be determined by our Board in its absolute discretion in respect of each financial year of our Company.

In accordance with the articles 84 of the Articles, one-third of the Directors are subject to retirement by rotation or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third shall retire from the office and being eligible offer themselves for re-election provided that every Director shall be subject to retirement by rotation at least once every three years. The Directors to be retired by rotation shall be those who have been longest in office since their last appointment or re-appointment.

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES

The Board has established the Audit Committee, the Nomination Committee and the Remuneration Committee in order to maintain high standard of corporate governance within the Company.

Audit Committee

The Audit Committee has been established with written terms of reference in compliance with Rules 5.28 and 5.29 of the GEM Listing Rules and code provision C.3.3 of the CG Code and Report. The Audit Committee currently comprises four independent non-executive Directors and is chaired by Mr. Lee Siu Leung. The other members are Mr. Choy Sze Chung Jojo, Mr. See Lee Seng Reason and Dr. Fong Ping Wah.

The primary duty of the Audit Committee is to review and supervise the Company's financial reporting process, the internal control systems of the Group and the monitoring of continuing connected transactions. All members of the Audit Committee are appointed by the Board.

The Audit Committee has met its responsibilities to review the Group's quarterly reports for the three months and nine months ended 31 March 2014 and 30 September 2014 respectively, interim report for the six months ended 30 June 2014 and the Group's audited annual results for the year ended 31 December 2014 and provided advice and comments thereon.

The Audit Committee held 5 meetings during the year ended 31 December 2014. Individual attendance records of each member of the Audit Committee are set out in the table on page 16 of this report.

Nomination Committee

The Nomination Committee has been established with written terms of reference in compliance with code provision A.4.5 of the CG Code and Report. The Nomination Committee currently comprises four independent non-executive Directors and is chaired by Mr. Lee Siu Leung. The other members are Mr. Choy Sze Chung Jojo, Mr. See Lee Seng Reason and Dr. Fong Ping Wah.

The primary duties of the Nomination Committee are to review the structure, size and composition of the Board on regular basis; identify individuals suitably qualified to become Board members, to assess the independence of the independent non-executive Directors and to make recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors. All members of the Nomination Committee are appointed by the Board.

During the year ended 31 December 2014, the Nomination Committee reviewed and discussed the structure, size and composition of the Board; made recommendation on the re-election of the retiring Directors; and confirmed the independence of the independent non-executive Directors. The Nomination Committee held 1 meeting during the year ended 31 December 2014. Individual attendance records of each member of the Nomination Committee are set out in the table on page 16 of this report.

CORPORATE GOVERNANCE REPORT

Remuneration Committee

The Remuneration Committee has been established with written terms of reference in compliance with code provision B.1.1 of the CG Code and Report. The Remuneration Committee currently comprises four independent non-executive Directors and is chaired by Mr. Lee Siu Leung. The other members are Mr. Choy Sze Chung Jojo, Mr. See Lee Seng Reason and Dr. Fong Ping Wah.

The primary duty of the Remuneration Committee is review and make recommendations to the Board on the remuneration policy and other remuneration related matters, including benefits-in-kind and other compensation payable to the Directors and senior management and to ensure none of the Directors determine their own remuneration. All members of the Remuneration Committee are appointed by the Board.

During the year ended 31 December 2014, the Remuneration Committee reviewed and made recommendation on the remuneration package of Directors and senior management of the Group and assessed the performance of executive Directors. The Remuneration Committee held 1 meeting during the year ended 31 December 2014. Individual attendance records of each member of the Remuneration committee are set out in the table on page 16 of this report.

Directors' Attendance Record at Meetings

Details of the attendance of the Directors at the meetings of the Board and its respective committees during the year ended 31 December 2014 are as follows:

Name of Director	Board Meeting Attended/Eligible to attend	Audit Committee Meeting Attended/Eligible to attend	Nomination Committee Meeting Attended/Eligible to attend	Remuneration Committee Meeting Attended/Eligible to attend	General Meeting Attended/Eligible to attend
Executive Directors					
Mr. Lam Shu Chung	7/7	N/A	N/A	N/A	2/2
Ms. Fung Yuk Chun Emily	7/7	N/A	N/A	N/A	2/2
Mr. Chu Sung Hei	7/7	N/A	N/A	N/A	2/2
Non-executive Director					
Mr. Lum Pak Sum	7/7	N/A	N/A	N/A	2/2
Independent non-executive Directors					
Mr. Choy Sze Chung Jojo	7/7	5/5	1/1	1/1	2/2
Mr. Lee Siu Leung	7/7	5/5	1/1	1/1	2/2
Mr. See Lee Seng Reason	7/7	5/5	1/1	1/1	0/2
Dr. Fong Ping Wah (Appointed on 9 January 2015)	N/A	N/A	N/A	N/A	N/A

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE FUNCTION

The Board is responsible for performing the corporate governance duties in accordance with code provision D.3.1 to the CG Code and Report which are included to develop and review the Company policies and practices on corporate governance, to review and monitor the training and continuous professional development of Directors and senior management of the Company, the issuer's policies and practices on compliance with legal and regulatory requirements and reviewing the issuer's compliance with the CG Code and Report and disclosure in the Corporate Governance Report.

NON-COMPETITION UNDERTAKING

Pursuant to the Deed of Non-competition entered into among Mr. Lam Shu Chung ("Mr. Lam") and Time Era Limited ("Time Era") have agreed to and undertaken with the Company (for itself and on behalf of its subsidiaries) that for so long as the Deed of Non-competition remains in effect, other than through the Group and subject as provided below, he/it will not and will procure that none of his/its associates will, engage or be interested, directly or indirectly, in any business which may be in any aspect in competition with or similar to the businesses as may from time to time be carried on by the Group in Hong Kong (other than, in respect of Mr. Lam and Time Era, as a holder of not more than 5% of the issued shares or stock of any class or debentures of any company listed on any recognised stock exchange). Mr. Lam and Time Era have further agreed to and undertaken with our Company (for itself and on behalf of its subsidiaries) that Mr. Lam and Time Era will, jointly and severally, indemnify and keep indemnified our Group against any damage, loss or liability suffered by our Group arising out of or in connection with any breach of covenants and undertakings and/or any of the obligations of Mr. Lam and Time Era under the Deed of Non-competition, including any costs and expenses incurred as a result of such breach.

The Company has received an annual confirmation from Mr. Lam and Time Era that each of Mr. Lam and Time Era confirmed that other than their respective interests in our Group, none of them is engaged in, or interested in any business which, directly or indirectly, competes or may compete with the business of our Group during the year ended 31 December 2014.

The Independent Non-Executive Directors reviewed annually the compliance with the non-competition undertaking of Mr. Lam and Time Era under the Deed of Non-competition during the year ended 31 December 2014. No incident of non-compliance was noted by the Company and the Independent Non-Executive Directors for the year ended 31 December 2014.

EMOLUMENTS TO THE DIRECTORS AND SENIOR MANAGEMENT

The emoluments paid to the 7 (2013: 7) Directors and 5 (2013: 6) senior management whose details are disclosed in the section headed "Biographical Details of Directors and Senior Management" were within the following bands:

	2014	2013
Nil to HK\$1,000,000	12	13

Mr. Chung Chin Hung was counted as senior management in 2013.

CORPORATE GOVERNANCE REPORT

AUDITOR AND THEIR REMUNERATION

For the year ended 31 December 2014, remuneration paid and payable to the auditor of the Group (the “Auditor”) are approximately HK\$500,000 (2013: HK\$300,000) for audit services. There was no significant non-audit service provided by the auditor of the Group for the year.

Director’s Acknowledgement

The Directors acknowledge their responsibility for the preparation of the consolidated financial statements which give a true and fair view of the financial position of the Group. The Directors are not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Company’s ability to continue as a going concern.

Auditor’s Statement

The statement of the Auditor about their reporting responsibilities on the Company’s financial statements for the year ended 31 December 2014 is set out in the section “Independent Auditor’s Report” of this report.

Financial Reporting

The Management has provided the Directors monthly updates with monthly consolidated financial statement of the Company’s performance, position and prospects in sufficient details. In addition, the Management has provided all members of the Board, in a timely manner, updates on any material changes to the performance, position and prospects of the Company and sufficient information for matters brought before the Board. The Management will spare no effort to provide all members of the board with more detailed and promptly updates giving a balanced and understandable assessment of the issuer’s performance, position and prospects in sufficient detail in coming future.

INTERNAL CONTROL

The Board has overall responsibilities for the establishment and maintenance of an adequate and effective internal control system to safeguard the Group’s assets against unauthorized use or disposition, and to protect the interests of the shareholders of the Company. During the year ended 31 December 2014, a review of the effectiveness of the Group’s internal control systems was conducted and the results were summarized and reported to the Audit Committee and the Board. The Board will continue to assess the effectiveness of internal controls by considering reviews performed by the audit committee and executive management.

The Group has engaged external auditors to conduct independent internal control review for the year ended 31 December 2014.

COMPANY SECRETARY

Mr. Law Fai Shing has been engaged by the Company as its external company secretary. Its primary contact person at the Company is Ms. Fung Yuk Chun Emily, executive director of the Company.

Mr. Law Fei Shing joined the Company on 12 February 2009 on a part-time basis and has been the Company Secretary since 25 March 2013. The biographical details of the Company Secretary are set out under the section headed “Biographical Details of Directors and Senior Management” of this annual report. In accordance with the Rule 5.15 of the GEM Listing Rule, the Company Secretary has taken no less than 15 hours of relevant professional training during the year ended 31 December 2014.

CORPORATE GOVERNANCE REPORT

SHAREHOLDERS' RIGHT

Procedures for the Shareholders to convene an extraordinary general meeting

Pursuant to article 58 of the Articles of Association of the Company, any one or more members holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Secretary of the Company, to require an extraordinary general meeting (the "EGM") to be called by the Board for the transaction of any business specified in such requisition.

Such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Procedures for the Shareholders to put their enquiries to the board

The Company endeavor to maintain two way communications with the Shareholders through various channels. The Shareholders are encouraged to send their enquiries about the Group to the Company's email at info@orientsec.com.hk or by mail to the principle address of the Company at Rooms 2801-04, 28/F., Dah Sing Financial Centre, No. 108 Gloucester Road, Wanchai, Hong Kong. All the enquiries are dealt with in a timely manner. The Shareholders are also encouraged to attend annual general meeting (the "AGM") and EGM of the Company and to put their enquiries to the Board directly. Notices are duly being circulated to the Shareholders in order to ensure each Shareholder is informed to attend the AGM and the EGM. The Chairman of the Board, chairmen of each of the Remuneration Committee, Nomination Committee and Audit Committee and the senior management attend the aforesaid meetings and respond proactively to the Shareholders' enquiries. The detailed procedures for conducting a poll are set out in the proxy forms and will be explained by the chairmen of the AGM and EGM orally in the beginning of the aforesaid meetings.

INVESTOR RELATIONS

The Company believes that maintaining a high level of transparency is a key to enhance investor relations. It is committed to a policy of open and timely disclosure of corporate information to its shareholders and investment public.

The Company strengthens its communications with shareholders and investors through various channels including publication of interim and annual reports, press releases and announcements regarding the latest developments of the Company in its corporate website at www.orientsec.com.hk at a timely manner.

CONSTITUTIONAL DOCUMENTS

Pursuant to Rule 17.102 of the GEM Listing Rules, the Company has published on the respective websites of the Stock Exchange and the Company its Memorandum and Articles of Association. During the year ended 31 December 2014, there had not been any changes in the Company's constitutional documents.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Lam Shu Chung (林樹松), aged 58, is an Executive Director and the Chairman of the Company. He was appointed as a Director on 5 January 2009 and re-designated as an Executive Director on 12 February 2009. He is responsible for the formulation of corporate strategy, overseeing the management and business development. Further, Mr. Lam has been a director of Orient Securities Limited since July 2004 and has been responsible for overseeing the company's management and business development. Mr. Lam has about 21 years of experience in the Hong Kong financial market, ranging from the field of securities brokerage, foreign exchange to foreign banking.

Ms. Fung Yuk Chun Emily (馮玉珍), aged 45, was appointed as an Executive Director on 4 April 2011. She joined the Group in 2000. Ms. Fung has approximately 11 years of experience in the securities brokerage industry. Ms. Fung has been a director of Orient Securities Limited (formerly known as TradingGuru.com Securities Limited) since 2000. Ms. Fung is responsible for overseeing the general administration, human resources and operating system development of the Group. Ms. Fung completed the certificate programme for company secretaries (Part I) from the Hong Kong Management Association in August 2004.

Mr. Chu Sung Hei (朱崇希), aged 56, has been a Responsible Officer of Orient Securities Limited to carry on Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities under the SFO since March 2010. He joined the Group in 2009. Mr. Chu was appointed as an Executive Director on 26 February 2013. He possesses over 15 years of experience in securities and fund management business from January 1988 to September 2008. He is responsible for business operations, compliance of the Group, supervising Licensed Representatives in carrying out regulated activities and the Group's internal control. Mr. Chu obtained a bachelor's degree in commerce and a master's degree in business administration from the University of Windsor in 1981 and 1982 respectively.

NON-EXECUTIVE DIRECTOR

Mr. Lum Pak Sum (林柏森), aged 53, joined the Group in 2010. He was appointed as a Director on 18 March 2010 and re-designated as a non-executive Director on 4 April 2011 as he intended not to take up an executive role in the Group. Mr. Lum obtained a master's degree in business administration from The University of Warwick in 1994 and a bachelor's degree in laws from University of Wolverhampton in 2002, both by way of long distance courses. He is currently a non-practicing member of the Hong Kong Institute of Certified Public Accountants and The Association of Chartered Certified Accountants. Mr. Lum has over 21 years' experience in the Hong Kong financial market, including the money market and capital market. Mr. Lum had been engaged in the securities business from July 1988 to September 2004. He is responsible for providing professional advice to the Group in respect of the Group's management and corporate governance.

Mr. Lum was an independent non-executive director of Energy International Investments Holdings Limited (stock code: 353), Bestway International Holdings Limited (stock code: 718), Eagle Ride Investment Holdings Limited (stock code: 901), Pak Tak International Limited (stock code: 2668), Jimei International Entertainment Group Limited (stock code: 1159) and Asia Resources Holdings Limited (stock code: 899), those shares are listed on the Main Board of the Stock Exchange, for the period from September 2005 to July 2011, from March 2010 to May 2013, from May 2010 to November 2013, from June 2014 to November 2014, from April 2009 to November 2014 and from November 2010 to January 2015, respectively.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Since August 2007, January 2014 and December 2014, Mr. Lum has been an independent non-executive director of Great China Properties Holdings Limited (stock code: 21), and Beautiful China Holdings Company Limited (stock code: 706) and Shinhint Acoustic Link Holdings Limited (stock code: 2728), those shares are listed on the Main Board of the Stock Exchange, respectively. He has also been an independent director of Asia Green Agriculture Corporation, a company trading on the Over-the-Counter Bulletin Board in the United States of America, since September 2011.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Choy Sze Chung Jojo (蔡思聰), aged 55, was appointed as an independent non-executive Director on 18 March, 2010. Mr. Choy has about 19 years of experience in the securities brokerage industry and business management. Mr. Choy is a director and responsible officer of National Resources Securities Limited, a company licensed to carry on Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO.

Mr. Choy is the vice-chairman of the Institute of Securities Dealers Limited. He is also a fellow member of the Hong Kong Institute of Directors, a fellow member of Institute of Financial Accountants, a fellow member of the Institute of Compliance Officers, a member of Society of Registered Financial Planners, a member of the Election Council for Hong Kong Deputies to the 12th National People's Congress of the People's Republic of China and a member of the 12th Shantou Committee of Chinese People's Political Consultative Conference. In December 2011, Mr. Choy was elected as a member of 4th term Chief Executive Election Committee of Hong Kong.

Mr. Choy was an independent non-executive director of Wison Engineering Services Co. Ltd. (stock code: 2236) for the period from November 2012 to September 2013. Currently, Mr. Choy is the independent non-executive director of four companies listed on the Hong Kong Stock Exchange, namely, Chengdu Putian Telecommunications Cable Company Limited (stock code: 1202), Zhaojin Mining Industry Company Limited (stock code: 1818), Sparkle Roll Group Limited (stock code: 970) and Luye Pharma Group Limited (stock code: 2186).

Mr. Lee Siu Leung (李兆良), aged 48, was appointed as an independent non-executive Director on 18 March 2010. Mr. Lee has about 25 years of accounting experience. Mr. Lee obtained a bachelor's degree in social sciences from The University of Hong Kong in 1989. Mr. Lee is a certified public accountant (practising) and a fellow member of The Association of Chartered Certified Accountants. He is also certified as an associate of the Institute of Chartered Accountants in England and Wales in 2008, an associate of The Institute of Chartered Secretaries and Administrators in 2004, an associate of the Hong Kong Institute of Company Secretaries in 2004 and an associate of The Taxation Institute of Hong Kong in 1996.

Mr. See Lee Seng Reason (史理生), aged 56, was appointed as an independent non-executive Director on 26 February 2013. Mr. See has over 31 years of experience in the finance and investment profession covering securities and commodities dealing, direct investment, portfolio management and corporate finance. Mr. See obtained a master's degree of science in corporate governance and directorship from the Baptist University Hong Kong in 2006. Currently, Mr. See is the Chairman of Corporate Governance and Directorship (HKBU) Society. He is also a committee member of the council of the Hong Kong Securities Professionals Association.

Mr. See was an executive director of China Investment and Finance Group Limited (stock code: 1226) for the period from December 2010 to August 2012.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Dr. Fong Ping Wah (方炳華), aged 46, was appointed as an independent non-executive Director on 9 January 2015. Dr. Fong obtained the qualification in Bachelor of Laws and Postgraduate Certificate in Laws from the University of Hong Kong. He became a solicitor in Hong Kong in 1994, and obtained a doctorate in Jurisprudence at York University in 2006, and became a committee member of Political Consultative Conference Si Hi, Guangdong Province in 2011. He had admitted as partner and solicitor in a number of local law firms over the years. Dr. Fong is the principal and founder of FONGS, a solicitors' firm. Dr. Fong has actively participated in social activities, and is assigned as legal adviser in various community organizations. Beyond the main practice in Hong Kong, Dr. Fong is also closely involved in China business especially the major cities in China.

SENIOR MANAGEMENT

Mr. Wong Kwan Lok (黃君諾), aged 36, joined the Group in 2004 and is currently a senior vice president. Mr. Wong mainly focuses on sales and marketing and assists in business development. Mr. Wong has been licensed with SFC since 1998 and has been a Licensed Representative since joining Orient Securities Limited in 2004. He possesses over 11 years of experience in the securities brokerage industry and is licensed to carry on Type 1 regulated activity (dealing in securities). Mr. Wong was employed by Young Champion Management Services Limited (now known as Success International Management Services Limited) as a dealer of Young Champion Securities Limited for the period from November 2000 to September 2004.

Ms. Wong Tuen Sau (王端秀), aged 47, joined the Group in 2013 and is currently the compliance manager of Orient Securities Limited and is responsible for all compliance matters and the internal control of the Group.

Ms. Wong is a member of the Hong Kong Institute of Certified Public Accountants. Ms. Wong obtained a bachelor's degree in Business Administration in Accounting from Hong Kong Baptist University in 1992 and a master's degree in Finance at Hong Kong Chinese University in 2007. Ms. Wong has been a compliance professional with over 16 years of experience in the financial industry, working with the Hong Kong Exchanges and Clearing Limited from 1997 to 2009 and different professional or financial institutions including, KPMG from 1991 to 1996 and Sun Hung Kai Financial from 2010 to 2011.

Mr. Lau Wai Man (劉偉文), aged 50, joined the Group in 2008 and is currently a Responsible Officer. He is a licensed person since August 1995. Mr. Lau is responsible for supervising in-house account executives in carrying out regulated activities. Mr. Lau possesses over 16 years of experience in the securities brokerage industry and his work experience includes acting as a sales representative, floor trader and account executive in various securities brokerage companies since 1995.

Mr. Kwong Chun Man (鄺振文), aged 36, joined the Group in 2013 and is currently a vice president. Mr. Kwong is responsible for the Group's financial reporting and overall financial planning and budgeting.

Mr. Kwong is a member of the Hong Kong Institute of Certified Public Accountants and a fellow of the Association of Chartered Certified Accountants. Mr. Kwong is also a certified internal auditor of the Institute of Internal Auditors and a certified information systems auditor of the Information Systems Audit and Control Association. Mr. Kwong obtained a bachelor's degree in Computing at The Hong Kong Polytechnic University in 2001. Before joining the Group, Mr. Kwong had been employed by Deloitte Touche Tohmatsu from 2001 to 2008. Thereafter, Mr. Kwong had been engaged in a private practice providing accounting services.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Law Fei Shing (羅輝城), aged 55, is the company secretary of the Company. He was appointed as company secretary of the Company on 12 February 2009 on a part-time basis. He is responsible for overseeing the company secretary functions of the Company. Mr. Law graduated from the Hong Kong Polytechnic (now known as Hong Kong Polytechnic University) in 1985. He is a member of American Institute of Certified Public Accountants (AICPA), an associate member of the Hong Kong Institute of Certified Public Accountants (HKICPA) and a practising certified public accountant in Hong Kong.

REPORT OF DIRECTORS

The Directors are pleased to present their report and the audited consolidated financial statements of the Company and its subsidiaries (collectively, the “Group”) for the year ended 31 December 2014.

PRINCIPAL ACTIVITIES AND REORGANISATION

The Company was incorporated and registered as an exempted company with limited liability on 5 January 2009 under the Companies Law of the Cayman Islands. Under a group reorganisation to rationalise the structure of the Group in preparation for the listing of the Company’s shares on the Growth Enterprise Market (“GEM”) of the Stock Exchange (the “Group Reorganisation”), the Company has become the ultimate holding company of the Group on 16 April 2012.

The principal activities of the Group are the provision of its (i) brokerage service; (ii) underwriting and placing service; and (iii) securities and initial public offering financing service.

The Company’s shares have been listed on the GEM of the Stock Exchange since 15 January 2014 (the “Listing Date”).

RESULTS

The Group’s results for the year ended 31 December 2014 and the state of affairs of the Company and the Group at that date are set out in the consolidated financial statements from pages 34 to 83 of this annual report.

The Directors do not recommend the payment of a dividend for the year.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five years is set out in the section headed “Financial Summary” on page 84 of this annual report. The summary does not form part of the audited consolidated financial statements.

SHARE CAPITAL

Details of movements in the Company’s share capital during the year are set out in note 26 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the Group’s property, plant and equipment during the year are set out in note 15 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company’s Articles of Association or the laws of the Cayman Islands, the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing Shareholders.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 27 to the consolidated financial statements and in the consolidated statement of changes in equity, respectively.

REPORT OF DIRECTORS

DISTRIBUTABLE RESERVES

As at 31 December 2014, the Company's reserves available for distribution to the Shareholders amounted to approximately HK\$89,241,000.

PLACING AND USE OF PROCEEDS

There were two placing transactions of Company's new shares during 2014 and the net proceeds raised from these two placing transactions were approximately HK\$38.1 million and HK\$58.2 million respectively. Subsequent to the IPO, on 14 October 2014, the Company placed 60,000,000 ordinary shares of the Company of nominal value of HK\$0.01 each to not less than six places at a price of HK\$0.98 per share (or a net price of HK\$0.97 per share), raising a net proceeds of approximately HK\$58.2 million as general working capital. The placing price of HK\$0.98 per share represents a discount of approximately 14.0% to the closing price of HK\$1.140 per share as quoted on the Stock Exchange on 29 September 2014, being the date of the placing agreement.

The Group was successfully listed on GEM on 15 January 2014 and raised a net proceed of HK\$38.1 million, of which (i) HK\$37.0 million had been lent to clients as intended; and (ii) the remaining HK\$1.1 million were used up as general working capital as intended by 30 June 2014.

In respect of the placing of new shares of the Company completed on 14 October 2014, up to the latest practicable date for the purpose of this report, approximately HK\$1.6 million from the net proceeds of HK\$58.2 million was used as general working capital and as intended. The remaining balance is kept in the Company's bank account and the Directors intend to utilise such remaining balance as general working capital as stated in the announcement of the Company dated 29 September 2014 in relation to this placing.

DIRECTORS

The Directors of the Company during the year ended 31 December 2014 and up to the date of the report were:

Executive Directors

Mr. Lam Shu Chung (*Chairman*)
Ms. Fung Yuk Chun Emily
Mr. Chu Sung Hei

Non-executive Director

Mr. Lum Pak Sum

Independent Non-executive Directors

Mr. Choy Sze Chung Jojo
Mr. Lee Siu Leung
Mr. See Lee Seng Reason
Dr. Fong Ping Wah (Appointed on 9 January 2015)

In accordance with articles 83(3) and 84 (1) of the Company's Articles of Association, Dr. Fong Ping Wah, Ms. Fung Yuk Chun Emily, Mr. Chu Sung Hei and Mr. Lee Siu Leung will retire as Directors by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting (the "AGM").

REPORT OF DIRECTORS

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Biographical information of Directors and senior management of the Group are set out from pages 20 to 23 of this annual report.

DIRECTORS' SERVICE CONTRACTS

Executive Directors have entered into service contracts with the Company for an initial term of three years and be thereafter continuous unless and until (i) the termination by either party thereto giving no less than three months' prior written notice; or (ii) the Director not being re-elected as a Director in accordance with the Articles of Association of the Company.

The non-executive Director and Independent Non-executive Directors are appointed for a fixed term of three years and either party may terminate such appointment at any time by giving at least three months' notice in writing to the other.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed above and in note 30 to the financial statements, no Director had material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

EMOLUMENT POLICY

The remuneration committee was established for reviewing and determining the remuneration and compensation packages of the Directors with reference to their responsibilities, workload, the time devoted to the Group and the performance of the Group. The Directors may also receive options to be granted under a share option scheme. The Company has conditionally adopted a share option scheme. The details of the share option scheme are set out in the paragraph headed "Share Option Scheme" below.

Details of the emoluments of the Directors and the five highest paid individuals of the Group are set out in notes 9 and 10 to the consolidated financial statements.

INTERESTS AND SHORT POSITIONS OF THE DIRECTORS AND CHIEF EXECUTIVES OF THE COMPANY IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 31 December 2014, the interests and short positions of the Directors and chief executives of the Company (the "Chief Executives") in the Shares, underlying Shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of listed issuer as referred to in rule 5.46 of the GEM Listing Rules (the "Required Standard of Dealings") were as follows:

REPORT OF DIRECTORS

Long position in ordinary shares of HK\$0.01 each and underlying shares

Name of Directors	Capacity/Nature of interests	Number of share held	Approximate percentage of issued share capital (Note 2)
Mr. Lam Shu Chung (Note 1)	Interest of a controlled corporation	145,000,000	40.28%

Notes:

- 145,000,000 shares are owned by Time Era Limited, which is owned as to 75% by Mr. Lam Shu Chung ("Mr. Lam"), as to 15% by Mr. Lam Shing Wan and as to 10% to Mr. Wong Kwan Lok. Neither Mr. Lam Shing Wan nor Mr. Wong Kwan Lok are related to Mr. Lam. Under the SFO, Mr. Lam is deemed to be interested in the shares held by Time Era Limited by virtue of Time Era Limited being controlled by Mr. Lam.
- The percentage is calculated on the basis of 360,000,000 shares of the Company in issue as at 31 December 2014.

Save as disclosed above, as at 31 December 2014, none of the Directors or the Chief Executives had any interests or short positions in the Shares, underlying Shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Required Standard of Dealings.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS OF THE COMPANY IN THE SHARES AND UNDERLYING SHARES

As at 31 December 2014, so far as is known to the Directors and the Chief Executives and based on the public records filed on the website of the Stock Exchange and records kept by the Company, the interests and short positions of the persons or corporations (other than the Directors and the Chief Executives) in the Shares or underlying Shares as recorded in the register required to be kept under section 336 of the SFO were as follows:

Name	Capacity/Nature of interests	Number of share held	Approximate percentage of issued share capital (Note 3)
Time Era Limited (Note 1)	Beneficial interest	145,000,000	40.28%
Ms. Choi Hing Lin Lori (Note 2)	Family interest	145,000,000	40.28%

Notes:

- 145,000,000 Shares are owned by Time Era Limited, a company owned as to 75% by Mr. Lam, an executive Director and the chairman of the Company, as to 15% by Mr. Lam Shing Wan and as to 10% to Mr. Wong Kwan Lok. Neither Mr. Lam Shing Wan nor Mr. Wong Kwan Lok are related to Mr. Lam. Under the SFO, Mr. Lam is deemed to be interested in the shares held by Time Era Limited by virtue of Time Era Limited being controlled by Mr. Lam.
- Ms. Choi Hing Lin Lori is the spouse of Mr. Lam. Under the SFO, Ms. Choi Hing Lin Lori is deemed, or taken to be interested in all the shares in which Mr. Lam is interested.
- The percentage is calculated on the basis of 360,000,000 shares of the Company in issue as at 31 December 2014.

REPORT OF DIRECTORS

Save as disclosed above, as at 31 December 2014, there was no person or corporation (other than the Directors and the Chief Executives) who had any interest or short position in the Shares or underlying Shares as recorded in the register of interests required to be kept by the Company under section 336 of the SFO.

OTHER INTERESTS DISCLOSEABLE UNDER THE SFO

Save as disclosed above, so far as is known to the Directors, there was no other person who had interest or short position in the Shares and underlying Shares that is discloseable under section 336 of the SFO.

RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the paragraphs headed "INTERESTS AND SHORT POSITIONS OF THE DIRECTORS AND CHIEF EXECUTIVES OF THE COMPANY IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION" and "SHARE OPTION SCHEME" in this report, at no time during the year ended 31 December 2014 was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of Shares in, or debentures of, the Company or any other body corporate.

Save as disclosed above, at no time during the year ended 31 December 2014 had the Directors and the Chief Executives (including their spouses and children under 18 years of age) any interest in, or been granted, or exercised any rights to subscribe for the Shares (or warrants or debentures, if applicable) and its associated corporations (within the meaning of the SFO).

PURCHASE, REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

SHARE OPTION SCHEME

The share option scheme enables the Company to grant options to any full-time or part-time employee of the Company or any member of the Group (the "Eligible Participant") as incentives or rewards for their contributions to the Group, the Company conditionally adopted a share option scheme (the "Scheme") on 19 December 2013 whereby the Board are authorised, at their absolute discretion and subject to the terms of the Scheme, to grant options to subscribe for the shares of the Company to the Eligible Participant. The Scheme will be valid and effective for a period of ten years commencing from the date of adoption of the Scheme.

As at the date of this report, the total number of shares available for issue under the Scheme is 30,000,000 shares, representing 8.33% of the issued share capital of the Company.

Upon acceptance of an option to subscribe for shares granted pursuant to the Scheme (the "Option"), the Eligible Participant shall pay HK\$1.00 to the Company by way of consideration for the grant. The Option will be offered for acceptance for a period of 21 days from the date on which the Option is granted. The subscription price for the shares subject to Options will be a price determined by the Board and notified to each participant and shall be the highest of: (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the Options, which must be a day on which trading of shares take place on the Stock Exchange (the "Trading Day");

REPORT OF DIRECTORS

(ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the 5 Trading Days immediately preceding the date of grant of the Options; and (iii) the nominal value of a share. For the purpose of calculating the subscription price, in the event that on the date of grant, the Company has been listed on the Stock Exchange for less than 5 Trading Days, the placing price shall be used as the closing price for any Trading Day falling within the period before the Listing Date. The Company shall be entitled to issue options, provided that the total number of shares which may be issued upon exercise of all options to be granted under the Scheme does not exceed 10% of the shares in issue from the Listing Date.

The Company may at any time refresh such limit, subject to the shareholders' approval and issue of a circular in compliance with the GEM Listing Rules, provided that the total number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under all the share option schemes of the Company does not exceed 30% of the shares in issue at the time. An option may be exercised in accordance with the terms of the Scheme at any time during a period as the Board may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof.

The total number of shares issued and to be issued upon exercise of the options granted and to be granted to each eligible participant (including exercised, cancelled and outstanding options) under the Share Option Scheme and any other share option scheme of the Company in any 12-month period up to and including the offer date shall not exceed 1% of the total number of shares in issue for the time being. Any further grant of options in excess of this limit is subject to shareholder's approval in general meeting.

As at the date of this report and since the adoption of the Scheme, no share option has been granted by the Company.

REMUNERATION OF DIRECTORS, SENIOR MANAGEMENT AND FIVE INDIVIDUALS WITH HIGHEST EMOLUMENTS

Details of the emoluments of the Directors, senior management and five individuals with highest emoluments are set out in notes 9 and 10 to the consolidated financial statements respectively.

COMPETING INTERESTS

The Directors are not aware of any business that they themselves are currently conducting or is being conducted by connected or related parties during the year.

RELATED PARTY TRANSACTIONS

During the year ended 31 December 2014, the Company monitored brokerage and margin financing transactions with (i) each of the executive Director, (ii) two former executive directors of the Company and (iii) a director of a subsidiary of the Company. Since the applicable ratios of the aggregated annual caps of brokerage services and margin financing services for each of them is less than 5% and less than HK\$1,000,000, these transactions fall within the exemption under Rule 20.74(1) of the GEM Listing Rules and no reporting, announcement and independent shareholders' approval are required. Further information for income generated from brokerage and financing services for the aforesaid parties is set out in note 30(b).

REPORT OF DIRECTORS

Further information in relation to the loans granted to the aforesaid parties is set out below:

	Relationship	Nature of account	Outstanding loan as at 1 January 2014 HK\$'000	Outstanding loan as at 31 December 2014 HK\$'000	Maximum outstanding amount during the year ended 31 December 2014 HK\$'000
Fung Yuk Chun, Emily	Director of the Company	Margin account Cash account	— —	— —	— —
Chung Chin Hung, Paul and an associate	Director of a subsidiary of the Company	Margin account Cash account	— —	— —	— 1
Chu Sung Hei	Director of the Company	Margin account Cash account	— —	48 —	508 47
Lam Shu Chung	Director of the Company	Margin account	—	—	—
Wong Kwan Lok	Shareholder of ultimate holding company	Margin account	—	—	1,803
Lam Shing Wan	Shareholder of ultimate holding company	—	—	—	—

Notes:

- (1) Loans will be incurred when the cost of the securities transaction is not settled within 2 days from the transaction date (i.e. T+2 settlement). Interest will start to be incurred from then.
- (2) Loans incurred via margin accounts were (i) secured by pledged securities under the margin accounts, (ii) repayable on demand and (iii) bore interest at 8.25% per annum. Loans incurred via cash accounts were unsecured, repayable on demand and bore interest at 11.25% per annum.
- (3) This figures shown in the table above are different from those set out in note 30(c) to the accounts for the year ended 31 December 2014. Trade receivables shown in note 30(c) to the accounts for the year ended 31 December 2014 include transaction amount which was not yet due for settlement (i.e. within the T+2 settlement period) and therefore not constitute loans to the aforesaid parties as at 31 December 2014.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2014, the largest customer of the Group contributes approximately 21.0% of the turnover of the Group. The total revenue of the 5 largest customers accounted for 38.6% of the turnover of the Group.

As far as the Directors aware, neither the Director nor their associates nor any shareholder (which to the knowledge of Directors own more than 5% of the Company's issued share capital) had any interest in these 5 largest customers of the Group.

Due to the nature of the Group's business activities, the Group has no suppliers.

REPORT OF DIRECTORS

CONFIRMATION OF INDEPENDENCE

The Company has received from each of the independent non-executive Directors an annual confirmation of independence pursuant to Rule 5.09 of the GEM Listing Rules and considers all the Independent Non-executive Directors to be independent.

INTEREST OF COMPLIANCE ADVISER

As notified by Altus Capital Limited ("Altus"), the Company's compliance adviser, neither Altus nor any of its directors or employees or associates had any interest in the share capital of the Company or any member of the Group (including options or rights to subscribe for such securities) as at 31 December 2014.

FINAL DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2014 (2013: Nil).

CORPORATE GOVERNANCE

The Board is of the view that the Company has met the code provisions set out in the Corporate Governance Code and Corporate Governance Report contained in Appendix 15 to the GEM Listing Rules save for the deviation of A.2.1 of the Corporate Governance Code and Corporate Governance Report. A report on the principal corporate governance practices adopted by the Company is set out from pages 11 to 19 of this annual report.

NON-COMPETITION UNDERTAKING

Details of Non-Competition Undertaking of Mr. Lam Shu Chung and Time Era Limited under the Deed of Non-competition during the year are set out in the paragraph headed "Non-Competition Undertaking" in the Corporate Governance Report of this annual report.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

AUDITORS

The consolidated financial statements for the year ended 31 December 2014 have been audited by the Company's auditor, CCIF CPA Limited, who shall retire and, being eligible, offer themselves for re-appointment at the AGM. A resolution for the re-appointment of CCIF CPA Limited as auditor of the Company will be proposed at the AGM.

On behalf of the board

Lam Shu Chung
Chairman

Hong Kong, 17 March 2015

INDEPENDENT AUDITOR'S REPORT

**CCIF****CCIF CPA LIMITED**

陳葉馮會計師事務所有限公司

9/F Leighton Centre

77 Leighton Road

Causeway Bay Hong Kong

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
ORIENT SECURITIES INTERNATIONAL HOLDINGS LIMITED***(Incorporated in the Cayman Islands with limited liability)*

We have audited the consolidated financial statements of Orient Securities International Holdings Limited ("the Company") and its subsidiaries (together "the Group") set out on pages 34 to 83, which comprise the consolidated and company statements of financial position as at 31 December 2014, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

INDEPENDENT AUDITOR'S REPORT

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2014, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

CCIF CPA Limited

Certified Public Accountants
Hong Kong, 17 March 2015

Kwok Cheuk Yuen

Practising Certificate Number P02412

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2014

	Note	2014 HK\$'000	2013 HK\$'000
TURNOVER	5	43,356	36,150
Other revenue	6	218	46
		43,574	36,196
Staff costs	7(a)	(7,905)	(5,743)
Administrative expenses		(8,612)	(5,923)
Finance costs	8	(76)	(50)
Listing expenses		(3,901)	(7,653)
PROFIT BEFORE TAXATION	7	23,080	16,827
Income tax	12(a)	(5,150)	(4,037)
PROFIT FOR THE YEAR ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY		17,930	12,790
Other comprehensive income for the year		—	—
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY		17,930	12,790
EARNINGS PER SHARE			
Basic and diluted	14	5.78 cents	5.68 cents

The notes on pages 38 to 83 form part of these financial statements.

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2014

	Note	The Group		The Company	
		2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
NON-CURRENT ASSETS					
Property, plant and equipment	15	105	107	—	—
Other assets	16	700	1,257	—	—
Intangible assets	17	—	—	—	—
Investments in subsidiaries	18	—	—	—	—
Other financial assets	19	—	—	32,000	—
		805	1,364	32,000	—
CURRENT ASSETS					
Trade receivables	20	145,809	106,337	—	—
Prepayments, deposits and other receivables	21	1,441	5,057	248	148
Bank balances held on behalf of clients	22	62,267	61,916	—	—
Cash and cash equivalents	23	121,299	40,474	64,132	82
		330,816	213,784	64,380	230
CURRENT LIABILITIES					
Trade payables	24	80,720	79,145	—	—
Other payables and accruals	25	1,084	1,347	3,539	210
Current tax payable	12(c)	2,107	1,990	—	—
		83,911	82,482	3,539	210
NET CURRENT ASSETS		246,905	131,302	60,841	20
NET ASSETS		247,710	132,666	92,841	20
CAPITAL AND RESERVES					
Share capital	26	3,600	—	3,600	—
Reserves	27	244,110	132,666	89,241	20
TOTAL EQUITY		247,710	132,666	92,841	20

Approved and authorised for issue by the board of directors on 17 March 2015 and signed on its behalf by:

Lam Shu Chung
Director

Fung Yuk Chun Emily
Director

The notes on pages 38 to 83 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

	Attributable to equity shareholders of the Company				
	Share capital	Share premium	Merger reserve	Retained profits	Total
	(note 26) HK\$'000	(note 27(ii)) HK\$'000	(note 27(i)) HK\$'000	HK\$'000	HK\$'000
At 1 January 2013	—	—	8	119,868	119,876
Profit and total comprehensive income for the year	—	—	—	12,790	12,790
At 31 December 2013 and 1 January 2014	—	—	8	132,658	132,666
Profit and total comprehensive income for the year	—	—	—	17,930	17,930
Issuance of new shares by way of placing	1,350	102,450	—	—	103,800
Share issue expense	—	(6,686)	—	—	(6,686)
Capitalisation issue	2,250	(2,250)	—	—	—
At 31 December 2014	3,600	93,514	8	150,588	247,710

The notes on pages 38 to 83 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

Note	2014 HK\$'000	2013 HK\$'000
Operating activities		
Profit before taxation	23,080	16,827
Adjustments for:		
Amortisation of intangible assets	—	13
Depreciation	86	66
Impairment losses on trade receivables	—	400
Interest income	(49)	(27)
	23,117	17,279
Changes in working capital		
Decrease/(increase) in statutory and other deposits	557	(732)
Increase in trade receivables	(39,472)	(9,825)
Decrease/(increase) in prepayments, deposits and other receivables	3,616	(540)
Increase in bank balances held on behalf of clients	(351)	(33,935)
Increase in trade payables	1,575	39,999
Decrease in other payables and accruals	(263)	(247)
Cash (used in)/generated from operations	(11,221)	11,999
Hong Kong profits tax paid	(5,033)	(2,491)
Interest received	49	27
Net cash (used in)/generated from operating activities	(16,205)	9,535
Investing activities		
Payment for the purchase of property, plant and equipment	(84)	(122)
Net cash used in investing activities	(84)	(122)
Financing activities		
Dividends paid	—	(12,000)
Proceeds from issuance of shares upon listing	45,000	—
Proceeds from issuance of new shares by way of placing	58,800	—
Transaction costs directly attributable to the issuance of shares	(6,686)	—
Net cash generated from/(used in) financing activities	97,114	(12,000)
Net increase/(decrease) in cash and cash equivalents	80,825	(2,587)
Cash and cash equivalents as at the beginning of the year	40,474	43,061
Cash and cash equivalents as at the end of the year	121,299	40,474

The notes on pages 38 to 83 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

1. GENERAL

Orient Securities International Holdings Limited (the "Company") was incorporated and registered as an exempted company with limited liability on 5 January 2009 under the Companies Law of the Cayman Islands and acts as an investment holding company. Its shares are listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 15 January 2014. The Company's registered office address is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and the principal place of business of the Company is Rooms 2801-2804, 28th Floor, Dah Sing Financial Centre, No. 108 Gloucester Road, Wanchai, Hong Kong.

The Company acts as an investment holding company. The principal activities of its subsidiaries are the provision of (i) brokerage service; (ii) underwriting and placing service; (iii) securities and initial public offering financing service; and (iv) investment holding.

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 HKFRSs, 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 the disclosure requirements of the Hong Kong Companies Ordinance, which for this financial year and the comparative period continue to be those of the predecessor Hong Kong Companies 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 on the GEM of the Stock Exchange. 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 consolidated financial statements for the year ended 31 December 2014 comprise the Company and its subsidiaries (together referred to as the "Group").

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). These financial statements are presented in Hong Kong dollars ("HKD"), rounded to the nearest thousand except for investment in subsidiaries, share capital and per share data. Hong Kong dollar is the Company's functional and the Group's presentation currency.

The measurement basis used in the preparation of the financial statements is the historical cost basis.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) *Basis of preparation of the financial statements (Continued)*

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.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 3.

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 and the Company:

- 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

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Except for the below mentioned, the adoption of the new or amended HKFRSs has no significant financial effect on these financial statements.

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.

d) *Subsidiaries*

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

d) *Subsidiaries (Continued)*

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.

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, unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

e) *Property, plant and equipment*

Property, plant and equipment are stated in the consolidated statement of financial position at cost less any accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives, at the following rates per annum:

Computer equipment	20% — 50%
Office equipment	20% — 33.33%
Furniture and fixtures	30% — 33.33%
Motor vehicle	33.33%

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

Subsequent costs are included in the assets's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised in profit or loss during the financial period in which they are incurred.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

e) *Property, plant and equipment (Continued)*

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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

f) *Intangible assets*

Intangible assets represent trading rights of the Stock Exchange, with which the holders have the rights to trade on the Stock Exchange. On initial recognition, intangible assets acquired separately are recognised at cost. After initial recognition, intangible assets with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for trading rights of the Stock Exchange with finite useful lives is recognised on a straight-line basis over their estimated useful lives of five years.

The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss in the period when the asset is derecognised.

g) *Operating lease charges*

Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases. Where the Group has the use of assets 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 terms, 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. Contingent rentals are charged as expenses in the accounting period in which they are incurred.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

h) Impairment of assets

i) Impairment of receivables

Current and non-current receivables that are stated at cost or amortised cost are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

If any such evidence exists, any impairment loss is determined and recognised as follows:

- For trade receivables and other current receivables and other financial assets 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 these financial assets 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.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade receivables directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

h) Impairment of assets (Continued)

ii) Impairment of other assets

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

- property, plant and equipment;
- intangible assets; and
- investments in subsidiaries in the Company's statement of financial position.

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 of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the 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 the profit or loss whenever 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 first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other 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 of disposal (if measurable), 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 an 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

h) Impairment of assets (Continued)

iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the GEM of the Stock Exchange, the Group is required to prepare a quarterly financial report in compliance with HKAS 34, Interim Financial Reporting, in respect of each quarter of the financial year. At the end of the quarterly period, the Group applies the same impairment testing, recognition and reversal criteria as it would at the end of the financial year (see notes 2(h)(i) and (ii)).

i) Trade and other receivables

Trade 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, 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 (see note 2(h)).

j) Trade and other payables

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with note 2(n)(i), trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

k) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amount of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

l) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

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. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

l) Employee benefits (Continued)

(ii) Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

m) 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 end of the reporting period, 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 that 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

m) Income tax (Continued)

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 end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits 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.

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 Company or 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 Company or 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

n) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee is initially recognised as deferred income within trade and other payables. The fair value of financial guarantees issued at the time of issuance is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or is otherwise estimated by reference to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 2(n)(ii) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

(ii) Other provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group or the Company 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

o) 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) Commission income

- Brokerage income from securities dealing are recognised on a trade date basis.
- Underwriting, sub-underwriting, placing and sub-placing commission income are recognised in accordance with the terms of the underlying agreements or deal mandates when the relevant significant acts have been completed.

ii) Interest income

- Interest income from bank deposit is accrued using the effective interest method by reference to the principal deposited and at the rate applicable.
- Interest income from clients and employee is accrued using the effective interest method by reference to the outstanding balance and at the rate applicable.

p) 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 the reporting period. Exchange gains and losses are recognised in profit or loss, except those arising from foreign currency borrowings used to hedge a net investment in a foreign operation which are recognised in other comprehensive income.

Non-monetary assets and liabilities measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the translation date. Non-monetary assets and liabilities denominated in foreign currencies stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

q) Related parties

- (a) A person, or a close member of that person's family, is related to the Group if that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or the Group's parent.
- (b) An entity is related to the Group if any of the following conditions applies:
 - (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

r) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

s) Segment reporting

Operating segments, and the amounts of each segment item reported in the 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 clients, 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

3. ACCOUNTING ESTIMATES AND JUDGEMENTS

a) *Key sources of estimation uncertainty*

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Estimated provision for impairment of trade and other receivables

The Group makes provision for impairment of trade and other receivables based on an assessment of the recoverability of trade and other receivables. Provisions are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of doubtful debts requires the use of judgement and estimates based on the credit history of the clients and the current market conditions. Where the expectation is different from the original estimate, such difference will impact the carrying amount of receivables and impairment allowance in the period in which such estimate has been changed. The carrying amount of trade and other receivables as at 31 December 2014 was HK\$146,028,000 (2013: HK\$106,828,000).

b) *Critical accounting judgements in applying the Group's accounting policies*

In process of applying the Group's accounting policies, management has made the following accounting judgements:

Income tax

Determining income tax provisions involves judgement of the future tax treatment of certain transactions and the interpretation of tax rule. The Group carefully evaluates the tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislation.

4. SEGMENT REPORTING

The Group manages its businesses by business lines. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management, being the chief operating decision maker, for the purposes of resource allocation and performance assessment, the Group has presented the following three reportable segments. No operating segments have been aggregated to form any of the following reportable segments.

Brokerage	—	Provision of brokerage service
Underwriting and placing	—	Provision of underwriting and placing service
Financing	—	Provision of securities and initial public offering financing service

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

4. SEGMENT REPORTING (Continued)

a) Segment revenue, results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's most senior executive management monitors the revenue, results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all non-current and current assets with the exception of prepaid listing expenses. Segment liabilities include all current liabilities with the exception of current tax payable.

Revenue and expenses are allocated to the reportable segments with reference to revenue generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation and amortisation of assets attributable to those segments.

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 2. Segment profit represents the profit earned by each segment without allocation of interest income on employee's loan, sundry income, listing expenses and income tax expenses.

The segment revenue and results for the year ended 31 December 2014 are as follows:

	Brokerage HK\$'000	Financing HK\$'000	Underwriting and placing HK\$'000	Total HK\$'000
Reportable segment revenue				
Revenue from external clients	13,832	7,316	22,208	43,356
Reportable segment profit	8,426	4,435	13,939	26,800
Items included in the measure of segment profit:				
Interest income on bank deposits	37	—	—	37
Depreciation of property, plant and equipment	(43)	(26)	(17)	(86)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

4. SEGMENT REPORTING (Continued)

a) Segment revenue, results, assets and liabilities (Continued)

The segment assets and liabilities as at 31 December 2014 and capital expenditure for the year ended 31 December 2014 are as follows:

	Brokerage HK\$'000	Financing HK\$'000	Underwriting and placing HK\$'000	Total HK\$'000
Segment assets	189,844	141,756	21	331,621
Segment liabilities	57,556	24,248	—	81,804
Additions to non-current assets	42	25	17	84

The segment revenue and results for the year ended 31 December 2013 are as follows:

	Brokerage HK\$'000	Financing HK\$'000	Underwriting and placing HK\$'000	Total HK\$'000
Reportable segment revenue				
Revenue from external clients	10,109	7,104	18,937	36,150
Reportable segment profit	6,715	4,314	13,418	24,447

Items included in the measure of segment profit:

Interest income	13	—	—	13
Depreciation of property, plant and equipment	(33)	(20)	(13)	(66)
Amortisation of intangible assets	(7)	(4)	(2)	(13)
Impairment losses on trade receivables	—	(400)	—	(400)

The segment assets and liabilities as at 31 December 2013 and capital expenditure for the year ended 31 December 2013 are as follows:

	Brokerage HK\$'000	Financing HK\$'000	Underwriting and placing HK\$'000	Total HK\$'000
Segment assets	128,690	82,989	22	211,701
Segment liabilities	45,094	35,398	—	80,492
Additions to non-current assets	61	37	24	122

There were no inter-segment sales during the year (2013: Nil). The analysis of the Group's revenue by major services is disclosed in note 5.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

4. SEGMENT REPORTING *(Continued)*

b) *Reconciliations of reportable segment profit, assets and liabilities*

	2014 HK\$'000	2013 HK\$'000
Profit		
Reportable segment profit	26,800	24,447
Other revenue	181	33
Listing expenses	(3,901)	(7,653)
Consolidated profit before taxation	23,080	16,827
Assets		
Reportable segment assets	331,621	211,701
Prepaid listing expenses	—	3,447
Consolidated total assets	331,621	215,148
Liabilities		
Reportable segment liabilities	81,804	80,492
Current tax payable	2,107	1,990
Consolidated total liabilities	83,911	82,482

c) *Information about geographical areas*

All of the activities of the Group are carried out in Hong Kong and all of the Group's revenue for the years ended 31 December 2014 and 2013 are derived from Hong Kong. Accordingly, no analysis of geographical information is presented. The Group's assets are located in Hong Kong.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

4. SEGMENT REPORTING (Continued)

d) Information about major clients

Revenues from clients contributing 10% or more of the total revenue of the Group during the year are as follows:

	2014 HK\$'000	2013 HK\$'000
Contributed by underwriting and placing segment:		
Client A	9,122	–
Client B	–	4,245
	9,122	4,245

5. TURNOVER

Turnover represents commission from brokerage service, commission from underwriting and placing service and interest income from securities and initial public offering financing service. An analysis of the Group's turnover is as follows:

	2014 HK\$'000	2013 HK\$'000
Commission from brokerage service	13,832	10,109
Commission from underwriting and placing service	22,208	18,937
Interest income from securities and initial public offering financing service	7,316	7,104
	43,356	36,150

6. OTHER REVENUE

	2014 HK\$'000	2013 HK\$'000
Interest income on		
— bank deposits	37	13
— employee's loan	12	14
Total interest income on financial assets not at fair value through profit or loss	49	27
Sundry income	169	19
	218	46

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

7. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	2014 HK\$'000	2013 HK\$'000
a) Staff costs:		
Directors' emoluments (note 9)	1,981	815
Other staff costs		
— Commission paid	397	732
— Contributions to defined contribution retirement benefits scheme	235	188
— Medical and insurance	158	67
— Salaries and allowances	5,118	3,928
— Staff welfare and recruitment	16	13
	7,905	5,743
b) Other items:		
Amortisation for intangible assets	—	13
Auditor's remuneration	500	300
Impairment losses on trade receivables	—	400
Depreciation for property, plant and equipment	86	66
Operating lease charges in respect of office premises	2,996	1,916

8. FINANCE COSTS

	2014 HK\$'000	2013 HK\$'000
Facility arrangement fee	76	50

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

9. DIRECTORS' EMOLUMENTS

Directors' emoluments 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), are as follows:

For the year ended 31 December 2014

	Fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Discretionary bonuses HK\$'000	Contributions to defined contribution retirement benefits scheme HK\$'000	Total emoluments HK\$'000
Executive Directors					
Lam Shu Chung	463	9	20	18	510
Fung Yuk Chun, Emily	404	10	23	18	455
Chu Sung Hei	404	9	20	18	451
Non-executive Director					
Lum Pak Sum	289	—	—	—	289
Independent Non-executive Directors					
Choy Sze Chung, Jojo	92	—	—	—	92
Lee Siu Leung	92	—	—	—	92
See Lee Seng, Reason	92	—	—	—	92
	1,836	28	63	54	1,981

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

9. DIRECTORS' EMOLUMENTS (Continued)

For the year ended 31 December 2013

	Fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Discretionary bonuses HK\$'000	Contributions to defined contribution retirement benefits scheme HK\$'000	Total emoluments HK\$'000
Executive Directors					
Lam Shu Chung (note i)	—	240	—	12	252
Chung Chin Hung (notes i and ii)	—	60	—	2	62
Fung Yuk Chun, Emily (note i)	—	277	—	14	291
Chu Sung Hei (note iii)	—	200	—	10	210
Non-executive Director					
Lum Pak Sum (note i)	—	—	—	—	—
Independent Non-executive Directors					
Choy Sze Chung, JoJo (note i)	—	—	—	—	—
Lee Siu Leung (note i)	—	—	—	—	—
See Lee Seng, Reason (note iv)	—	—	—	—	—
	—	777	—	38	815

Note:

- (i) Mr. Lam Shu Chung, Mr. Chung Chin Hung, Ms. Fung Yuk Chun, Emily, Mr. Lum Pak Sum, Mr. Choy Sze Chung, JoJo and Mr. Lee Siu Leung have agreed to waive their respective emoluments of approximately HK\$397,000 for the period from 1 January 2013 to 25 March 2013. Director's service agreements in relation to Mr. Lam Shu Chung and Ms. Fung Yuk Chun, Emily and letters of appointment in relation to Mr. Lum Pak Sum, Mr. Choy Sze Chung, JoJo and Mr. Lee Siu Leung were terminated with effect from 25 March 2013.
- (ii) Mr. Chung Chin Hung resigned on 22 February 2013.
- (iii) Mr. Chu Sung Hei was appointed as executive director on 26 February 2013.
- (iv) Mr. See Lee Seng, Reason was appointed as independent non-executive director on 26 February 2013.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

10. INDIVIDUALS WITH HIGHEST EMOLUMENTS

The five individuals with the highest emoluments in the Group included 3 (2013: 1) directors of the Company, details of whose emoluments are disclosed in note 9. The aggregate of the emoluments in respect of the remaining highest paid individuals are as follows:

	2014 HK\$'000	2013 HK\$'000
Salaries, commission, allowances and benefits in kind	840	1,296
Discretionary bonuses	24	—
Contributions to defined contribution retirement benefits scheme	34	38
	898	1,334[#]

[#] Including the emoluments paid to Mr. Chung Chin Hung as disclosed in note 9.

The number of the remaining highest paid individuals whose emoluments is within the following bands:

	2014	2013
Nil to HK\$1,000,000	2	4

During the year, no emolument has been paid by the Group to the directors as set out in note 9 above or any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office (2013: Nil).

11. RESULT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated profit attributable to equity shareholders of the Company include a loss of approximately HK\$4,293,000 (2013: a loss of approximately HK\$221,000) which has been dealt with in the financial statements of the Company.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

12. INCOME TAX

a) *Income tax in the consolidated statement of profit or loss and other comprehensive income represents:*

	2014 HK\$'000	2013 HK\$'000
Current tax — Hong Kong Profits Tax		
Provision for the year	5,150	4,047
Over-provision in respect of prior years	—	(10)
	5,150	4,037

The provision for Hong Kong Profits tax for 2014 is calculated at 16.5% (2013: 16.5%) of estimated assessable profits for the year.

b) *Reconciliation between tax expense and accounting profit at applicable tax rate:*

	2014 HK\$'000	2013 HK\$'000
Profit before taxation	23,080	16,827
Notional tax on profit before taxation, calculated at the rate applicable to profits in Hong Kong at 16.5%	3,808	2,776
One-off tax reduction	—	(10)
Tax effect of non-taxable income	(5)	(5)
Tax effect of non-deductible expenses	1,355	1,309
Tax effect of unrecognised temporary differences	(10)	(25)
Tax effect of unused tax losses not recognised	2	2
Over-provision in prior years	—	(10)
Actual tax expense	5,150	4,037

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

12. INCOME TAX (Continued)

c) Current taxation in the consolidated statement of financial position represents:

	The Group	
	2014 HK\$'000	2013 HK\$'000
Provision for Hong Kong Profits Tax for the year	5,150	4,047
Less: provisional profits tax paid	(3,043)	(2,057)
Current tax payable	2,107	1,990

d) Deferred taxation

The Group had no significant unprovided deferred tax assets or liabilities during the year and at the end of the reporting period (2013: Nil).

13. DIVIDENDS

An interim dividend of HK\$1,200 per share, totalling HK\$12,000,000 was declared by the Company during the year ended 31 December 2012. The interim dividend was paid by Capital Business to its then shareholders during the year ended 31 December 2013.

The directors of the Company do not recommend the payment of a dividend for the year ended 31 December 2014 (2013: Nil).

14. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit for the year attributable to equity shareholders of the Company of HK\$17,930,000 (2013: HK\$12,790,000) and the weighted average of 310,109,589 ordinary shares (2013: 225,000,000) in issue during the year, calculated as follows:

	2014	2013
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	310,109,589	225,000,000

The weighted average number of ordinary shares for the purpose of basic earnings per share has been determined on the assumption that the capitalisation issue have been effective on 1 January 2013.

Diluted earnings per share equals to basic earnings per share as there were no dilutive potential ordinary shares outstanding during the years ended 31 December 2014 and 2013.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

15. PROPERTY, PLANT AND EQUIPMENT

The Group

	Computer equipment HK\$'000	Office equipment HK\$'000	Furniture and fixtures HK\$'000	Motor vehicle HK\$'000	Total HK\$'000
Cost					
At 1 January 2013	3,185	664	1,624	371	5,844
Additions	122	—	—	—	122
At 31 December 2013	3,307	664	1,624	371	5,966
At 1 January 2014	3,307	664	1,624	371	5,966
Additions	10	33	41	—	84
At 31 December 2014	3,317	697	1,665	371	6,050
Accumulated depreciation					
At 1 January 2013	3,140	658	1,624	371	5,793
Charge for the year	60	6	—	—	66
At 31 December 2013	3,200	664	1,624	371	5,859
At 1 January 2014	3,200	664	1,624	371	5,859
Charge for the year	62	10	14	—	86
At 31 December 2014	3,262	674	1,638	371	5,945
Carrying amount					
At 31 December 2014	55	23	27	—	105
At 31 December 2013	107	—	—	—	107

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

16. OTHER ASSETS

	The Group	
	2014 HK\$'000	2013 HK\$'000
Statutory and other deposits	700	1,257

Statutory and other deposits represent deposits with various exchanges and clearing houses. They are non-interest-bearing.

17. INTANGIBLE ASSETS

	The Group HK\$'000
Cost	
At 1 January 2013, 31 December 2013, 1 January 2014 and 31 December 2014	3,680
Accumulated amortisation	
At 1 January 2013	3,667
Charge for the year	13
At 31 December 2013 and 1 January 2014	3,680
Charge for the year	—
At 31 December 2014	3,680
Carrying amount	
At 31 December 2014	—
At 31 December 2013	—

18. INVESTMENTS IN SUBSIDIARIES

	The Company	
	2014 HK\$	2013 HK\$
Unlisted shares, at cost	99.99	99.99

Details of the Company's subsidiaries at 31 December 2014 and 2013 are as follow. None of the subsidiaries had any debt securities outstanding at the end of the reporting period, or at any time during the year.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

18. INVESTMENTS IN SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ operation	Attributable equity interest held by the Company				Issued and paid-up capital	Principal activities	Legal form
		Directly		Indirectly				
		2014	2013	2014	2013			
Capital Business International Limited ("Capital Business")	British Virgin Islands/Hong Kong	100%	100%	—	—	1,000 ordinary shares of US\$1 each	Investment holding	Private limited liability company
Orient Securities Holdings Limited	Hong Kong/Hong Kong	—	—	100%	100%	18,832 ordinary shares	Investment holding	Private limited liability company
Orient Securities Limited ("Orient Securities")	Hong Kong/Hong Kong	—	—	100%	100%	20,000,000 ordinary shares	Provision of brokerage service, underwriting and placing service and securities and initial public offering financing service	Private limited liability company
Orient Securities International Limited (Formerly known as Orient Securities International Holdings Limited) (note 1)	Hong Kong/Hong Kong	—	—	—	100%	1 ordinary shares	Not yet commence business	Private limited liability company
Orient Securities Finance Limited (note 2)	Hong Kong/Hong Kong	—	—	100%	—	10,000 ordinary shares	Not yet commence business	Private limited liability company

Notes:

- Orient Securities International Limited was deregistered and dissolved on 12 July 2013.
- Orient Securities Finance Limited was newly incorporated on 4 November 2014.

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For the year ended 31 December 2014

19. OTHER NON-CURRENT FINANCIAL ASSETS

	The Group		The Company	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Subordinated loan to a subsidiary	—	—	32,000	—
	—	—	32,000	—

The Company's subordinated loan to a subsidiary, Orient Securities, is unsecured, non-interest bearing and repayable on a date as agreed between the Company and the subsidiary, subject to the overriding provision of the subordinated loan agreement that, if the subsidiary becomes insolvent or unable to meet the liquid capital requirements set out in the Hong Kong Securities and Futures (Financial Resources) Rules, the repayment of the loan will be subordinated to the prior repayment of all other creditors of the subsidiary. In the opinion of the directors, the balance is not repayable within 2 years from the date of the loan agreement.

20. TRADE RECEIVABLES

	The Group	
	2014 HK\$'000	2013 HK\$'000
Trade receivables arising from the business of dealing in securities and equity option:		
— Cash clients	3,216	2,007
— Clearing house	869	21,373
— Margin finance loans	141,724	83,357
	145,809	106,737
Less: Allowance for doubtful debts	—	(400)
	145,809	106,337

The settlement terms of trade receivables arising from cash clients and clearing house are two days after trade date.

Margin finance loans are secured by clients' pledged securities, repayable on demand and bear interest at variable commercial rates. No ageing analysis is disclosed, as in the opinion of the directors of the Company, the ageing analysis does not give additional value in view of the nature of business of securities margin financing.

As at 31 December 2014, the total market value of securities pledged as collaterals in respect of the margin finance loans were approximately HK\$684,603,000 (2013: HK\$291,863,000). The collateral held can be repledged and can be sold at the Group's discretion to settle any outstanding amount owed by margin clients. The Group has concentration of credit risk as 55% (2013: 41%) of the total loans to securities margin clients was due from the Group's five largest securities margin clients.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

20. TRADE RECEIVABLES (Continued)

a) Ageing analysis

The trade receivables arising from cash clients and clearing house (net of allowance for doubtful debts) with the following ageing analysis, presented based on the trade date which approximates revenue recognition date, as at the end of the reporting period:

	The Group	
	2014 HK\$'000	2013 HK\$'000
Current	4,057	22,000
Less than 1 month past due	27	1,376
1 to 3 months past due	—	—
More than 3 months but less than 12 months past due	1	4
Amounts past due	28	1,380
	4,085	23,380

Receivables that were neither past due nor impaired relate to a wide range of clients for whom there was no recent history of default.

b) Impairment of trade receivables

Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly.

Movement in the allowance for doubtful debts:

	The Group	
	2014 Margin finance loans HK\$'000	2013 Margin finance loans HK\$'000
At 1 January	400	—
Impairment loss recognised	—	400
Uncollectible amounts written off	(400)	—
At 31 December	—	400

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate gross balance of nil as at 31 December 2014 (2013: HK\$400,000), due to the default or delinquency in interest or principal payments. The Group has a policy for allowance of doubtful debts which is based on the evaluation of collectibility and ageing analysis of accounts and management's judgement including the current credit worthiness, collaterals and the past collection history of each client.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

20. TRADE RECEIVABLES (Continued)

c) Trade receivables that are past due but not impaired

The ageing analysis of the trade receivables arising from cash clients and clearing house which are past due but not impaired at the end of reporting period, are as follows:

	The Group	
	2014 HK\$'000	2013 HK\$'000
Less than 1 month past due	27	1,376
1 to 3 months past due	—	—
More than 3 months but less than 12 months past due	1	4
	28	1,380

In determining the recoverability of the trade receivables, the Group considers any change in the credit quality of the trade receivables from the date credit was initially granted and subsequent settlement up to the end of the reporting period. In the opinion of the directors of the Company, there is no further credit provision required in excess of the allowance for doubtful debts. The Group does not hold any collateral over these balances.

21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	The Group		The Company	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Other receivables	219	491	—	—
Prepayments	292	3,631	12	—
Rental and other deposits (note i)	930	935	—	—
Amount due from a subsidiary (note ii)	—	—	236	148
	1,441	5,057	248	148

Note:

- i Rental and other deposits expected to be recovered after more than one year is approximately HK\$912,000 (2013: HK\$912,000).
- ii The amount is unsecured, interest-free and repayable on demand.

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22. BANK BALANCES HELD ON BEHALF OF CLIENTS

The Group maintains segregated trust accounts with authorised institutions to hold clients' monies in accordance with the Securities and Futures (Client Money) Rules under the Securities and Futures Ordinance. These clients' monies are maintained in three trust bank accounts, bear interest at commercial rate with original maturity of three months or less. In the consolidated statement of financial position, the Group has classified the clients' monies as bank balances held on behalf of clients in current assets and recognised the corresponding accounts payable to the respective clients and other institutions in current liabilities as 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.

23. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Cash at bank	121,297	40,471	64,132	82
Cash on hand	2	3	—	—
Cash and cash equivalents in the statements of financial position and the consolidated statement of cash flows	121,299	40,474	64,132	82

During the year, the interest rates on the cash at bank and deposits with banks of the Group ranged from nil to 0.02% (2013: Nil to 0.02%) per annum.

24. TRADE PAYABLES

	The Group	
	2014 HK\$'000	2013 HK\$'000
Trade payables arising from the business of dealing in securities:		
— Cash clients	40,671	43,662
— Margin clients	24,248	35,398
— Clearing house	15,801	—
— Clients' deposits	—	85
	80,720	79,145

The settlement terms of trade payables arising from the business of dealing in securities are two days after trade date.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

24. TRADE PAYABLES (Continued)

Trade payables to clients and clearing house bear variable interest at commercial rates, and repayable on demand subsequent to two days after trade date. No ageing analysis is disclosed as in the opinion of directors of the Company, the ageing analysis does not give additional value in view of the nature of business of dealing in securities.

The trade payables included HK\$62,267,000 as at 31 December 2014 (2013: HK\$61,916,000) payable to clients and other institutions in respect of the trust and segregated bank balances received and held for clients in the course of conducting the regulated activities. However, the Group currently does not have an enforceable right to offset these payables with the deposits placed.

The fair values of the trade payables as at the end of the reporting period approximate the corresponding carrying amounts.

25. OTHER PAYABLES AND ACCRUALS

	The Group		The Company	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Accruals	778	1,039	570	210
Amount due to a subsidiary (note i)	—	—	2,969	—
Commission rebate to clients	27	25	—	—
Stamp duty, levy fee, trading fee, clearing fee and CCASS fee payable	279	283	—	—
	1,084	1,347	3,539	210

Note :

- i The amount due is unsecured, interest-free and repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

26. SHARE CAPITAL

	Note	Number of shares	HK\$
Authorised:			
At 1 January 2013, 31 December 2013, 1 January 2014 and 31 December 2014 ordinary shares of HK\$0.01 each		20,000,000,000	200,000,000
Issued and fully paid:			
At 1 January 2013, 31 December 2013 and 1 January 2014 ordinary shares of HK\$0.01 each		10,000	100
Capitalisation issue	(i)	224,990,000	2,249,900
Issuance of shares upon listing	(ii)	75,000,000	750,000
Issuance of new shares by way of placing	(iii)	60,000,000	600,000
At 31 December 2014 ordinary shares of HK\$0.01 each		360,000,000	3,600,000

Note:

- (i) Pursuant to the resolution of the sole shareholder of the Company on 19 December 2013, it was approved to issue 224,990,000 ordinary shares of HK\$0.01 each to Time Era Limited, a substantial shareholder of the Company, by way of capitalisation of HK\$2,249,900 from the share premium account upon listing of the Company's shares on the Stock Exchange. Such shares were issued on 15 January 2014.
- (ii) On 15 January 2014, 75,000,000 ordinary shares of HK\$0.01 each of the Company were issued at HK\$0.60 by way of placing. On the same date, the Company's shares were listed on the GEM of the Stock Exchange.
- (iii) The Company has completed further placing of its 60,000,000 new shares to independent third parties on 14 October 2014 at the placing price of HK\$0.98 per placing share and raised HK\$58.2 million after deducting all direct costs including commission.

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 and in all other respects.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

27. RESERVES

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. 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 premium (note (ii)) HK\$'000	Retained profits/ (Accumulated losses) HK\$'000	Total HK\$'000
At 1 January 2013	—	241	241
Loss and total comprehensive loss for the year	—	(221)	(221)
At 31 December 2013 and 1 January 2014	—	20	20
Loss and total comprehensive loss for the year	—	(4,293)	(4,293)
Issuance of new shares by way of placing	102,450	—	102,450
Share issue expense	(6,686)	—	(6,686)
Capitalisation issue	(2,250)	—	(2,250)
At 31 December 2014	93,514	(4,273)	89,241

Notes:

(i) Merger reserve

The merger reserve of the Group represents the difference between the nominal value of share capital of Capital Business acquired pursuant to the group reorganisation in preparation for the listing of the Company and the nominal value of share capital of the Company issued in exchange thereof.

(ii) Share premium

Under the Companies Law of the Cayman Islands, the share premium of the Company is distributable to the owners of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

(iii) Distributability of reserves

As at 31 December 2014, the aggregate amount of reserves available for distribution to equity shareholders of the Company was HK\$89,241,000 (2013: HK\$20,000). This includes the Company's share premium of approximately HK\$93,514,000 (2013: Nil) less accumulated losses of approximately HK\$4,273,000 (2013: add retained profits of approximately HK\$20,000), which are available for distribution.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

28. EMPLOYEE RETIREMENT BENEFIT

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 scheme administered by independent trustees. Under the MPF scheme, the Group and its employees are each required to make contributions to the scheme 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 scheme vest immediately.

29. OPERATING LEASE COMMITMENT

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

	The Group	
	2014 HK\$'000	2013 HK\$'000
Within one year	2,996	2,996
After one year but within five years	2,246	5,242
	5,242	8,238

Operating leases relate to office premises with lease term of 3 years. The Group does not have an option to purchase the leased asset at the expiry of the lease period.

30. 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 9 and certain of the highest paid employees as disclosed in note 10, are as follows:

	2014 HK\$'000	2013 HK\$'000
Short-term employee benefits	2,302	1,101
Post-employment benefits	69	52
	2,371	1,153

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

30. RELATED PARTY TRANSACTIONS (Continued)

b) Other related party transactions

In addition to the information disclosed elsewhere in the financial statements, the Group has entered into the following related party transactions during the year:

Relationship		Nature of transactions	Note	2014 Paid/ (received) HK\$'000	2013 Paid/ (received) HK\$'000
Fung Yuk Chun, Emily	Director of the Company	Brokerage commission income received	(ii)	(4)	(11)
		Interest income received from securities and initial public offering financings	(i)	—	(4)
Chung Chin Hung, Paul	Director of the Company (resigned as director on 22 February 2013)	Brokerage commission income received	(ii)	—	(3)
Lai Yung Lan, Joanna	The spouse of Chung Chin Hung, Paul	Brokerage commission income received	(ii)	—	(24)
Chu Sung Hei	Director of the Company	Brokerage commission income received	(ii)	(101)	—
		Interest income received from securities and initial public offering financings	(i)	(14)	—
Lam Shu Chung	Director of the Company	Brokerage commission income received	(ii)	(40)	—

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

30. RELATED PARTY TRANSACTIONS (Continued)

b) Other related party transactions (Continued)

	Relationship	Nature of transactions	Note	2014 Paid/ (received) HK\$'000	2013 Paid/ (received) HK\$'000
Wong Kwan Lok	Shareholder of ultimate holding company	Brokerage commission income received	(ii)	(651)	—
		Interest income received from securities and initial public offering financings	(i)	(3)	—

Note:

- i) The interest income was calculated at variable rate which ranged from 8.25% to 11.25%.
- ii) The commission income was calculated at staff rates which ranged from 0.025% to 0.1% (subject to minimum charge of HK\$100).

- c) In addition to the information disclosed elsewhere in the financial statements, the Group had balances due from and due to related parties included in trade receivables and trade payables as at the end of the reporting period as follows:

	Relationship	Nature of account	Terms	2014 Trade receivables/ (payables) HK\$'000	2013 Trade payables HK\$'000
Fung Yuk Chun, Emily	Director of the Company	— Margin account — Cash account	Note (i) Note (i)	(96) (116)	(119) (130)
Chung Chin Hung, Paul	Director of the Company (resigned as director on 22 February 2013)	— Margin account		—	(1)
Lai Yung Lan, Joanna	The spouse of Chung Chin Hung, Paul	— Cash account		—	(74)

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30. RELATED PARTY TRANSACTIONS (Continued)

c) (Continued)

	Relationship	Nature of account	Terms	2014 Trade receivables/ (payables) HK\$'000	2013 Trade payables HK\$'000
Chu Sung Hei	Director of the Company	— Margin account (Note (iii))	Note (i)	(380)	—
Lam Shu Chung	Director of the Company	— Margin account (Note (ii))	Note (i)	351	—
Wong Kwan Lok	Shareholder of ultimate holding company	— Margin account (Note (iii))	Note (i)	7	—

Note:

- (i) On normal commercial terms and at rates no more favourable than those available to other independent third parties.
- (ii) Trade receivables arising from securities brokerage transactions via margin accounts (except those settled within two days after relevant securities brokerage transactions) during the year were secured by pledged securities under the margin account, repayable on demand and bear interest at 8.25% per annum. The settlement terms of the relevant securities brokerage transactions were two days after trade date and the trade receivable was non-interest bearing before settlement date. The outstanding balances were settled within 2 days from the date of transaction by Lam Shu Chung throughout 2014. The maximum outstanding receivable balance during the year was approximately HK\$5,339,000 by reference to the date of transaction.
- (iii) Trade receivables arising from securities brokerage transactions via margin accounts (except those settled within two days after relevant securities brokerage transactions) during the year were secured by pledged securities under the margin accounts, repayable on demand and bear interest at 8.25% per annum. The settlement terms of the relevant securities brokerage transactions were two days after trade date and the trade receivables were non-interest bearing before settlement date. The maximum outstanding receivables balances during the year of Chu Sung Hei and Wong Kwan Lok were approximately HK\$506,000 and HK\$3,507,000 respectively by reference to the date of transaction.
- d) At 31 December 2013, certain credit facilities granted to the Group were secured by personal guarantees executed by Mr. Lam Shu Chung, a director of the Company. The details of the credit facilities are disclosed in note 31.
- e) During the year, a corporate guarantee to secure the obligation of Orient Securities as tenant under a tenancy agreement for leasing of commercial premises was executed by the Company (2013: a personal guarantee was executed by Mr. Lam Shu Chung, a director of the Company. The personal guarantee was released upon listing of the Company's shares on the GEM of the Stock Exchange).

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31. CREDIT FACILITIES

- a) At 31 December 2013 and 2014, Orient Securities had the following banking facilities with Chong Hing Bank Limited:
- bank overdraft facility to the extent of HK\$20,000,000 (2013: HK\$10,000,000). Interest is charged at prime lending rate as quoted by Chong Hing Bank Limited per annum. There is no fixed dates or terms of repayment of the bank overdraft; and
 - revolving short-term bank loan facility to the extent of HK\$10,000,000 at 31 December 2013. Interest is charged at the rates which ranged from 2% to 2.5% per annum above the Hong Kong Inter-Bank Offered Rate ("HIBOR"). The facility was cancelled during the year ended 31 December 2014.

At 31 December 2013 and 2014, the banking facilities were secured by the following:

- pledge over listed securities owned by the margin clients of the Group. No listed securities were pledged as at 31 December 2013 and 2014;
 - corporate guarantee to the extent of HK\$20,000,000 executed by the Company (2013: Nil); and
 - a personal guarantee to the extent of HK\$20,000,000 executed by Mr. Lam Shu Chung, a director of the Company. The personal guarantee was released upon listing of the Company's shares on the GEM of the Stock Exchange.
- b) As at 31 December 2013 and 2014, the Group had standby loan facilities with Sun Hung Kai Structured Finance Limited, to the extent of HK\$30,000,000. Interest is charged at prime rate offered by Standard Chartered Bank plus 5% per annum and the standby loan facilities were unsecured.
- c) As at 31 December 2013 and 2014, the Group had not utilised any of the above credit facilities.

32. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of capital and reserves, which include issued share capital and reserves as set out on the consolidated statement of financial position, consolidated statement of changes in equity and respective notes. The Group's overall strategy remains unchanged from 2013.

The management reviews the capital structure by considering the cost of capital and the risks associated with each class of capital. In view of this, the Group manages its overall capital structure through the drawdown and repayment of bank borrowings, payment of dividends and issuance of share capital.

A subsidiary of the Group, Orient Securities is licensed with Securities and Futures Commission ("SFC") for the business it operates in. Orient Securities is subject to liquid capital requirements under Securities and Futures (Financial Resources) Rules ("SF(FR)R") adopted by the SFC. Under the SF(FR)R, Orient Securities must maintain a liquid capital (assets and liabilities adjusted as determined by SF(FR)R) in excess of HK\$3 million or 5% of its total adjusted liabilities, whichever is higher. The required information is filed with the SFC on a monthly basis. Orient Securities has complied to maintain the required amount of liquid capital throughout the year.

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33. FINANCIAL INSTRUMENTS

Categories of financial instruments

	The Group		The Company	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Financial assets				
Other assets	700	1,257	—	—
Other financial assets	—	—	32,000	—
Trade receivables	145,809	106,337	—	—
Other receivables	219	491	—	—
Amount due from a subsidiary	—	—	236	148
Bank balances held on behalf of clients	62,267	61,916	—	—
Cash and cash equivalents	121,299	40,474	64,132	82
Loans and receivables	330,294	210,475	96,368	230
Financial liabilities				
Trade payables	80,720	79,145	—	—
Other payables and accruals	1,084	1,347	3,539	210
Financial liabilities at amortised cost	81,804	80,492	3,539	210

Financial risk management objectives and policies

Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include currency risk, interest rate risk, credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

a) Currency risk

Currency risk is the risk of loss due to adverse movements in foreign exchange rates relating to other receivables, bank deposits and trade payables to margin and cash clients denominated in foreign currency. The management monitors foreign exchange exposure and will consider hedging significant foreign exchange exposure should the need arises.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

33. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

a) Currency risk (Continued)

It is the Group's policy for each operating entity to operate in local currencies as far as possible to minimise currency risk. Most of the Group's principal businesses are conducted and recorded in HK\$, the functional currency of the companies now comprising the Group, with certain other receivables, bank deposits and trade payables to margin and cash clients mainly denominated in United States Dollars ("US\$") and Renminbi ("RMB"). As HK\$ is pegged to US\$, there is no significant exposure expected on US\$ transactions and balances. For presentation purpose, the amounts of the exposure are shown in HK\$, translated using the spot rate at the year end date as follows:

	The Group			
	Exposure to foreign currencies (expressed in HK\$)			
	2014		2013	
	RMB HK\$'000	US\$ HK\$'000	RMB HK\$'000	US\$ HK\$'000
Other receivables	—	—	—	238
Bank balances held on behalf of clients	—	—	—	276
Cash and cash equivalents	245	99	231	58
Trade payables	—	—	—	(62)
Net exposure arising from recognised assets and liabilities	245	99	231	510

The Company has no significant exposure to currency risk as at 31 December 2013 and 2014.

Sensitivity analysis

The analysis below details the Group's sensitivity to a reasonably possible change of 5% in the exchange rate of Hong Kong dollars. 5% is the sensitivity rate used when reporting foreign currency risk internally adopted by key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates to which the Group has significant exposure at the end of the reporting period. For a 5% strengthening of HK\$ against RMB, the profit for the year ended 31 December 2014 would be decreased by approximately HK\$12,000 (2013: HK\$12,000). For a 5% weakening of HK\$ against RMB, there would be an equal and opposite impact on the Group's profit for the year. In this respect, it is assumed that the pegged rate between the HK\$ and the US\$ would be materially unaffected by any changes in movement in value of the US\$ against other currencies. The analysis is performed on the same basis for 2013.

In the management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the exposure at the end of the reporting period does not reflect the exposure during the year.

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33. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

b) Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate margin finance loans, bank balances and trade payables.

The Group's cash flow interest rate risks are mainly related to the fluctuation of HIBOR for best lending rate arising from the Group's interest-bearing financial instruments. The Group's exposure to interest rates changes on financial assets and financial liabilities are detailed below.

Financial instruments with variable interest rates are as follows:

	The Group				The Company			
	2014		2013		2014		2013	
	Effective interest rate	HK\$'000	Effective interest rate	HK\$'000	Effective interest rate	HK\$'000	Effective interest rate	HK\$'000
Assets								
Margin finance loans (net)	8.25%	141,724	8.25%	82,957	—	—	—	—
Bank balances	0.02%	175,034	0.02%	98,323	0.02%	64,132	0.02%	82
Liabilities								
Trade payables	0.02%	80,720	0.02%	79,145	—	—	—	—

Sensitivity analysis

The analysis is prepared assuming the margin finance loans, bank balances and trade payables outstanding at the end of the reporting period were outstanding for the whole year. A 100 basis point increase or decrease is used, which represents management's assessment of the reasonably possible change in interest rates.

As at 31 December 2014, if interest rates had been 100 basis point higher/lower and all other variables were held constant, the Group's profit after tax and retained profits would have increased/decreased by approximately HK\$2,360,000 (2013: HK\$1,021,000). Other components of consolidated equity would not change in response to the general increase/decrease in interest rates. The analysis is performed on the same basis for 2013.

The Company's interest rate risk is primarily attributable to bank balance. The directors of the Company consider the interest rate risk is insignificant to the Group as most of them are short-term.

NOTES TO THE FINANCIAL STATEMENTS

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33. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies (Continued)

c) Credit risk

The Group's credit risk is primarily attributable to trade receivables due from clients and clearing house. Management has a credit policy in place and the exposure to the credit risk is monitored on an on-going basis.

In respect of trade receivables due from clients, individual credit evaluations are performed on all clients including cash and margin clients. Cash clients are required to place deposits as prescribed by the Group's credit policy before execution of any purchase transaction. Receivables due from cash clients are due within the settlement period commonly adopted by the relevant market convention, which is usually within two days from the trade date. Because of the prescribed deposit requirements and the short settlement period involved, credit risk arising from the trade receivables due from cash clients is considered small. The Group normally obtains liquid securities and/or cash deposits as collateral for providing margin financing to its clients. Margin finance loans due from margin clients are repayable on demand. Market conditions and adequacy of securities collateral and margin deposits of each margin account are monitored by management on a daily basis. Margin calls and forced liquidation are made where necessary.

In respect of trade receivables due from clearing house, credit risk is considered low as the Group normally enters into transactions with clearing house which are registered with regulatory bodies and with sound reputation in the industry.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each client rather than the industry or country in which the clients operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual clients. As at 31 December 2014, 15% (2013: 14%) and 55% (2013: 41%) of the total trade receivables due from clients were due from the Group's largest client and the five largest clients respectively.

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 statements of financial position after deducting any impairment allowance.

Except for the financial guarantees given by the Group as set out in note 34, the Group does not provide any other guarantees which would expose the Group or the Company to credit risk. The maximum exposure to credit risk in respect of these financial guarantees at the end of the reporting period is disclosed in note 34.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade receivables are set out in note 20.

Bank balances are placed in various authorised institutions and the directors of the Company consider the credit risk for such is minimal.

The Company's credit risk is primarily attributable to amount due from subsidiaries and subordinated loan. These inter-company balances are considered to have minimum credit risk.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

33. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

d) Liquidity risk

Internally generated cash flow is the source of funds to finance the operations of the Group. The Group's liquidity risk management includes making available standby banking facilities and diversifying the funding sources. The Group regularly reviews the major funding positions to ensure adequate financial resources are available to meet their respective financial obligations.

As at 31 December 2013 and 2014, the Group has available unutilised banking facilities of approximately HK\$50,000,000.

The following tables detail the Group's and the Company's remaining contractual maturities at the end of the reporting period for its financial liabilities. The tables have been drawn up based on contractual undiscounted cash flows of financial liabilities and based on the earliest date on which the Group and the Company can be required to pay. The tables include both interest and principal cash flows.

The Group

	Within 1 year or on demand HK\$'000	More than 1 year but less than 2 years HK\$'000	More than 2 years but less than 5 years HK\$'000	Total contractual undiscounted cash flows HK\$'000	Carrying amount at the end of the reporting period HK\$'000
31/12/2014					
Trade payables	80,720	—	—	80,720	80,720
Other payables and accruals	1,084	—	—	1,084	1,084
	81,804	—	—	81,804	81,804
Financial guarantees issued: Maximum amount guaranteed (note 34)	5,242	—	—	5,242	5,242
31/12/2013					
Trade payables	79,145	—	—	79,145	79,145
Other payables and accruals	1,347	—	—	1,347	1,347
	80,492	—	—	80,492	80,492
Financial guarantees issued: Maximum amount guaranteed (note 34)	—	—	—	—	—

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

33. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

d) Liquidity risk (Continued)

The Company

	Within 1 year or on demand HK\$'000	More than 1 year but less than 2 years HK\$'000	More than 2 years but less than 5 years HK\$'000	Total contractual undiscounted cash flows HK\$'000	Carrying amount at the end of the reporting period HK\$'000
31/12/2014					
Other payables and accruals	3,539	—	—	3,539	3,539
Financial guarantee issued: Maximum amount guaranteed (note 34)	25,242	—	—	25,242	25,242
31/12/2013					
Other payables and accruals	210	—	—	210	210
Financial guarantee issued: Maximum amount guaranteed (note 34)	—	—	—	—	—

e) Fair value of financial instruments

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated and company financial statements approximate their fair values as at 31 December 2014 and 2013 respectively.

34. FINANCIAL GUARANTEES ISSUED

As at the end of the reporting period, the Company has issued the following guarantees:

- a single guarantee to a landlord in respect of a tenancy agreement under the name of a wholly owned subsidiary which expires on 30 September 2016 (see note 30(e)); and
- a single guarantee to a bank in respect of a banking facility granted to a wholly owned subsidiary which expires upon further notice (see note 31(a)).

As at the end of the reporting period, the directors do not consider it is probable that a claim will be made against the Company under any of the guarantees. The maximum liability of the Company at the end of the reporting period under the single guarantees issued is the outstanding amount of the rental expense of HK\$5,242,000 (2013: Nil) and the facility drawn down by the subsidiary of HK\$20,000,000 (2013: Nil).

No recognition of deferred income was made as the fair value of the guarantees was insignificant and that the directors do not consider it is probable that a claim would be made against the Company under the guarantees.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

35. 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 the following amendments and new standards 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:

Amendments to HKAS 1	Disclosure Initiative ⁴
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation ⁴
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants ⁴
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions ¹
Amendments to HKAS 27	Equity Method in Separate Financial Statements ⁴
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle ²
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle ¹
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle ⁴
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying Consolidation Exception ⁴
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations ⁴
HKFRS 9	Financial Instruments ⁶
HKFRS 14	Regulatory Deferral Accounts ³
HKFRS 15	Revenue from Contracts with Customers ⁵

¹ Effective for annual periods beginning on or after 1 July 2014.

² Effective for annual periods beginning on or after 1 July 2014, with limited exceptions.

³ Effective for first time annual HKFRS financial statements beginning on or after 1 January 2016.

⁴ Effective for annual periods beginning on or after 1 January 2016.

⁵ Effective for annual periods beginning on or after 1 January 2017.

⁶ Effective for annual periods beginning on or after 1 January 2018.

The Group is in the process of making an assessment of what the impact of these amendments and new HKFRSs 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 Group's results of operations and financial position.

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). 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.

36. IMMEDIATE AND ULTIMATE HOLDING COMPANY

The directors of the Company consider the immediate and ultimate holding company of the Company at 31 December 2014 to be Time Era Limited, a company incorporated in the British Virgin Islands, which has not produced financial statements available for public use. The directors of the Company consider the ultimate controlling party of the Group to be Mr. Lam Shu Chung.

FINANCIAL SUMMARY

RESULTS

	Year ended 31 December				2014 HK\$'000
	2010 HK\$'000	2011 HK\$'000	2012 HK\$'000	2013 HK\$'000	
TURNOVER	48,924	29,096	28,634	36,150	43,356
Other revenue	129	92	30	46	218
	49,053	29,188	28,664	36,196	43,574
Staff costs	(9,291)	(8,912)	(7,398)	(5,743)	(7,905)
Administrative expenses	(8,068)	(6,757)	(5,596)	(5,923)	(8,612)
Finance costs	(110)	(50)	(50)	(50)	(76)
Listing expenses	(997)	(952)	(2,771)	(7,653)	(3,901)
PROFIT BEFORE TAXATION	30,587	12,517	12,849	16,827	(23,080)
Income tax	(5,295)	(2,288)	(2,744)	(4,037)	(5,150)
PROFIT FOR THE YEAR ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY	25,292	10,229	10,105	12,790	17,930
Other comprehensive income for the year	—	—	—	—	—
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY	25,292	10,229	10,105	12,790	17,930
EARNINGS PER SHARE					
Basic and diluted	11.24 cents	4.55 cents	4.49 cents	5.68 cents	5.78 cents

ASSETS AND LIABILITIES

	As at 31 December				2014 HK\$'000
	2010 HK\$'000	2011 HK\$'000	2012 HK\$'000	2013 HK\$'000	
Total assets	194,594	164,629	173,060	215,148	331,621
Total liabilities	(63,052)	(42,858)	(53,184)	(82,482)	(83,911)
Net assets	131,542	121,771	119,876	132,666	247,710