Stock Code: 665

Leading with Integrity

Annual Report 2014

Leading with Integrity

Haitong International is a youthful Chinese financial institution led by a team of passionate and energetic professionals. We are never passive followers. We are pioneers with fingers kept on the pulse of the rapidly changing financial market. Truly client-focused, we are constantly hunting for opportunities to create value for our customers.

We boast unrivalled knowledge in serving the local market with an amicable and humble heart inherited from traditional Chinese culture, while globally we shatter geographical and cultural barriers to bridge markets between the East and the West.

Unlocking frontiers by providing unparalleled services with integrity, we create tremendous value for our clients by leading them through all the challenges in the financial industry.

Contents

Financial Highlights

Results

	For the year ended 31 December		Percentage change
	2014	2013	Increase/(Decrease)
Revenue (HK$'000)	**2,713,291**	1,646,814	65
Net Profit Attributable to Shareholders (HK$'000)	**1,018,269**	529,152	92
Return on Shareholders' Funds (%) (Note 1)	**15.71**	12.57	25
Per share			
Basic Earnings Per Share (HK Cents)	**56.17**	41.07	37
Diluted Earnings Per Share (HK Cents)	**50.42**	39.15	29
Share Price			
– Highest (HK$)	**5.85**	4.21	39
– Lowest (HK$)	**3.74**	2.99	25

Financial Position

	31 December 2014	31 December 2013	Percentage change Increase/(Decrease)
Shareholders' Funds (HK$'000)	**8,596,502**	4,920,252	75
Total Assets (HK$'000)	**48,159,973**	29,438,104	64
Leverage Ratio (Note 2)	**3.96**	3.37	18
Number of Shares in Issue (Note 3)	**2,184,397,016**	1,395,959,624	56
NAV Per Share (HK$)	**3.94**	3.52	12

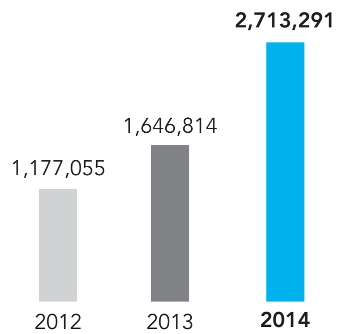
Notes:

1. Computation of return on shareholders' funds is based on net profit attributable to shareholders divided by the weighted average shareholders' funds.

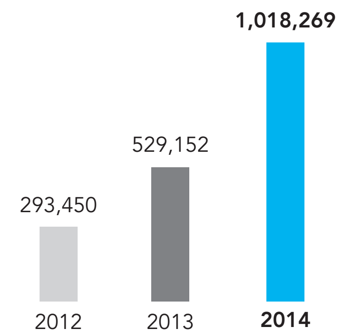
2. Leverage ratio = Total assets excluding accounts payable to clients/Shareholders' funds. Accounts payable to client amounted to HK$14,144.9 million as at 31 December 2014 (2013: HK$12,846.3 million).

3. On 23 April 2014, the Company announced a rights issue on the basis of 1 rights share for every 2 existing shares ("Rights Issue") held by shareholders of the Company. The Rights Issue was completed on 30 May 2014 and 697,979,812 rights shares were issued on 3 June 2014. Moreover, certain equity rights conferred on convertible bond holders were exercised during the year. Hence, the total number of shares of the Company was increased to 2,184,397,016 as at 31 December 2014.

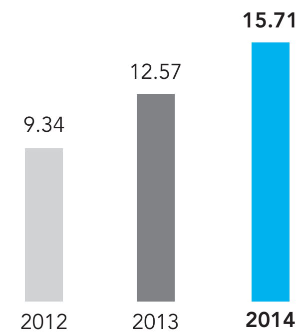
Revenue
(HK$'000)



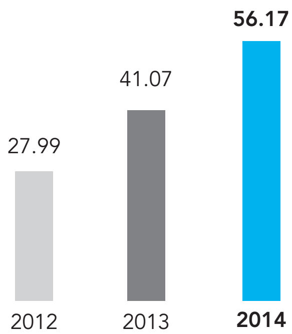
Net Profit Attributable to Shareholders
(HK$'000)



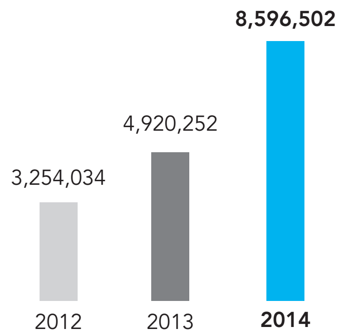
Return on Shareholders' Funds
(%) (Note 1)



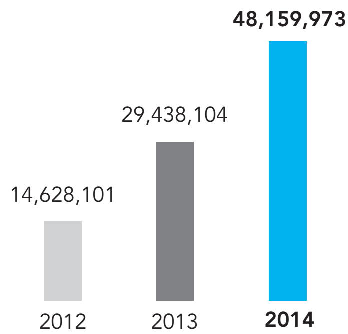
Basic Earnings Per Share
(HK Cents)



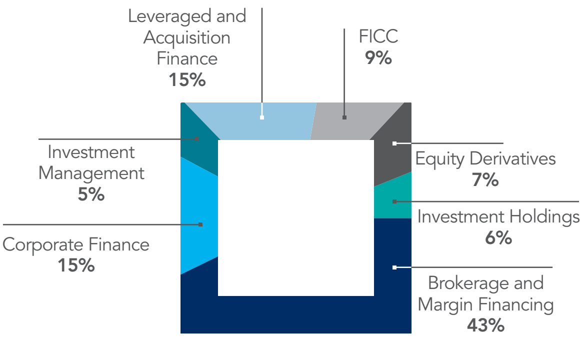
Shareholders' Funds
(HK$'000)



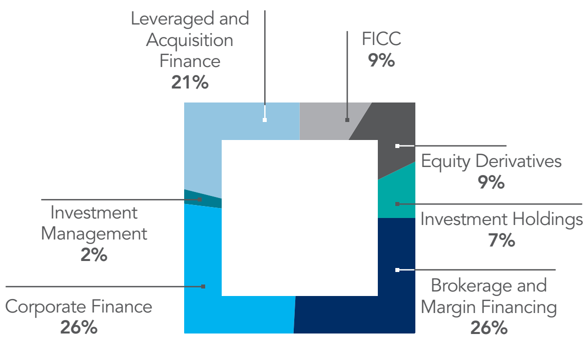
Total Assets
(HK$'000)



Analysis of 2014 Revenue
(For the year ended 31 December 2014)



Analysis of 2014 Profit
(For the year ended 31 December 2014)



Highlights of the Year

January 2014

- Haitong International's first overseas company – Haitong International Securities Group (Singapore) Pte. Ltd. commenced operation
- "Outstanding Equity House" and "Outstanding RMB Fund Management" by *Quamnet*

May 2014

- "Best of the Best Domestic Equity House – Hong Kong" by *Asiamoney*

March 2014

- Haitong CSI300 Index ETF listed on the HKEx, becoming the first Chinese broker in Hong Kong launching RQFII ETF products
- Haitong International (Singapore) became a Singapore Exchange trading member of the securities and derivatives markets
- "2013 Best Asset Management Team in Greater China" and "2013 Best Research Team in Greater China" Diamond Award by *Institutional Investor*

June 2014

- National Social Security Fund became strategic investor of Haitong International
- "Best Chinese Broker in Hong Kong" by *FinanceAsia*

August 2014

- Standard and Poor's assigned a "BBB" credit rating to Haitong International

September 2014

- Became constituent of Hang Seng Composite SmallCap Index
- Became the first Chinese brokerage firm issuing USD bond with independent credit rating

November 2014

- Announced the acquisition of Japaninvest, a leading independent brokerage firm specialised in Asian equity research incorporated in the United Kingdom

December 2014

- Became liquidity provider in the HKEx for London Aluminium / Zinc / Copper Mini Futures
- Dr. Lin Yong, Deputy Chairman and CEO of Haitong International was honoured as the "2014 Shanghai Financial Industry Leader" by *Xinhua News Agency*

Business Highlights

Business	Highlights
Corporate Finance	• Ranked first in the Hong Kong market in terms of the total number of IPO participated from 2012 to 2014 • Completed 15 IPOs and 21 bond issuance and underwriting projects during the period • Acted as sponsor, global coordinator and bookrunner for 3 companies in their IPO issuance
Brokerage and Margin Financing	• Provides financial products and services covering the entire global market to over 170,000 clients • Tapped opportunities arising from Shanghai-Hong Kong Stock Connect to proactively expand its customer base, leading to a significant growth in overall trading volume during the period • Total margin financing amount rose substantially over the figure as at the end of 2013
Investment Management	• Launched Haitong CSI300 Index ETF in March 2014, the first of its kind among Chinese securities firms in Hong Kong • As at the end of 2014, RQFII quota granted amounted to RMB10.7 billion, the highest among all Chinese securities firms, while QFII quota increased to US$300 million from US$100 million as at the end of 2013 • As at the end of 2014, Haitong Global Diversification Fund outstripped all pension funds of the same class

Business	Highlights
Fixed Income, Currency and Commodities	• Taking dim sum bonds and USD-denominated Chinese credit bonds as focus of market making transactions and bond underwriting, a business operating mode has been established featuring trading, sales and research analysis • Provides bilateral quotation for over 350 bonds to more than 300 institutional clients within and outside the Mainland • Bond underwriting capability has been enhanced with successful completion of a number of sizable bond issuance of the Group during the period
Leveraged and Acquisition Finance	• Provides comprehensive investment and financing solutions to listed corporate clients for their corporate and shareholder actions • Upholds a stringent risk assessment for the sake of keeping business risk in check
Equity Derivatives	• Promoted product development and innovation in 2014, with product varieties extended from stocks to options and more, stepping up diversification of its product lines • Became one of the largest RQFII ETF market makers in Hong Kong with a share of 20% of the trading volume in the Hong Kong market • Quantitative trading platform has its scale gradually expanding, with annualised return rate far outpaced that of 5.8% for Hang Seng Index

To create value and providing

by bridging cultures
financial expertise

Chairman's Statement

JI Yuguang
Chairman

Market Review

The Hong Kong stock market was largely stable in 2014. During the first half of the year, the local market was dragged by the Mainland's slowing economy and remained quiet amid shrinking turnover. In the second half, however, the market kept gathering momentum on expectations of the official launch of the Shanghai-Hong Kong Stock Connect (the "Stock Connect") and rollout of economic stimulus initiatives in China. The Hang Seng Index nudged slightly higher by 1.3% and closed the year at 23,605 points after hitting the 6-year high above 25,000 points in August. As for fundraisings, the number of new listings on the HKEx and total fundraising size both set new records in the year. Altogether there were 122 new listings on the Main Board and GEM Board in 2014 raising a total of US$29.3 billion, the second highest in the world which represented an increase of 34% over the 2013 figure, whereas total fundraising size of IPOs and post-IPO share sales aggregated HK$936 billion. The launch of the Stock Connect in November as a milestone in the development of Hong Kong's offshore Renminbi market was emblematic of the deepened financial cooperation between Hong Kong and Shanghai and has effectively boosted trading sentiment. Hong Kong's RQFII quota of RMB270 billion represented 90% of the world's used quota and was exhausted in September. Spurred by the A-share market boom, the Hong Kong's offshore Renminbi business also advanced in solid strides in 2014. In terms of turnover, the Hong Kong market recorded an accumulated turnover of HK$12.64 trillion for the year. Derivatives market turnover totalled 142.4 million contracts whereas commodities market recorded a trading volume of 177.2 million lots, equivalent to US$14.9 trillion or 4 billion tonnes of materials. The local market's securitised derivatives (derivative warrants and CBBCs) turnover was the world's largest for the eighth consecutive year.

In 2014, the world's economies struggled through a post-crisis correction and maintained a low growth rate in general. The pace of economic growth differed among different regions due to structural differences and geopolitical factors. For example, the U.S. economy remained on the recovery track and sustained growth momentum on the back of lower energy cost and reflux of global funds. The EU economy turned stable amid a downtrend but was plagued by such issues as high unemployment, low inflation, structural conflicts and its battered economic and trading ties with Russia, in turn dampening the region's recovery. Japan's economy witnessed low growth and lack of recovery momentum due to the waning effect of the "Abenomics" policy and the limited room for the debt-laden government to resort to accommodative fiscal policies. The emerging economies turned stable but pick-up momentum remained feeble. As for global market performance in 2014, the Dow Jones Industrial Average continued its uptrend for the sixth consecutive year and closed the year higher by 7.5%. S&P 500 Index gained 11.39% and set new records continuously. In the second half, the oil price crash and the Greek debt crisis dragged Europe's economic recovery. The European markets performed poorly on the whole. Except Frankfurt DAX Index which edged higher by 2.65% for 2014, the U.K., French and Russian markets all headed south.

In 2014, Haitong International witnessed growth in all business segments. The Group once again recorded marked revenue growth against the high base in 2013, with the asset management scale doubling and the sales and trading segment developing briskly, contributing significantly to the Group's revenue growth.

Prospects

2015 marks the year of deepening of reform in China. The country has become a key player in the global arena and the central government has proactively kicked off infrastructure projects around the world, in particular cross-border express rail projects as a move to develop a worldwide express rail network. Under the strategic idea of the "Maritime Silk Road of the 21st Century", the "One Belt and One Road" initiative will be an excellent channel for outflow of funds from China, in turn easing the overcapacity concern in the Mainland and supporting its export. In addition, the set up of the Asian Infrastructure Investment Bank will place China in the leading position among the national development banks of the BRIC countries and the Asian investment banks. The move is propitious to the "going global" strategy of Mainland enterprises and also to China's economic growth. In terms of external investment, China has doubled the scale to over US$100 billion within 5 years and its Marshall Plan is currently at play in the whole world.

Over the years, China has blossomed to become the second largest economy of the world, alongside the continuous progression of Renminbi internationalisation. The launch of the Stock Connect marks a major step forward during the opening up of China's capital account, which will fuel the growth of Hong Kong's offshore Renminbi market and boost demand for offshore Renminbi, eventually guiding Renminbi internationalisation into a new millennium. In 2015, the Stock Connect may also cover ETFs and futures, and the "Shenzhen-Hong Kong Stock Connect" waiting in the wings is likely to be launched as well. Moreover, relaxation of the RQFII scheme allowing access to China's onshore securities market will further integrate Hong Kong's capital market with the Mainland market and place local Mainland brokerage firms in an advantageous position.

Looking forward into 2015, the ECB's trillion-euro quantitative easing program will buoy recovery of the world's economies. Haitong International will seize every opportunity and capitalise on its Mainland background to quicken the expansion into the overseas market by acquiring Japaninvest and consolidating its presence in Singapore, striving to achieve the parallel development of its traditional fee-based and modern investment businesses and to spur the Group's development. Looking ahead, I have full confidence in and high expectation of the Group's performance in 2015.

JI Yuguang
Chairman

Hong Kong, 11 March 2015

Innovative

We understand market trends and customer needs. Coping with the ever-quickening pace of market change, we position ourselves as the vanguard.

Managing Director's Review

LIN Yong
Deputy Chairman and Managing Director

In 2014, Haitong International set new records in both business expansion and revenue growth. Over the past 5 years, Haitong International kept consolidating its presence in Hong Kong while seeking to tap opportunities worldwide. The Group has identified its strategic positioning and cemented its core competitive edges, taking innovative, courageous and sincere as its core values. Seizing the opportunities from the opening-up of China's capital market and internationalisation of Renminbi ("RMB"), Haitong International has significantly boosted its capital scale and strengthened its capital deployment capability, providing strong underpinnings to the brisk and robust growth of its business segments.

In 2014, the most eye-catching event in the capital market should be the launch of the long-awaited Shanghai-Hong Kong Stock Connect jointly developed by Hong Kong Exchanges and Clearing Limited ("HKEx") and Shanghai Stock Exchange. The concerted efforts of the two exchanges across the border have driven overseas investors to scramble for A shares, lifting both the standing and influence of the two exchanges in the global arena. Benefiting directly from the favourable stock connect initiative given its status as an "RMB investment and financing expert", Haitong International has made preparation well in advance and has witnessed marked growth in its asset management scale, doubling turnover from equities and derivatives market making as well as increase in trading commission from retail customers. The flourishing development of all business segments has translated into new earnings records of the Group.

As of the end of 2014, Haitong International posted operating revenue of HK$2.71 billion, representing a year-on-year increase of 65%. Net profit amounted to HK$1.02 billion, growing by 92% over the corresponding period of last year. Weighted average net return on equity ("ROE") came in at 15.7%, gaining 3.1 percentage points when compared with the figure for 2013. Total assets amounted to HK$48.2 billion, up 64% over the same period of 2013. For 3 years in a row, Haitong International has achieved net profit growth of over 80%. The Group has maintained its long-term stable dividend policy. In 2014, a final dividend of a total amount of HK$339 million (based on the number of issued shares as of 31 December 2014, HK15.5 cents per share) was proposed to be paid to shareholders of the Company.

Ride the stock connect boom to create and cement core competitive edges

The stock connect programme has presented new opportunities to both Mainland and Hong Kong brokerage firms. However, the move has also brought immense competition to Hong Kong's financial industry. With years of exploration and development, Haitong International has established its core competitiveness through optimisation and deepening of its traditional fee-based business as well as development and expansion of new businesses, in turn boosting profit growth exponentially.

Business deepening and innovation capabilities

Haitong International completed the transformation from a traditional brokerage firm to a comprehensive financial institution 2 years ago, as a result of which its revenue structure and business mix has turned more diversified. On the basis of the existing 6 major business segments which have already taken shape, the Group encourages and supports each of the business segments to expand in breadth and depth through proactive innovation and to identify new growing points for further business development factoring in market conditions, customer needs and their respective competitive edges.

The Corporate Finance segment once again posted outstanding results thanks in large part to the new business growing points identified. For 3 straight years from 2012 to 2014, the segment ranked first in the Hong Kong market in terms of the total number of initial public offerings ("IPO") participated, making Haitong International one of the few Chinese securities firms that are comparable to major international firms in the IPO underwriting market. In 2014, the number of IPOs increased noticeably compared with the figures in the previous 2 years given the primary market boom and the fillip provided by the stock connect. Market speculation over imminent rate hikes by the U.S. Fed and the bullish views of global investors towards China's economic outlook also fuelled offshore bond issues by Chinese enterprises compared to the previous year. Against such favourable market conditions, the Corporate Finance Department completed a total of 15 IPOs and 21 bond issuance and underwriting projects in the period under review. On top of this, the segment also posted brilliant results in areas such as secondary market placement, rights issue and convertible bond issuance.

The Investment Management segment has tapped the RMB internationalisation trend to consolidate and highlight Haitong International's competitiveness as a leading RMB product player in the Hong Kong market. The segment has clung on to brand building and scale expansion through innovation and development of RMB products. As at the end of 2014, Haitong International was granted an RQFII quota of RMB10.7 billion, the highest among all Chinese securities firms, along with an additional QFII quota to the tune of US$200 million. In March 2014, Haitong International launched an RQFII exchange traded fund ("ETF") named Haitong CSI300 Index ETF, the first of its kind among the Chinese securities firms in Hong Kong. As regards MPF performance, the Haitong Global Diversification Fund outstripped all pension funds of the same class as at the end of 2014 according to Lipper's information. All these "Number Ones" have driven forward the continuous deepening of the investment management business in turn giving a boost to its performance.

The Fixed Income, Currency and Commodities ("FICC") segment has fully exploited its advantages in RMB product offerings. Taking dim sum bonds and USD-denominated Chinese credit bonds as the focus of market making transactions and bond underwriting, the segment has put in place a business operating mode featuring trading, sales and research analysis as its 3 pillars. At present, the FICC market making team provides its clients with bilateral quotation for over 350 bonds. The bond underwriting team has completed a number of sizable issuance and further issuance of bonds to cater for the Group's business development, with its sales network expanded to cover over 300 institutional clients within and outside the Mainland. As for currency and commodity-related business, the sub-segment provides its clients with strategic analyses and derivative proposals. In December 2014, the sub-segment was designated by the HKEx as one of the market makers for the first batch of London Aluminium/Zinc/Copper Mini Futures Contracts.

The Equity Derivatives segment continued to promote product development and innovation in 2014, with product varieties extended from stocks to options and more. In 2014, the number of funds for which market making services were provided increased to 21, making the segment one of the largest RQFII ETF market makers in Hong Kong. The segment also stepped up diversification of its product lines, offering RQFII access products and solution products in an aggregate amount of nearly HK$10 billion. Also, the quantitative trading platform has its scale gradually expanding over time, the annualised return rate of which far outpaced the annualised rate of 5.8% for the benchmark Hang Seng Index in 2014.

Besides expanding and deepening its existing businesses, Haitong International had set up the Internet Financing Department, which successfully launched Hong Kong's first peer-to-peer online lending platform known as bestlend.com in early 2015 to create a win-win scenario for both borrowers and lenders on the platform, signalling a ground-breaking move of the Group in the course of business innovation.

Financing and capital deployment capabilities

In 2014, Haitong International continued to expand its financing channels in order to earmark ample funds for future business uses, altogether raising HK$11.8 billion by way of syndicated loans, rights issue and issuance of convertible bonds and USD-denominated bonds, in turn lifting the leverage ratio from 3.37 times as at the end of 2013 to 3.96 times, a level which still remains healthy and sustainable.

In August 2014, Haitong International was assigned a BBB issuer credit rating by Standard & Poor's Ratings Services ("S&P"), making it the first non-banking Chinese institution in Hong Kong to have been assigned an independent credit rating. Haitong International is also the first Chinese securities firm to have issued USD-denominated bonds using its own independent credit rating. The issuance was well received by investors and was 7 times oversubscribed, contributing total proceeds of US$600 million to the Group, together with HK$1.16 billion raised from subsequent issue of convertible bonds.

Dovetailed with the Group's financing capability is its effective capital deployment ability. **The Brokerage and Margin Financing segment** has tapped opportunities arising from the launch of the stock connect to proactively expand its customer base. The efforts made to innovate business training and to upgrade and optimise online trading platform and system coupled with the marketing initiatives for new products and services through multi-channels have given a boost to overall trading volume and also to the rapid growth of the margin financing scale. For the time being, the Brokerage and Margin Financing segment is capable of providing customers with financial products and services covering the entire global market.

The Leveraged and Acquisition Finance segment (formerly the Structured Finance segment) is mainly engaged in provision of comprehensive investment and financing solutions to listed corporate clients for their corporate actions and shareholder activities. The segment mainly derives its revenue from interest income and arrangement, as well as advisory fee. During the period under review, the segment set up a "five-grade risk assessment system" to track the risk exposure of each particular project, with risk indicators set for such factors as collateral, industry breakdown, project duration and project size for the sake of keeping business risk in check while seeking to maximise returns to the Group.

Customer expansion and retention capabilities

Haitong International has adopted a servicing system geared towards the needs of customers. The Group is all along committed to earnestly creating value for its 3 main types of clients, namely institutional clients, corporate clients as well as retail and high net worth clients. Being the first Chinese securities firm to have taken over a local broker in Hong Kong, Haitong International has kept scaling up its sizable customer base over the last 5 years, steadily increasing the number of customers by over 50% from 110,000 to over 170,000. While the hard efforts made to expand its high net worth retail client base have paid off, significant increase in the number of both institutional and corporate clients is also achieved, optimising the customer structure of the Group.

Manpower training and risk management capabilities

Haitong International always regards manpower as the Group's core resources. With its manpower structure turning increasingly diversified, Haitong International has kept nurturing and training its existing staff while optimising their remuneration and welfare packages. Efforts have also been made to introduce financial talents with both international horizon and extensive experience to back the long-term development of all business segments.

Being a listed financial institution based in Hong Kong, Haitong International has strictly complied with all applicable global norms on legal and compliance fronts and in the areas of, among others, liquidity risk, credit risk, market risk and operational risk in the course of rapid business development, and has duly set up and implemented a comprehensive risk control mechanism. At present, Haitong International has established a sound risk control culture within the Group and has kept promoting risk awareness among its staff.

Ride the RMB internationalisation trend and speed up foray into the global market

In the context of the increasingly fierce homogeneous competition in the market, Haitong International enjoys unparalleled edges on the path of RMB internationalisation. Leveraging such unrivalled edges, the Group's business segments were developing shoulder-to-shoulder on the back of different RMB themes in 2014. In January 2014, the Group's Singapore branch was granted the Capital Markets Services License. With Singapore serving as its regional hub, the Group will continue to expand its business network from Hong Kong to Southeast Asia and elsewhere in the world, striving to satisfy as far as possible the quests of overseas investors to take part in China's capital market boom.

In the second half of 2014, Haitong International sought to expand its presence in the world's markets by moves such as initiating and facilitating the acquisition of Japaninvest, an independent equity research broker listed on the Tokyo Stock Exchange. The move marks a key step for Haitong International's foray into the global market, enabling the Group to extend the reach of its business network to London, New York and Tokyo and to establish an extensive institutional client base through research report releases, in turn presenting new business opportunities for its corporate finance, research sales and asset management segments. As for the stock connect business, efforts have been made to refine both varieties and formats of trading products on this front, and the upcoming Shenzhen-Hong Kong Stock Connect will undoubtedly become the market's spotlight in the near future offering investors across the border and elsewhere with even more diversified opportunities. Meanwhile, as China's financial market reform has been speeding up, the pace of RMB internationalisation will quicken as well. In this context, Haitong International will seek to roll out a Pan Asia research platform focusing on Chinese companies, a move aimed at expanding its institutional client base in the world and expanding the depth and breadth of its cross border business. Striving to seize every opportunity in the capital market, Haitong International is keen to show the world's financial market both the strength and potential of Chinese brokerage firms while bolstering the reputation of Haitong brand in the long run.

Prospects

Amid the intense competition in the ever-changing financial market, Haitong International will continue to seek development geared towards customers' needs. Setting foot in Hong Kong and deeply rooted in China, the Group is committed to its strategic foray into the international market. To this end, Haitong International will make every effort to exploit its advantageous position of being a Chinese securities firm in Hong Kong. With its sound customer base, strong product innovation capability, reputable brand and its ever-growing sales network both at home and abroad, the Group will ride fully the trend of RMB internationalisation and financial innovation and to promote its capital deployment capability further, with an ultimate aim of providing customers with a comprehensive set of quality financial services and creating value for all shareholders, investors and customers.

LIN Yong
Deputy Chairman and Managing Director

Hong Kong, 11 March 2015

Courageous

We are never satisfied with what we have achieved. With every new and daring attempt, we are determined to make great progress with stringent corporate governance.

Corporate Governance Report

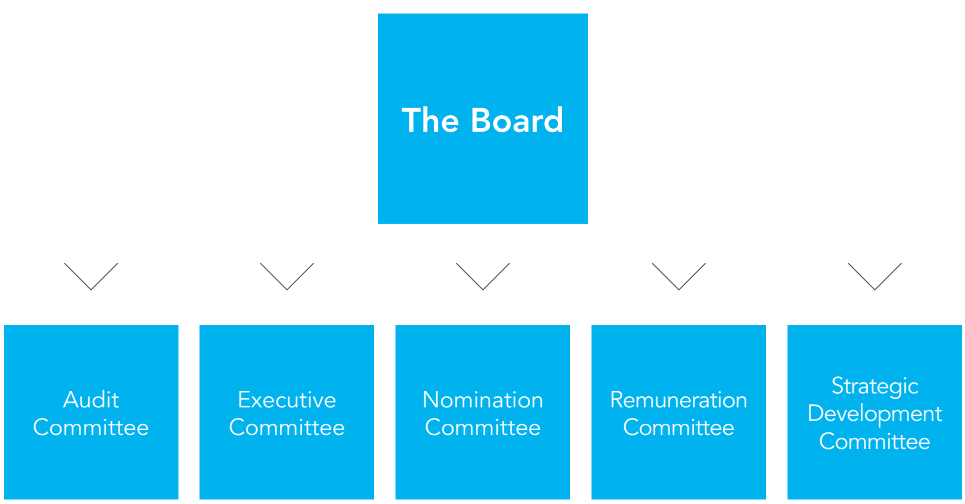
Corporate Governance Practices

The board of directors of the Company (the "Board") is committed to maintaining a high standard of corporate governance practices within the Group. Throughout the year ended 31 December 2014, the Company has fully complied with the code provisions set out in the Corporate Governance Code (the "CG Code") as contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), except that 2 non-executive directors of the Company were unable to attend the annual general meeting of the Company held on 15 April 2014 as stipulated in code provision A.6.7 of the CG Code as they had other important business engagements at that relevant time.

The followings summarise how the Company has applied the principles of the CG Code in its corporate governance practices:

Corporate Governance Structure

The Board believes that a well-balanced corporate governance structure will enable the Company to better manage its business risks and thereby ensure the Company is run in the best interests of its shareholders and other stakeholders. The following diagram depicts the overall corporate governance structure of the Company. The Board is primarily responsible for setting directions, formulating strategies, monitoring performance and managing risks of the Group. At the same time, it is also charged with the duty to enhance the effectiveness of the corporate governance practices of the Group. Under the Board, there are currently 5 board committees, namely Audit Committee, Executive Committee, Nomination Committee, Remuneration Committee and Strategic Development Committee (each a "Board Committee"). All these committees perform their distinct roles in accordance with their respective terms of reference and assist the Board in supervising certain functions of the senior management.



The following table shows the attendance of each director of the Company (the "Director(s)") and members of the respective Board Committees at the Board and the respective Board Committee meetings and general meeting held during the year ended 31 December 2014:

Name of members of the Board/ the respective Board Committees	Attendance/number of meetings held						
	Board meeting	Audit Committee meeting	Executive Committee meeting	Nomination Committee meeting	Remuneration Committee meeting	Strategic Development Committee meeting	General meeting
The Board							
Chairman and Non-executive Director							
JI Yuguang	4/4	n/a	n/a	1/1	2/2	2/2	1/1
Deputy Chairman and Executive Director							
LI Jianguo	4/4	n/a	n/a	n/a	n/a	2/2	1/1
Deputy Chairman, Managing Director and Executive Director							
LIN Yong	4/4	n/a	8/10	n/a	n/a	2/2	1/1
Executive Directors							
POON Mo Yiu	4/4	n/a	9/10	n/a	n/a	n/a	1/1
HUI Yee Wilson	4/4	n/a	9/10	n/a	n/a	n/a	1/1
Non-executive Directors							
CHENG Chi Ming Brian	3/4	n/a	n/a	n/a	2/2	2/2	0/1
WANG Meijuan	4/4	2/2	n/a	n/a	n/a	n/a	0/1
William CHAN (note 1)	0/0	n/a	n/a	n/a	n/a	0/0	n/a
Independent Non-executive Directors							
TSUI Hing Chuen William	4/4	2/2	n/a	1/1	2/2	n/a	1/1
LAU Wai Piu	4/4	2/2	n/a	1/1	2/2	n/a	1/1
LIN Ching Yee Daniel	4/4	2/2	n/a	n/a	n/a	n/a	1/1
WEI Kuo-chiang	4/4	n/a	n/a	n/a	1/2	n/a	1/1

Name of members of the Board/ the respective Board Committees	Board meeting	Audit Committee meeting	Executive Committee meeting	Nomination Committee meeting	Remuneration Committee meeting	Strategic Development Committee meeting	General meeting
	Attendance/number of meetings held						
Senior Management							
ZHANG Xinjun	n/a	n/a	9/10	n/a	n/a	n/a	n/a
SUN Jianfeng	n/a	n/a	9/10	n/a	n/a	n/a	n/a
SUN Tong	n/a	n/a	10/10	n/a	n/a	n/a	n/a
WU Kwok Leung (note 2)	n/a	n/a	2/3	n/a	n/a	n/a	n/a
LO Wai Ho	n/a	n/a	9/10	n/a	n/a	n/a	n/a
ZHANG Yibin	n/a	n/a	9/10	n/a	n/a	n/a	n/a
SHI Ping (note 3)	n/a	n/a	1/1	n/a	n/a	n/a	n/a
KONG Weipeng (note 3)	n/a	n/a	1/1	n/a	n/a	n/a	n/a
Average attendance:	**98%**	**100%**	**89%**	**100%**	**90%**	**100%**	**82%**

Notes

1. Mr. William CHAN was appointed as a non-executive Director and a member of the Strategic Development Committee of the Company with effect from 2 January 2015.

2. Mr. WU Kwok Leung retired from the Group on 1 May 2014 and ceased to be a member of the Executive Committee of the Company on the same date.

3. Mr. SHI Ping and Mr. KONG Weipeng were appointed as members of the Executive Committee of the Company with effect from 11 November 2014.

The Board

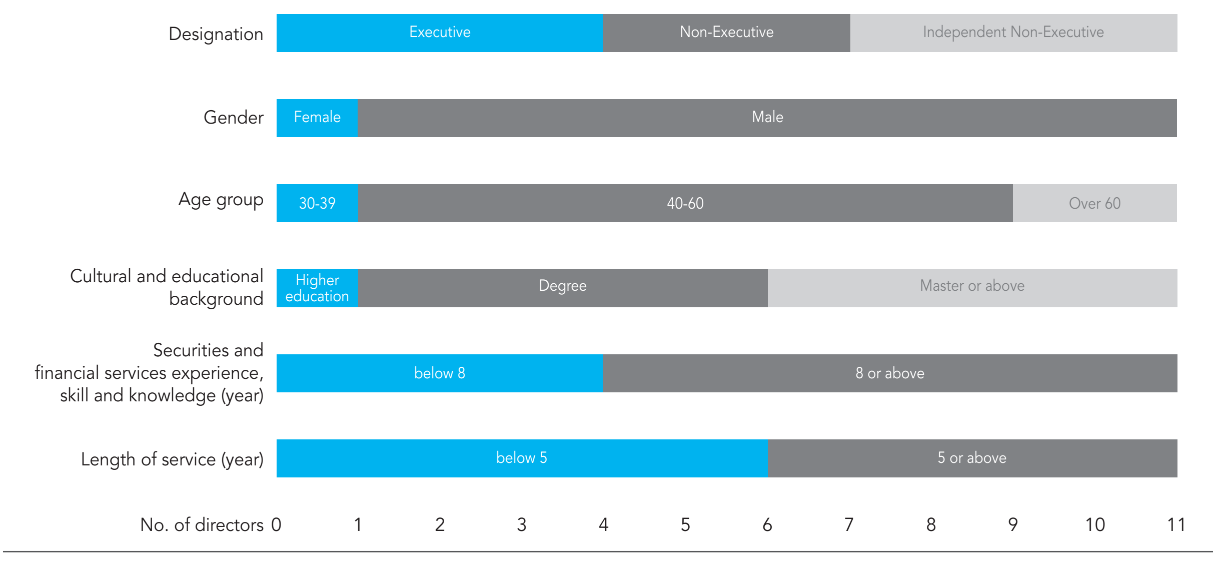
Composition

The Board currently comprises a total of 12 Directors, with 4 executive Directors, namely Mr. LI Jianguo (Deputy Chairman), Mr. LIN Yong (Deputy Chairman and Managing Director), Mr. POON Mo Yiu and Mr. HUI Yee Wilson; 4 non-executive Directors, namely Mr. JI Yuguang (Chairman), Mr. CHENG Chi Ming Brian, Ms. WANG Meijuan and Mr. William CHAN; and 4 independent non-executive Directors, namely Mr. TSUI Hing Chuen William, Mr. LAU Wai Piu, Mr. LIN Ching Yee Daniel and Mr. WEI Kuo-chiang. Biographical details of the Directors as of the date of this report are set out in the "Board of Directors and Senior Management" section in pages 48 to 56 of this Annual Report.

Board Diversity Policy

The Board has adopted a policy concerning the diversity of Board members (the "Board Diversity Policy"), with the recommendation from the Nomination Committee, in November 2013. The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance. With a view to achieving sustainable and balanced development, the Company sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. In designing the Board's composition, Board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. The Nomination Committee reviews annually the Board's composition under diversified perspectives and monitors the implementation of the Board Diversity Policy. During the year, the Nomination Committee has reviewed its practice on Board diversity perspectives (including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service), and has come to the conclusion that it is a balanced Board. For the year ended 31 December 2014, the Board's composition under major diversified perspectives was summarised as follows:



Meetings

The Board meets regularly at least 4 times a year at quarterly intervals and will meet at other times when the Board thinks appropriate. In general, notice of at least 14 days is given for a regular Board meeting so as to give all Directors an opportunity to attend. Agenda and meeting materials for each meeting are normally circulated to all Directors at least 7 days in advance of the date of the meeting. Senior management may, from time to time, be invited to attend the Board meetings for making presentation and/or answering any queries that may be raised by the Board. During the year, 4 Board meetings were held with an average turnout of 98%.

Proceedings of the Board and the Respective Board Committee Meetings

The company secretary of the Company (the "Company Secretary") assists the Chairman and the respective Board Committees in setting agenda for meetings, and each Director is given an opportunity to include any matters to be transacted in the agenda. Where any Director is considered to be having a conflict of interest in any transactions, the Director concerned will not be counted in the quorum of the relevant meeting. All draft minutes of meetings of the Board and the respective Board Committees are circulated to all Directors and Board Committee members for comment before submission to the chairman of the meetings for approval. To further enhance better communication with the Directors as to the business transacted at the Board and the respective Board Committee meetings, an exclusive intranet site is maintained to enable all Directors to gain access to minutes of the meetings of the Board and the respective Board Committees. Minutes of the Board and the respective Board Committee meetings will be posted on this exclusive site within a reasonable timeframe for the information of all Directors and Board Committee members.

In addition, the Company has established a procedure for its Directors to seek independent professional advice in appropriate circumstances at the Company's expense in discharging their duties to the Company. In order to safeguard the interest of individual Directors, the Company has also arranged directors' and officers' liability insurance for the directors of the Group.

Chairman and Chief Executive Officer

There is a clear segregation of roles between the Chairman and the Chief Executive Officer (the "CEO"). This segregation ensures a clear distinction between the Chairman's responsibility to manage the Board and the CEO's responsibility to manage the Company and its subsidiaries' businesses. The duties of the Chairman and the CEO are currently carried out respectively by Mr. JI Yuguang and Mr. LIN Yong. There is no financial, business, family or other material/relevant relationships between the Chairman and the CEO.

Non-executive Directors

The non-executive Directors (including independent non-executive Directors) have served a significant role in the Board by bringing independent judgment on the performance, development and risk management of the Group. All non-executive Directors of the Company are appointed for a specific term of 3 years subject to the retirement and re-election provisions in the New Bye-laws of the Company (the "Bye-laws").

Throughout the year ended 31 December 2014, the Company complied with the requirements of the Listing Rules relating to the appointment of at least one-third independent non-executive Directors and at least one of which have appropriate professional qualifications or accounting or related financial management expertise.

Pursuant to the requirement of the Listing Rules, the Company has received from each of the independent non-executive Directors a written confirmation of his independence to the Company. The Company considers that all the independent non-executive Directors were independent in accordance with the Listing Rules throughout the year ended 31 December 2014.

Appointment and Re-election

All Directors are appointed for a specific term of 3 years subject to the retirement and re-election provisions in the Bye-laws. One-third of the Directors are required to retire from office by rotation and, being eligible, may offer themselves for re-election at each annual general meeting in accordance with the Bye-laws. Any new Director appointed by the Board will be subject to re-election by the shareholders at the first general meeting after his/her appointment. The names of Directors who are eligible for re-election at general meetings will be disclosed in the notice of the relevant general meetings and their biographical details will be provided in the accompanying circulars. The election of each Director will be subject to the votes of shareholders by way of separate resolutions.

Induction and Continuous Professional Development

An induction kit is provided to each newly appointed Director immediately upon his/her appointment by the Company which contains a package of orientation materials on the operations and businesses of the Group, together with information relating to the duties and responsibilities of directors under statutory regulations and the Listing Rules. The Company Secretary updates the Directors on the latest developments of and changes to the Listing Rules and the applicable legal and regulatory requirements governing the areas in relation to the discharge of their duties. Same as before, the Company provides all members of the Board with monthly updates on the Company's performance, financial position and prospects.

Directors are encouraged to participate in continuing professional development to develop and refresh their knowledge and skills. They are required to submit to the Company annually details of training sessions undertaken by them in each financial year for the Company to maintain a training record for its Directors. According to the training records maintained by the Company, the training received by each of the Directors during the year ended 31 December 2014 is summarised as follows:

	Regulatory updates or corporate governance related materials	Other trainings relevant to directors' profession or other relevant topics
Chairman and Non-executive Director		
JI Yuguang	✓	✓
Deputy Chairman and Executive Director		
LI Jianguo	✓	✓
Deputy Chairman, Managing Director and Executive Director		
LIN Yong	✓	✓
Executive Directors		
POON Mo Yiu	✓	✓
HUI Yee Wilson	✓	✓
Non-executive Directors		
CHENG Chi Ming Brian	✓	✓
WANG Meijuan	✓	✓
Independent Non-executive Directors		
TSUI Hing Chuen William	✓	✓
LAU Wai Piu	✓	✓
LIN Ching Yee Daniel	✓	✓
WEI Kuo-chiang	✓	✓

Corporate Governance Function

The Board is collectively responsible for performing such corporate governance duties as:

(a) to develop, review and update the Company's policy and practices on corporate governance;

(b) to review and monitor the training and continuous professional development of Directors and senior management;

(c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors;

(e) to review the Company's compliance with the CG Code and disclosure in the "Corporate Governance Report"; and

(f) to perform such other corporate governance duties and functions set out in the CG Code (as amended from time to time) for which the Board is responsible.

Directors' Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the "Model Code") as its code of conduct for securities transactions by the Directors.

Having made specific enquiry of all Directors, all Directors confirmed that they have complied with the required standard set out in the Model Code throughout the year ended 31 December 2014. Securities interests in the Company and its associated corporations held by each of the Directors are set out in the "Report of the Board of Directors" section in pages 57 to 73 of this Annual Report.

Board Committees

Audit Committee

The Audit Committee currently comprises 3 independent non-executive Directors, namely Messrs. LIN Ching Yee Daniel (Chairman of the Audit Committee), TSUI Hing Chuen William and LAU Wai Piu and a non-executive Director, namely Ms. WANG Meijuan. The Chairman of the Audit Committee has the appropriate financial-related professional qualification and experience. The Audit Committee will meet no less than twice a year to review all business affairs managed by the executive Directors, in particular those related to connected transactions and continuing connected transactions, if any, and to review the interim and annual financial statements of the Group before their submission to the Board for approval. It will also review the effectiveness of the internal control and risk management system of the Group. The terms of reference of the Audit Committee are aligned with the requirements of the Listing Rules and the recommendations set out in "A Guide for Effective Audit Committee" published by the Hong Kong Institute of Certified Public Accountants and any updates thereof. A copy of the terms of reference of the Audit Committee has been posted on the Company's website.

During the year ended 31 December 2014, the Audit Committee met on 2 occasions with the presence of the external auditor and discharged its responsibilities to review the interim and annual results and the effectiveness of the internal control and risk management system of the Group. The work performed by the Audit Committee for the year ended 31 December 2014 included reviews of the followings:

- the directors' report and the consolidated financial statements for the year ended 31 December 2013 of the Group, with a recommendation to the Board for approval;

- appointment of new external auditor, with a recommendation to the Board for approval;

- the consolidated financial statements for the 6 months ended 30 June 2014 of the Group, with a recommendation to the Board for approval;

- the audit fees for the year ended 31 December 2014 proposed by the external auditor, with a recommendation to the Board for approval;

- the new accounting policies and practices adopted by the Group;

- the continuing connected transactions undertaken by the Group;

- the internal control and risk management system of the Group;

- the findings and recommendations of the Group's internal auditor on the Group's operations and of the regulatory review carried out by the regulators;

- compliance status of the Group with the applicable regulatory and other legal requirements;

- the Group's investment policy and the adequacy of provision made for diminution in value for the Group's investments;

- the litigation cases of the Group;

- the adequacy of the provision for bad debts; and

- the error trades occurred during the 6 months ended 30 June 2014.

Executive Committee

The Executive Committee is currently composed of 3 executive Directors, namely Messrs. LIN Yong (Chairman of the Executive Committee), POON Mo Yiu and HUI Yee Wilson as well as heads of certain major business divisions of the Group. The Executive Committee is duly authorised by the Board to manage the day-to-day business of the Group.

Nomination Committee

The Nomination Committee is currently composed of 1 non-executive Director, namely Mr. JI Yuguang (Chairman of the Nomination Committee) and 2 independent non-executive Directors, namely Messrs. TSUI Hing Chuen William and LAU Wai Piu. The Nomination Committee is responsible for reviewing the structure, size and composition of the Board, including the skills, knowledge, experience of Directors and the time devoted by the Directors in fulfilling their responsibilities, making recommendations on any proposed changes to the Board to complement the Company's corporate strategy; making recommendations in respect of the appointment or reappointment and the succession plan of Directors, including but not limited to the Chairman and the CEO, to the Board for its approval and implementation, and assessing the independence of the independent non-executive Directors as set out in Rule 3.13 of the Listing Rules. The Nomination Committee will meet at least once a year to discharge its responsibilities in accordance with its term of reference.

During the year ended 31 December 2014, the work performed by the Nomination Committee included reviews of the followings:

- the structure, size and composition of the Board (including the skills, knowledge and experience of directors), with recommendations made on any proposed changes to the Board to complement the Company's corporate strategy;

- the Board's composition under diversified perspectives; and

- the proposal regarding appointment of Mr. William CHAN as a non-executive Director and a member of the Strategic Development Committee of the Company.

Information relating to the Board Diversity Policy and the Board's composition under major diversified perspectives is set out in the section headed "Board Diversity Policy" above.

Remuneration Committee

The Remuneration Committee is currently composed of 3 independent non-executive Directors, namely Messrs. TSUI Hing Chuen William (Chairman of the Remuneration Committee), LAU Wai Piu and WEI Kuo-chiang and 2 non-executive Directors, namely Messrs. JI Yuguang and CHENG Chi Ming Brian. The responsibilities of the Remuneration Committee include setting remuneration policy of the Group and fixing remuneration packages of the Directors in accordance with the Listing Rules and the Bye-laws. Details of the remuneration paid to the respective Directors are set out in note 8 to the financial statements. No Directors can determine their own remuneration packages. The Remuneration Committee is provided with sufficient resources to discharge its duties.

The chairman of the Remuneration Committee will report their findings and recommendations to the Board for consideration and approval. The Remuneration Committee will meet at least once a year to discharge its responsibilities in accordance with its terms of reference.

During the year ended 31 December 2014, the work performed by the Remuneration Committee included reviews of the followings:

- the proposal for 2014 remuneration adjustment;
- the proposal for 2013 bonus distribution;
- the new service agreement of Mr. HUI Yee Wilson;
- the proposal of share award scheme; and
- the service agreement in respect of the appointment of Mr. William CHAN.

Strategic Development Committee

The Strategic Development Committee is currently composed of 3 non-executive Directors, namely Messrs. JI Yuguang (Chairman of the Strategic Development Committee), CHENG Chi Ming Brian and William CHAN (appointed on 2 January 2015) and 2 executive Directors, namely Messrs. LI Jianguo and LIN Yong. The main responsibility of the committee is to assist the Board in formulating medium to long term business development strategies and directions for the Group.

Company Secretary

The Company Secretary, namely Ms. LAU Yik Chi, is a full time employee of the Company and has date-to-day knowledge of the Company's affairs. The Company Secretary is responsible for advising the Board on corporate governance matters. During the year ended 31 December 2014, the Company Secretary has confirmed that she has taken no less than 15 hours of relevant professional training.

Internal Control Framework

The Group has established a robust system of internal controls to promote effectiveness and efficiency of business activities and operations, increase reliability of financial reporting and compliance with applicable laws and regulations. Internal controls are activities or procedures designed to provide reasonable assurance that the Group's business activities and operations are functioning and working properly and reduce the likelihood that significant errors or fraud will occur and remain undetected. The Group's risk management mechanism is also embodied by the three lines of defence for risk management. All executing units serve as the main responsible parties for their respective business risks and are taken as the front line and also the first line of defence for risk management. The Compliance and the Group Risk Management Department ("GRM") together constitute the second line of defence for risk management. Different from the business supporting units, the Compliance and the GRM perform their management functions independently of the business units. Charged with the major duty of independent oversight of risks, the Compliance is responsible for managing compliance risks, whereas the GRM is tasked with overall management of financial risks. The Internal Audit Department serves as the third line of defence.

Risk Management

The Group's principal businesses are exposed to two major types of business risk, namely financial and non-financial risks. Financial risks include liquidity risk, credit risk, market risk and operational risk, whereas non-financial risks mainly cover legal and compliance risks. The Group's management firmly believes that an effective risk management mechanism and a sound risk management culture are fundamental to both continued existence and successful development of the Group in any business and economic environment. As such, the Group has developed a comprehensive and stringent risk management mechanism in line with the international practices as the basis for risk management, which includes a three-tier system for risk management and three lines of defence for risk control on top of its risk management infrastructures. Proactive efforts have also been made to promote and foster a risk management culture taking the three principles of risk management as its core to ensure effective risk management.

Risk Management Mechanism and Culture

The effectiveness of the Group's risk management mechanism lies in its clearly-defined risk management objectives and mandates, as well as a fully-fledged risk control system with clear structures, well-defined functions, roles and responsibilities, as well as a comprehensive set of policies and procedures and their respective implementation rules. The prime objective is to have all the business risks effectively identified, measured, analysed and controlled, such as having them measured against defined limits, monitored, reported and managed (including mitigation and elimination of risks), followed by the pursuit of business development on the premise of keeping risks in check.

The Group's risk management mechanism is embodied by the three-tier system, with the Board and the Group's management which includes the Executive Committee, the Capital Allocation and Investment Committee and the Risk Management Committee being the first and second tiers respectively, whereas the executing units, including all business units, business supporting units, Legal, Compliance and GRM, together constitute the third tier. The Board determines the Group's risk management strategies, including risk appetite and tolerance, as well as guiding principles for overall risk management. On the other hand, the Executive Committee, through its Capital Allocation and Investment Committee and the Risk Management Committee, is responsible for and guiding the implementation of the Group's risk management strategies as well as the formulation and execution of overall risk management policies, while all the business units within the Group constitute the main body for implementing the risk management policies and procedures.

The GRM, led by the Managing Director of Risk Management, works under the guidance of three committees of the Group. In line with the international practices, the department has established three functional units for managing credit risk, market risk and operational risk respectively. The GRM is also responsible for the Group's liquidity risk management.

In line with the risk management infrastructures is a sound risk management culture within the Group, which stresses on the three principles for risk management, namely the principles of independence, partnership and prudence. Such a culture echoes with the underlying mechanism, where the risk management mechanism is put in place to embody the culture while the culture in turn ensures effective implementation of the mechanism.

Liquidity Risk

Liquidity risk mainly refers to the risk of capital deficiency when the Group performs its obligations in relation to its financial liabilities and the risk of selling securities collateral with poor liquidity at a discount over their respective market prices. Liquidity risk management constitutes an essential part of the Group's risk management function.

The Group is required to meet various statutory liquidity requirements as prescribed by the relevant regulatory authorities and has put in place a monitoring system to ensure that it maintains adequate liquid capital to fund its business commitments and to comply with the relevant Financial Resources Rules. In accordance with the policy on liquidity risk management, the Treasury Department closely monitors the Group's cash flow as well as its assets and liabilities. The Group maintains substantial long-term and other stand-by banking facilities to meet any contingency in its operations. Even in periods of extreme market volatility, the management believes that the Group's working capital is adequate to meet its financial obligations. In addition, the Group performs analyses over liquidity risk of securities collateral and carries out regular tests to ensure adequate liquidity of securities collateral, thus minimising both liquidity risk and cost.

Credit Risk

Credit risk refers to the risk of economic losses stemming from failure of any counterparty, borrower or bond issuer to meet their contractual obligations. The Risk Management Committee is the ultimate credit decision-making unit of the Group, which is responsible for approving special lending projects, including general equity financing and leveraged and acquisition financing projects, approving credit and trading limits for clients and stock lending ratio.

The credit risk management team under the GRM is responsible for developing security margin financing monitoring and control measures, including the daily monitoring of changes in clients' positions, financing ratios and their account changes; observing strictly the approved financing and credit policies to make margin calls and perform forced liquidation; reporting to the management regularly and when abnormalities arise; closely monitoring the unusual movements and trading halts of individual stocks and timely identifying non-performing debts; and demanding higher margin requirements to step up risk control for particular clients or products. The credit risk management team and the management monitor closely the changes in loan balances and positions of any single major client. In the event of any sudden adverse change in market conditions, the relevant salesperson will be urged to take prompt remedial action, such as requesting clients to reduce positions, depositing funds or improving quality of their stock portfolio to maintain risks at a level acceptable to the Group. Meanwhile, to avoid overconcentration of credit risk, the Group has set upper limits on client concentration risk and stock concentration risk and imposed caps on margin lending secured against a single stock for individual clients.

The leveraged and acquisition financing risk management team serves as the credit control unit for the business. It performs due diligence reviews to examine the background of applicants and project authenticity before any sizable loan applications are submitted for approval. In the course of project approval, the team provides suggestions on risk prevention and control over critical risk factors of projects and delivers separate risk analysis reports. As for post-financing management, the responsible business team and the GRM perform on-going monitoring over existing projects and pay heed to any change in the operating and financial position of borrowers and investment projects. They also monitor the quality of the relevant collaterals, perform internal rating for the approved projects based on their latest credit standing and issue a warning to the management when abnormalities arise. The monitoring findings will be reported to the management on a monthly basis.

Besides, the GRM conducts stress tests on a regular basis, so as to timely identify any problems in clients' accounts amid market turbulence and to assess the Group's credit risk exposure and capital adequacy taking into account the potential change in future economic conditions.

Market Risk

The Group is exposed to market risk which is originated from the relevant business lines and mainly covers risks associated with equity, interest rate and foreign exchange rate fluctuations. The market risk management team is the major risk control unit put in place to cater for the development of all the business lines. The Group has developed a comprehensive set of policies, procedures and systems for market risk management, enabling full coverage of the basic components of market risk management, including stringent product definition, the defining, measuring and quota-setting of risk factors and overall risk exposure (such as Value at Risk), risk control model and system, as well as risk reporting and management, in a bid to ensure all major market risks are duly identified, assessed and controlled.

The Group's interest rate and foreign exchange risk exposure also stems from its overall asset and liability portfolio. The Group uses appropriate hedging tools when it is exposed to material interest rate risk. The foreign currencies used by the Group are mainly the US dollar and Renminbi. The Group is not exposed to material foreign exchange risk due to Hong Kong's currency peg with the US dollar. As for exchange rate of Hong Kong dollar against Renminbi, the market risk management team monitors market movement of Renminbi on a daily basis and provides the management with exchange rate risk updates on a monthly basis. The Group also conducts appropriate hedging activities when it is exposed to material exchange rate risk.

Operational Risk

Operational risk refers to the risk of loss stemming from external incidents, defects in management over internal procedures, failure of IT systems or misconduct of personnel, etc. Under GRM the operational risk management team serves as the key functional unit. The Internal Audit Department is responsible for the oversight function, whereas all business and supporting units are tasked with monitoring operational risk based on their assigned duties.

The Group performs operational risk management based on actual business conditions. Future development of new businesses of the Group requires operational risk analyses and control measures in such areas as workflow, manpower configuration, system operation and risk control. As for existing business lines, the respective workflow and risk management measures are reviewed and updated from time to time or when necessary to ensure effective management and availability of monitoring measures. Moreover, Business Continuity Plans are developed to prevent accidental business suspension and to strengthen post-disaster business recovery capabilities of the Group.

Internal Auditor

The Group has an independent internal audit team, which provides objective assurance and internal control consultancy service to safeguard the Group's operations. On a yearly basis, the head of the internal audit team will present a report and express an opinion on the internal control environment of the Group to the Audit Committee. A group-wide internal control self-assessment is conducted yearly in order to help departments to self-access their internal control environmental and risks. The annual audit work plan takes the risk-based approach and covers major activities and processes of the Group's operating business. Moreover, ad hoc reviews will also be conducted on specific areas of concern identified by the Audit Committee and senior management.

External Auditor

During the year, the Group has engaged its external auditor, Deloitte Touche Tohmatsu, to provide the following audit and taxation services and their respective fees are shown below:

Type of Services	Fee charged **For the year ended 31 December** **2014** **HK$'000**	 2013 HK$'000
Audit fee for the Group	**2,600**	3,340
Taxation services	**339**	330

Communication with Shareholders

The Board and senior management maintain a continuing dialogue with the shareholders and investors through various channels including the Company's annual general meeting. The Chairman, other Board members and the external auditor attend the annual general meeting. The Directors will answer questions raised by the shareholders on the performance of the Group. The Company holds press and analyst conferences at least twice a year following the release of interim and annual results announcements at which the executive Directors and senior management of the Group are available to answer questions regarding the performance of the Group.

Our corporate website which contains corporate information, interim and annual reports, announcements and circulars issued by the Group as well as the recent developments of the Group enables the shareholders to have timely and updated information of the Group. Shareholders can refer to the "Shareholders' Communication Policy" posted on the Company's website for more details.

Besides, the Company invites media to attend various corporate events, maintains regular communication with them via interviews and article contribution covering diverse topics and uses its corporate website to disseminate its press releases, financial and other information relating to the Group and its business to the public in order to foster effective communication.

Shareholders' Rights

Shareholders' rights are set out in a number of sources, such as the Bye-laws, the Companies Act 1981 (the "Act") and the Listing Rules. With reference to the above sources, the Company sets out below details of shareholders' rights in the following aspects:

1. The way in which shareholders can convene a special general meeting

Pursuant to Bye-law 58 of the Bye-laws and Section 74 of the Act, shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition.

The requisition must be signed by the requisitionists and deposited at the registered office of the Company at 22nd Floor, Li Po Chun Chambers, 189 Des Voeux Road Central, Hong Kong (the "Registered Office") for the attention of the Company Secretary.

The requisition will then be verified with the Company's Branch Share Registrar and Transfer Office in Hong Kong and upon its confirmation that the requisition is proper and in order, the Company Secretary will forward the requisition to the Board and the Board shall convene and hold such a general meeting within 2 months after the deposit of such requisition. Moreover, if within 21 days of such deposit, the Board fails to proceed to convene such a general meeting, the requisitionists, or any of them representing more than one half of the total voting rights of all of them, may themselves convene a meeting, but any meeting so convened shall not be held after the expiration of 3 months from the said date.

2. The procedures for sending enquiries to the Board

Shareholders and other stakeholders may send their enquiries and concerns in writing to the Board by addressing them to the Company Secretary at the Registered Office and the Company Secretary shall then forward the same to the appropriate executives of the Company or members in the Board for further handling.

3. The procedures for making proposals at shareholders' meetings

To put forward proposals at an annual general meeting or a special general meeting, the shareholders shall submit a written notice of those proposals with the detailed contact information to the Company Secretary at the Registered Office. The request will be verified with the Company's Branch Share Registrar and Transfer Office in Hong Kong and upon its confirmation that the request is proper and in order, the Company Secretary will ask the Board to include the resolution in the agenda for the general meeting.

Moreover, the notice period concerning the notice to be given to all the shareholders for consideration of the proposals submitted by the shareholders concerned varies as follows pursuant to Bye-law 59(1) of the Bye-laws:

(a) for an annual general meeting or any special general meeting at which the passing of a special resolution is to be considered, it shall be called by not less than 21 clear days' notice (the notice period must include 20 clear business days under the Listing Rules' requirement); and

(b) for all other special general meetings, they may be called by not less than 14 clear days' notice (the notice period must include 10 clear business days under the Listing Rules' requirement).

Constitutional Documents

There is no significant change in the constitutional documents of the Company during the year.

Sincere

We build genuine relationships with far-reaching visions. Striving to contribute to the sustainability of corporations, we commit to create a better society.

Corporate Social Responsibility Report

In 2014, apart from its burgeoning business performance, Haitong International achieved ground-breaking development for its corporate social responsibility (CSR) practices. As a Hong Kong-listed financial corporation which grew from strength to strength during the past few years, the Haitong International Charitable Foundation was formally established in the year. Haitong International has a long-term commitment to the role of a good corporate citizen to serve the community. Through the set-up of the new foundation, we are hoping to contribute more and to build a better community by leveraging resources in a more focused, tactful and sustainable manner.

For 11 consecutive years, Haitong International has been recognized as the "Caring Company" by The Hong Kong Council of Social Service since 2004 as a token of appreciation for its commitment to caring for the well-being of the community, the employees and the environment. Moreover, Haitong International was presented the "10 Year Plus Caring Company" logo for the first time.

Four key aspects, namely customers, employees, shareholders and investors as well as the community, are important to Haitong International to maintain a good CSR practice, and achieving the goal of uplifting corporate sustainability.

Senior Management of Haitong International was interviewed by media to introduce and promote Shanghai – HK Stock Connect to the mass public.

Customers

Haitong International strives to keep up with the ever-quickening pace of change in the marketplace. Haitong International is dedicated to the development of innovative financial products in response to the specific needs of global and local customers. Haitong International has a long-term and trusted relationship with more than 170,000 customers, and always endeavours to provide comprehensive financial products and services to global and local corporate, institutional as well as individual clients.

Since the announcement of the Shanghai-Hong Kong Stock Connect programme in April 2014, Haitong International instantly upgraded the software and hardware systems to get in line with the new mechanism. These upgrades included enhancement of the trading and settlement system; tailored-made training on A-share trading policies, regulations and industry outlook to all front, middle and back office employees; organisation of seminars for retail and institutional clients; and heightened communications and sharing of analyst reports with the parent company, Haitong Securities. A range of comprehensive services have been in place to support customers on A-share investments.

To help customers to make informed and sound investment decisions, the business team of Haitong International is providing instant investment information and research reports to customers. The Group is also using different promotional channels to inform customers of new product launches and keep them updated of related service changes in a timely manner, allowing customers to have a clear understanding of the latest financial products and services of Haitong International.

Customers' opinions and feedbacks are instrumental to our corporate development. To fully gauge our customer experiences, Haitong International is conducting quarterly customer satisfaction and opinion survey, with an objective to enhance service quality.

Haitong International strictly adheres to the procedures of risk management and internal control. Therefore a series of training sessions have been provided to front, middle and back office staff to ensure that product details, service terms and internal procedures are up to legal and regulatory standards, and that customers are fully aware of the features and risk exposure of an investment before they make their decision.

Employees

Haitong International always cares about the mental and physical well-being of its employees and encourages them to maintain work-life balance, with continuous efforts made to improve staff welfare. "Haitong International Staff Club" regularly organises recreational activities for its staff and their family members, including dinner, basketball competition, singing contest, and badminton competition. A number of hobby classes have also been organised to relieve stress and to encourage interactions amongst departmental colleagues.

Haitong International continues to help its staff through the dedicated "Staff Care Fund". The fund offers immediate support to staff suffering from serious financial or livelihood problems to help them weather adversity.

Haitong International encourages its staff to pursue further studies for enhancement of their professional knowledge. To comply with the continuous professional training requirements for licensed persons as stipulated by the Securities and Futures Commission, and the continuous professional development requirements for MPF intermediaries and for registration with the Chinese Gold and Silver Exchange Society, the Group hosted over 40 internal trainings in the year, covering such topics as the global investment market, A-share market, new financial products and regulations.

Haitong International Staff Club organised a badminton competition for staff.

Haitong International hosted over 40 internal trainings in the year.

Haitong International also supports employees in obtaining finance-related professional qualifications by providing study leaves and examination leaves, allowing them to prepare well for the professional examinations. During the year, Haitong International has launched a new leadership development program for middle and senior colleagues who possess good potential. The program also aims to help the Group to foster management skills and to enhance interactions amongst departments, thereby contributing to an uplift of business performance. Haitong International was accredited as a "Manpower Developer" by the Employee Retraining Board under the "ERB Manpower Developer Award Scheme" to recognise its excellent devotion in manpower training and development.

Shareholders and Investors

During the period, Haitong International has placed lots of efforts to enhance its relations with investors. It organised press conferences as well as analyst meetings for the interim and final results announcement, whilst at the same time actively took part in the investor conferences organised by large-scale financial institutions. Haitong International maintained close connections with over 300 institutional investors and analysts around the globe through non-deal roadshows and one-on-one meetings held in various domestic and overseas regions. These communicative channels helped investors to have thorough understanding on the Group's operations, financial position and business development. There are always follow-up and analysis on investors' feedbacks such that investors reports are subsequently produced for management's reference.

The senior management attended financial results announcement press conference.

In 2014, Haitong International was added to the Hang Seng Composite SmallCap Index. A total of 15 research reports on Haitong International were released by 6 financial institutions throughout the year, amongst them 3 were initial coverage reports. The Group also hosted annual shareholders' meeting to enhance the communications between shareholders and the management. All announcements and press releases issued by the Group are often uploaded to the corporate website timely so that investors and shareholders can refer to the information anytime.

Apart from maintaining close communications and exchanges with shareholders, investors and industry analysts, Haitong International also places high importance to educating investors about the Hong Kong financial market. Great efforts have been spent to

Haitong International maintains close communications and exchanges with analysts and investors through regular meetings.

assist retail investors to gain a thorough understanding of investment market trends and different types of financial products. Upholding the "multi-market, multi-channel and multi-level" approach for active investor education, the Group has been teaming up with investment experts within and outside the Group to organize regular investment seminars, workshops and discussion forums to enrich the financial product awareness and investment knowledge of local investors.

Haitong International organised investment seminars to educate retail investors on financial knowledge.

The Community

Charity and Community Services

The Group always concerns about the minorities in the community. The Group has selected to work in partnership with several non-profit-making organisations that share similar beliefs on serving the community. The collaborative support has different formats, such as donating cash to The Helping Hand's Cookie Campaign for 10 consecutive years since 2006 and to The Hong Kong Society for the Blind; mobilising our staff to participate in the Community Chest Skip Lunch Day, Dress Casual Day and Green Day; participating in the Oxfam Rice Event; and teaming up to join the "2014 Community Chest Corporate Challenge" and "Bloomberg Square Mile Relay".

Members of Haitong International formed a team to join the "Bloomberg Square Mile Relay".

"Haitong International Caring Ambassadors" organised an art-jamming painting workshop volunteer event.

The Group encourages its staff to contribute to the society through volunteerism. In 2014, overwhelming support was received to participate in various community and fund-raising activities organised by the corporate volunteering team "Haitong International Caring Ambassadors". For the first time, the volunteering team initiated a company-wide scheme to call on all staff to contribute innovative ideas and proposals on volunteering activities that might boost participation. The awarded proposal outlined an art-jamming painting workshop, and was being executed successfully in the end with the Society for the Welfare of the Autistic Persons.

Environmental Protection

In 2014, the Group hosted and supported a series of environmental protection initiatives, including the collection and recycling of clothes, small household appliances and desktop computers. The collected goods had been donated to The Salvation Army, Caritas Hong Kong and St James' Settlement. These activities reminded colleagues to treasure resources in support of environmental protection, and effectively re-allocate resources to the needy. Starting from 2013, the Group has begun to choose the eco-friendly papers for printing of the Group's annual report.

The Group was awarded the "Class of Excellence" Wastewi$e Label of the "Hong Kong Awards for Environmental Excellence" from the Environmental Campaign Committee and the Environmental Protection Department. The label is a further proof of the Group's commitment to waste reduction and environmental protection.

Support Cultural and Arts Activities

Haitong International's corporate responsibility is formed on the belief that the beneficiary should not be confined to one single group but a wider community. Apart from cash and in-kind donations to help the needy, Haitong International endeavours to support cultural and arts activities. The objective is to create a better cultural environment by encouraging youth creativity while at the same time offer help to those in need.

Haitong International sponsored the 40th Anniversary Gala Concert of HK Phil.

In 2014, Haitong International sponsored two major local events on this front, namely the 40th Anniversary Gala Concert of Hong Kong Philharmonic Orchestra ("HK Phil") and the charity auction event in celebration of South China Morning Post's ("SCMP") 110th anniversary.

The HK Phil is the city's orchestral powerhouse with the longest standing in Hong Kong. Committed to the development of music and arts locally, HK Phil works closely with schools to provide various music educational programmes, and actively foster the development of local artists. The SCMP's auction event sold a series of renowned paintings, photography work and sculptures from Hong Kong, Mainland and international artists, with a majority of them from local young artists. All raised funds had been donated to St. James' Settlement, the Society for Community Organization and the Tung Wah Group of Hospitals.

Haitong International sponsored the SCMP Charity Art Auction.

Contribute to Industry Development

Each and every member of the Board and the senior management has in-depth knowledge of the financial industry. By participating actively as guest speakers in the seminars and forums organised by various professional bodies, trade associations, financial institutions and media, they are contributing to the development of industry norms and financial products.

Haitong International has become a member of "The Better Hong Kong Foundation" since 2014 to relay positive messages and promote the various advanced aspects of the local economy and community to the outside world. The aim is to foster a deeper understanding of Hong Kong and the Mainland China in the global community to build closer cooperation relation. Dr. Lin Yong, Deputy Chairman and the Chief Executive Officer of Haitong International, attended its activities to exchange insights and ideas with local regulators, financial institutions and industry leaders, and provide valuable suggestions, thereby contributing to the uplift of the industry standards and overall international image of Hong Kong.

Haitong International has become a member of "The Better Hong Kong Foundation", and the senior management proactively supported its activities.

Board of Directors and Senior Management

Board of Directors

Executive Directors

LI Jianguo, aged 51, was appointed as an Executive Director of the Company on 13 January 2010 and a Deputy Chairman of the Board of Directors of the Company on 10 March 2010. He is also a member of the Strategic Development Committee of the Company. Mr. Li holds a Doctorate Degree in Economics from Xi'an Jiaotong University. He has 23 years of experience in the securities industry. Mr. Li was a general manager of Henan Securities Co., Ltd. from 1992 to 1998. He joined Haitong Securities Co., Ltd. ("HSCL") in 1998 and served as the deputy general manager of HSCL from 1998 to 1999. Mr. Li was the vice president and the general manager of Fullgoal Fund Management Co., Ltd. from 1999 to 2008. Mr. Li has been the assistant to the general manager of HSCL and the chairman of the board of directors of Haitong International Holdings Limited (formerly known as "Hai Tong (HK) Financial Holdings Limited") ("HTIH") since 2008 and the deputy chairman of the board of directors of HTIH since 9 August 2010.

LIN Yong, aged 45, was appointed as an Executive Director of the Company on 23 December 2009 and the Joint Managing Director of the Company on 10 March 2010. He has been a Deputy Chairman of the Board of Directors and the Managing Director of the Company as well as the Chief Executive Officer of the Group since 29 April 2011. He is also the Chairman of the Executive Committee as well as a member of the Strategic Development Committee of the Company. In addition, Mr. Lin is the chairman of the board of directors or a director of various subsidiaries of the Company and a responsible officer of Hai Tong Capital (HK) Limited and Haitong International Capital Limited under the Securities and Futures Ordinance. Mr. Lin holds a Doctorate Degree in Economics from Xi'an Jiaotong University and has over 20 years of experience in the investment banking industry. Mr. Lin joined HSCL in 1996 and was a general manager of the Investment Banking Department of HSCL from 2001 to 2007. He has been appointed as an assistant to general manager of HSCL with effect from 30 December 2014 and the chief executive officer of HTIH since 2007. He is responsible for the overall operation of HTIH and the business development of the Group. Mr. Lin also concurrently serves as a member of the advisory committee of the Securities and Futures Commission. In 2006, Mr. Lin was named "2006 Top Ten Outstanding Young Person in Financial Sector in Shanghai" (2006年上海首屆十大金融傑出青年) and was honoured as the "2014 Shanghai Financial Industry Leader" (2014 滬上金融行業領袖) in 2014. He acts as an adjunct professor in Management College of Xiamen University since 12 May 2010. Mr. Lin has been appointed as an independent non-executive director of Zhongsheng Group Holdings Limited ("Zhongsheng Group") with effect from 31 March 2014, the shares of Zhongsheng Group are listed on The Stock Exchange of Hong Kong Limited.

POON Mo Yiu, aged 50, joined the Group in August 2008 and was appointed as an Executive Director of the Company on 1 July 2009. He is the Chief Operating Officer of the Group as well as a member of the Executive Committee of the Company. He is also a director of various subsidiaries of the Company. Mr. Poon holds a Master of Business Administration Degree from The Chinese University of Hong Kong. He is a fellow of both the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants ("HKICPA") and a member of the Institute of Chartered Accountants in England & Wales. Mr. Poon has extensive experience in financial management, management of information systems, accounting projects as well as various aspects of mergers and acquisitions. Prior to joining the Group, Mr. Poon worked for Sun Hung Kai & Co. Limited as the Group Chief Operating Officer and the Group Chief Financial Officer. He was also previously the Vice President in Finance of JPMorgan Chase Bank and the Group Financial Controller of Jardine Fleming Group in Asia before its merger with JPMorgan Chase Bank.

HUI Yee Wilson, aged 55, joined the Group in 1995 and was appointed as an Executive Director of the Company on 29 April 2011. He is the Director of Sales and Marketing for the Group as well as a member of the Executive Committee of the Company. In addition, Mr. Hui is the Managing Director of Haitong International Futures Limited and Haitong International Securities Company Limited. He is also a director of various subsidiaries of the Company and a responsible officer of Haitong International Futures Limited, Haitong International Securities Company Limited and Haitong International Consultants Limited under the Securities and Futures Ordinance. Mr. Hui is responsible for the development and management of the Group's retail broking business. Mr. Hui holds a Bachelor Degree in Economics and Management Studies from The University of Hong Kong. Before joining the Group, Mr. Hui possessed 14 years of experience in the banking and securities industries. He is currently a member of the Hong Kong Institute of Directors and the Hong Kong Securities Institute as well as a director of The Hong Kong Association of Online Brokers Limited.

Non-executive Directors

JI Yuguang, aged 57, was appointed as a Non-executive Director of the Company on 13 January 2010 and the Chairman of the Board of Directors of the Company on 29 April 2011. He is also the Chairman of the Nomination Committee and the Strategic Development Committee and a member of the Remuneration Committee of the Company. Mr. Ji obtained a bachelor's degree in economics from Beijing Finance and Commerce College in July 1983 and graduated with a major in economy management as a postgraduate from Party School of Central Committee of the CPC in June 1999. He has 32 years of experience in the finance and commerce industry. Mr. Ji had worked for Beijing Municipal Planning Economy Committee (currently known as "Beijing Municipal Committee of Development and Reform") for 6 years and Bank of Communications Beijing Branch for 8 years. Mr. Ji joined HSCL in 1995 and was the general manager of HSCL Beijing Langjiayuan Branch from 1995 to 1997. Mr. Ji has been the deputy general manager of HSCL since 1997 and a director of the Overseas Business Committee of HSCL since February 2011. In addition, Mr. Ji has been a director of HTIH since 9 August 2010 and the chairman of the board of directors of HTIH since 17 March 2011.

CHENG Chi Ming Brian, aged 32, joined the Group in June 2009 and was appointed as an Executive Director of the Company on 1 July 2009. He was re-designated as a Non-executive Director of the Company on 13 January 2010. Mr. Cheng is also a member of the Remuneration Committee and the Strategic Development Committee of the Company. Mr. Cheng holds a Bachelor of Science Degree from Babson College in Massachusetts in the United States. Mr. Cheng is currently an executive director of NWS Holdings Limited, chairman and non-executive director of Integrated Waste Solutions Group Holdings Limited, non-executive director of Newton Resources Ltd., Wai Kee Holdings Limited and Beijing Capital International Airport Company Limited. The shares of all these companies are listed on The Stock Exchange of Hong Kong Limited. Mr. Cheng is also a director of certain subsidiaries of NWS Holdings Limited. He is mainly responsible for overseeing the infrastructure business and the merger and acquisition affairs of NWS Holdings Limited and its subsidiaries. In addition, Mr. Cheng is a director of Sino-French Holdings (Hong Kong) Limited, Sino-French Energy Development Company Limited, The Macao Water Supply Company Limited as well as a director of a number of companies in Mainland China. Mr. Cheng has previously worked as a research analyst in the Infrastructure and Conglomerates sector for CLSA Asia-Pacific Markets.

WANG Meijuan, aged 50, was appointed as a Non-executive Director of the Company on 1 September 2012 and is a member of the Audit Committee of the Company. She holds a Bachelor Degree and a Master Degree from the Shanghai University of Finance and Economics. Ms. Wang is a senior accountant in the People's Republic of China and possesses the qualification of securities practitioner in the People's Republic of China. She has worked as a lecturer for the department of management engineering of the Shanghai Institute of Building Materials and senior manager of Da Hua Certified Public Accountants Co. Ltd. Ms. Wang has over 14 years of experience in the securities industry. From May 2001 to June 2003, she worked respectively as the assistant to the general manager and the deputy general manager of the audit department of Haitong Securities Company Limited. After joining HSCL in July 2003, Ms. Wang has worked as the deputy general manager of the monitoring and audit department, the deputy general manager of the risk control headquarters and the chief inspector and the deputy general manager for risk control. Currently, Ms. Wang is respectively a director and the chief supervisor of Haitong Capital Investment Co., Ltd. and Haitong Futures Co., Ltd., the group companies of HSCL, and a member of the Brokerage Business Committee of HSCL and the general manager of the audit department of HSCL.

William CHAN, aged 48, was appointed as a Non-executive Director and a member of the Strategic Development Committee of the Company on 2 January 2015. He is also the Chief Executive Officer and Chief Investment Officer of Harveston Asset Management Pte. Ltd., a joint venture company of Haitong International Investment (Singapore) Pte. Ltd., an indirect wholly-owned subsidiary of the Company. Mr. Chan was awarded a Master of Business Administration Degree from National University of Singapore and a Bachelor Degree in Shipbuilding from Dalian University of Technology in China. He is currently the Investment Director of Tze San Investment Pte Ltd and has extensive experience in equity and bond analysis, trading and portfolio construction, currency trading, distress investment, quantitative research and derivative trading. Mr. Chan previously worked for China Aviation Oil (Singapore) Pte Ltd as Head of Strategic Investment. He was also previously the Credit and Finance Manager of treasury department and financial risk unit for Asia Pacific of Dow Chemical Singapore.

Independent Non-executive Directors

TSUI Hing Chuen William JP, aged 63, was appointed as an Independent Non-executive Director of the Company on 1 July 2004 and is the Chairman of the Remuneration Committee, a member of the Audit Committee and the Nomination Committee of the Company. Mr. Tsui is the founder partner of Messrs. Lo, Wong & Tsui, Solicitors & Notaries since 1980. He has been a solicitor of the High Court of Hong Kong since 1977, a solicitor of the Supreme Court of England & Wales since 1980 as well as a barrister and solicitor of the Supreme Court of Victoria, Australia since 1983. He has also been an advocate and solicitor of the Supreme Court of Republic of Singapore since 1985 and a notary public appointed by the Archbishop of Canterbury, England since 1988. Mr. Tsui was appointed as a Justice of the Peace by the Government of Hong Kong Special Administrative Region ("Hong Kong") in 1997. He was admitted to the Roll of Honour of the Law Society of Hong Kong in 2013. Mr. Tsui is currently an independent non-executive director of International Entertainment Corporation, Mongolia Energy Corporation Limited and Vision Values Holdings Limited (formerly known as "New World Mobile Holdings Limited"). The shares of all these companies are listed on The Stock Exchange of Hong Kong Limited.

LAU Wai Piu, aged 50, was appointed as an Independent Non-executive Director of the Company on 1 December 2006 and is a member of the Audit Committee, the Nomination Committee and the Remuneration Committee of the Company. Mr. Lau is a member of the HKICPA and a fellow of the Association of Chartered Certified Accountants. He possesses over 20 years of extensive experience in accounting and financial management. Mr. Lau is currently an independent non-executive director of International Entertainment Corporation, Mongolia Energy Corporation Limited and Vision Values Holdings Limited (formerly known as "New World Mobile Holdings Limited"). The shares of all these companies are listed on The Stock Exchange of Hong Kong Limited.

LIN Ching Yee Daniel, aged 52, was appointed as an Independent Non-executive Director of the Company on 31 December 2012 and is the Chairman of the Audit Committee of the Company. Mr. Lin graduated from the University of Oxford and obtained a Master of Arts in Engineering Science. He is a Certified Public Accountant (Practising) in Hong Kong and a member of the HKICPA and the Institute of Chartered Accountants in England and Wales. Mr. Lin is currently the managing partner of Grant Thornton Hong Kong Limited, a member firm of Grant Thornton International Ltd. During working in London of the United Kingdom and Hong Kong, he has gained over 29 years of experience in auditing, initial public offering, financial consulting and management and has been a partner in various large international accounting firms in Hong Kong. Mr. Lin is currently a member of the Professional Conduct Committee, the Audit Profession Reform Working Group, the Mainland Development Strategies Advisory Panel and the Convenor of the Editorial Advisory Group of the HKICPA.

WEI Kuo-chiang, aged 64, was appointed as an Independent Non-executive Director of the Company on 31 December 2012 and is a member of the Remuneration Committee of the Company. He was awarded a Doctor of Philosophy Degree in Finance from the University of Illinois at Urbana-Champaign in the United States, a Master of Business Administration Degree in Finance from the National Chengchi University in Taiwan, and a Bachelor of Engineering Degree in Industrial Management from the National Taiwan University of Science and Technology. Mr. Wei is currently the Chair Professor of Finance and Director of Value Partners Center for Investing at the Department of Finance at The Hong Kong University of Science and Technology ("HKUST"). He previously acted as professor, associate professor and assistant professor of finance at a number of prestigious universities, including the University of Mississippi, the University of Miami and the Indiana University at Bloomington/Indianapolis in the United States as well as the HKUST, and also served as Director of the Center for Asian Financial Markets and Director of Master of Science (Financial Analysis)/(Investment Management) Programs at the HKUST for many years. Mr. Wei has written a number of research papers on issues such as the United States and Global Capital Markets and Pricing of Assets and he was also a column writer on Hong Kong stock market and warrant trading for Hong Kong Economic Journal for many years. Moreover, he assisted to develop wealth management and investment models for, among others, Hang Seng Bank Limited and The Hongkong and Shanghai Banking Corporation Limited and also organized and conducted a consultancy project for the Government of Hong Kong and Asia-Pacific Economic Cooperation. Mr. Wei has been a council member of the Chinese Finance Annual Meeting and the Global Chinese Real Estate Congress since 2004 and 2008 respectively.

Senior Management

ZHANG Xinjun, aged 39, joined the Group in April 2010 and was appointed as the Chief Financial Officer of the Group in September 2010. He is also a member of the Executive Committee of the Company as well as a director of various subsidiaries of the Company. Mr. Zhang holds a postgraduate Master Degree in Management from the Department of Accounting of Nankai University. He is a Chinese Middle Grade Accountant and has extensive experience in financial accounting, finance management and merger and acquisition. Prior to joining the Group, Mr. Zhang worked at the Finance and Accounting Department of HSCL and has been the Chief Financial Officer of HTIH since January 2008.

SUN Jianfeng, aged 38, joined the Group in 2010 and is responsible for the development and management of the Group's corporate finance division and leveraged and acquisition finance division. He is also a member of the Executive Committee of the Company. In addition, Mr. Sun is a director of various subsidiaries of the Company as well as a responsible officer of Hai Tong Capital (HK) Limited and Haitong International Capital Limited under the Securities and Futures Ordinance. Mr. Sun holds a Master of Economics from Xi'an Jiaotong University and is a chartered sponsor representative in the PRC equity market. He possesses extensive experience in the corporate finance industry. He participated and completed a number of IPOs in Hong Kong and China.

SUN Tong, aged 38, is a member of the Executive Committee of the Company and the head of the global market operations division of the Group, the Managing Director of Haitong International Securities Company Limited as well as a responsible officer of Haitong International Securities Company Limited and Haitong International Investment Services Limited under the Securities and Futures Ordinance. He is currently mainly responsible for managing the equity derivatives and institutional sales businesses, and for assisting the Chief Executive Officer of the Group in promoting the concerted development of the fixed income, currency and commodity businesses along with other relevant departments of the Group. Mr. Sun graduated with a Bachelor Degree in Computer Science from Nanjing Normal University and finished a Postgraduate Program of Finance at Shanghai Fudan University. He has 14 years of experience in the securities industry. Mr. Sun joined HSCL in 2000. He was the senior manager of the president office and the secretary to the president of HSCL from 2007 to April 2010. Mr. Sun has been the assistant general manager of HTIH since 2010 and is responsible for frontline business.

LO Wai Ho, aged 52, joined the Group in April 2004 and is the Finance Director of the Group, a member of the Executive Committee of the Company and a director of various subsidiaries of the Company. He is responsible for the financial management, and accounting function of the Group. From July 2012 to April 2014, Mr. Lo worked as the Company Secretary of the Company and the Group. He holds a Master of Business Administration Degree from Columbia Southern University in the United States and a Professional Diploma in Accountancy from The Hong Kong Polytechnic University. Mr. Lo has over 25 years of experience in the securities and futures industry. Prior to joining the Group, he has held senior positions in regional financial institutions in Hong Kong. Mr. Lo is a member of the Institute of Chartered Accountants in England and Wales and a member of the HKICPA.

ZHANG Yibin, aged 43, joined the Group in 2010 and is currently mainly responsible for the Group's asset management, private wealth management, research sales and overseas businesses development. He was appointed as the Managing Director of Hai Tong Asset Management (HK) Limited, Haitong International Asset Management Limited and Haitong International Investment Managers Limited in 2012. He is also a member of the Executive Committee of the Company and a responsible officer of Hai Tong Asset Management (HK) Limited, Haitong International Asset Management Limited and Haitong International Investment Managers Limited under the Securities and Futures Ordinance. Prior to joining the Group, Mr. Zhang worked at China Merchants Fund in Shenzhen China as Head of International Business in 2009 and 2010. Mr. Zhang holds a Doctor Philosophy Degree in Financial Economics from Duke University in the United States. Before relocating back to China, he worked at various financial services companies in New York, including Moody's KMV, UBS and Fitch Ratings.

SHI Ping, aged 44, joined the Group on 3 October 2012 and is responsible for the Group's corporate finance and related businesses. Mr. Shi has been appointed as a member of the Executive Committee of the Company since 11 November 2014. He is also a director of Hai Tong Capital (HK) Limited and a director as well as a responsible officer of Haitong International Capital Limited, both being subsidiaries of the Group. Mr. Shi has over 22 years of experience in the investment banking industry. Prior to joining the Group, Mr. Shi had held senior positions at Standard Chartered Asia Limited, Cazenove Asia Limited and Standard Chartered Bank since 1992 and took a leading role in a dozen of overseas listings and merger and acquisition transactions for mainland enterprises, with a number of them being elected by authoritative journals as the Deal of The Year. Mr. Shi holds a Bachelor Degree in Economics from China Institute of Finance and a Master of Business Administration from Fudan University. Mr. Shi has chartered lawyer and CPA qualifications in the PRC.

KONG Weipeng, aged 39. Dr. Kong currently serves as the Head of the Fixed Income, Currency and Commodities (FICC) Department of the Group. He has been appointed as a member of the Executive Committee of the Company since 11 November 2014. He has over 10 years of market experience in trading and investing of fixed income, currency and commodities. Before serving his current position, Dr. Kong was the Deputy Chief Investment Officer and responsible officer of Haitong International Asset Management Limited. He is currently a responsible officer of Haitong International Securities Company Limited and a director of various subsidiaries of the Company. Dr. Kong was among the key responsible persons of Haitong International Asset Management Limited for the first tranche of offshore Renminbi bond funds approved by the Hong Kong SFC. Before joining the Group, Dr. Kong had worked as a proprietary trader at the New York headquarters of Bear Stearns and the chief fixed income strategist at Penghua Fund Management Co., Ltd. Dr. Kong holds a Doctorate Degree in Finance from The Pennsylvania State University in the United States and a Bachelor Degree in International Economics from Beijing University.

Report of The Board of Directors

The board of directors of the Company (the "Board") is pleased to present its report and the audited financial statements of the Company and the Group for the year ended 31 December 2014.

Principal Activities

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries comprise securities, futures, options and bullion contracts brokerage, the provision of nominee and custodian services, the provision of corporate advisory, placing and underwriting services, the provision of investment management services, the provision of securities margin financing and leveraged and acquisition financing, trading and market making activities, structured products issuance and investment. There were no significant changes in the nature of the Group's principal activities during the year ended 31 December 2014.

Results and Dividends

The Group's profit for the year ended 31 December 2014 and the state of affairs of the Company and the Group on date are set out in the financial statements on pages 76 to 204.

The Board has resolved to recommend a final dividend in cash for the year ended 31 December 2014 in the total amount of HK$338,582,000 to shareholders whose names appear on the register of members of the Company on Tuesday, 16 June 2015. Based on the number of issued shares of 2,184,397,016 as of 31 December 2014, the final dividend for the year shall amount to HK15.5 cents per share. The interim dividend of HK8 cents per share was paid on 11 September 2014.

The proposed final dividend is subject to the approval of the Company's shareholders at the forthcoming annual general meeting. The final dividend will be paid on or about Tuesday, 7 July 2015.

Closure of Register of Members for Entitlement to Attend and Vote at Annual General Meeting

The register of members of the Company will be closed from Thursday, 4 June 2015 to Monday, 8 June 2015, both dates inclusive, during which period no transfer of shares will be registered. In order to qualify for attending and voting at the annual general meeting, unregistered holders of the shares of the Company should ensure that all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar and Transfer Office in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Wednesday, 3 June 2015.

Closure of Register of Members for Entitlement to the Proposed Final Dividend

The register of members of the Company will be closed from Friday, 12 June 2015 to Tuesday, 16 June 2015, both dates inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, the unregistered holders of the shares of the Company should ensure that all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar and Transfer Office in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Thursday, 11 June 2015. Shares of the Company will be traded ex-dividend as from Wednesday, 10 June 2015.

Summary of financial information

A summary of the published results, assets, liabilities and non-controlling interests of the Group for the year ended 31 December 2014 and the previous 10 financial periods/years, as extracted from the audited financial statements and reclassified as appropriate, is set out on page 205 of this Annual Report. The/That summary does not form part of the audited financial statements for the year ended 31 December 2014.

Charitable Contributions

During the year ended 31 December 2014, the Group made charitable and other contributions totalling HK$500,000.

Reserves

Details of movements in the reserves of the Company and the Group during the year ended 31 December 2014 are set out in note 38 to the financial statements and in the consolidated statement of changes in equity, respectively.

Distributable Reserves

As at 31 December 2014, the Company's reserves available for distribution, calculated in accordance with the provisions of the Companies Act 1981 of Bermuda (as amended), amounted to HK$464,869,000, of which HK$338,581,537 has been proposed as a final dividend for the year ended 31 December 2014. In addition, the Company's share premium account, in the amount of HK$5,875,967,000, may be distributed in the form of fully paid bonus shares.

Fixed Assets

Details of movements in the fixed assets of the Company and the Group during the year ended 31 December 2014 are set out in note 14 to the financial statements.

Share Capital

Details of movements in the Company's share capital during the year ended 31 December 2014, together with the reasons thereof, are set out in note 36 to the financial statements.

Pre-emptive Rights

There are no provisions for pre-emptive rights under the Bye-laws or the laws of Bermuda, being the jurisdiction in which the Company is incorporated, which would oblige the Company to offer new shares on a pro rata basis to its existing shareholders.

Purchase, Sale or Redemption of Listed Securities of the Company

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2014 other than as an agent for clients of the Company or its subsidiaries and for the trustee of the share award scheme of the Company.

Major Customers and Suppliers

In the year ended 31 December 2014, the revenue attributable to the 5 largest customers of the Group accounted for less than 30% of the Group's total revenue for the year ended 31 December 2014.

None of the directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's 5 largest customers.

The Group is a provider of financial services. In the opinion of the directors of the Company, it is therefore of no value to disclose details of the Group's suppliers.

Directors

The directors of the Company during the year ended 31 December 2014 and up to the date of this report are:

Executive Directors:

LI Jianguo
LIN Yong
POON Mo Yiu
HUI Yee Wilson

Non-executive Directors:

JI Yuguang
CHENG Chi Ming Brian
WANG Meijuan
William CHAN (appointed on 2 January 2015)

Independent Non-executive Directors:

TSUI Hing Chuen William
LAU Wai Piu
LIN Ching Yee Daniel
WEI Kuo-chiang

According to the Company's New Bye-law 86(2), Mr. William CHAN who was appointed as a non-executive director of the Company by the Board on 2 January 2015 shall hold office only until the forthcoming annual general meeting and shall be eligible for re-election at the forthcoming annual general meeting. In addition, pursuant to the Company's New Bye-laws 87(1) and (2), Mr. LIN Yong, Mr. HUI Yee Wilson, Ms. WANG Meijuan and Mr. LAU Wai Piu shall retire from office by rotation at the forthcoming annual general meeting and, being eligible, shall offer themselves for re-election.

No director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the employing company within 1 year without payment of compensation, other than statutory compensation.

Directors' and Senior Management's Biographical Details

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 48 to 56 of this Annual Report.

Directors' Service Contracts

No director has a service contract with the Company or any of its subsidiaries which is for a duration that may exceed 3 years or which requires the Company to, in order to terminate such contract, give a notice period of more than 1 year or pay compensation or make other payments equivalent to more than 1 year's emoluments.

Directors' Interests in Contracts

No director had a 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 ended 31 December 2014.

Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 31 December 2014, the interests and short positions of the directors of the Company in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code, were as follows:

The Company

Name of directors	Class of shares	Number of shares held Personal interests	 Family interests	 Corporate interests	Number of underlying shares held under equity derivatives	Total	Approximate percentage of the Company's total issued share capital*
JI Yuguang	Share options	–	–	–	576,077 (Note 1)	576,077	0.03
LI Jianguo	Share options	–	–	–	921,722 (Note 2)	921,722	0.04
LIN Yong	Ordinary shares/ share options	1,072,788 (Note 3)	–	–	921,722 (Note 4)	1,994,510	0.09
POON Mo Yiu	Share options	–	–	–	1,382,583 (Note 5)	1,382,583	0.06
HUI Yee Wilson	Share options	–	–	–	2,346,610 (Note 6)	2,346,610	0.11
CHENG Chi Ming Brian	Share options	–	–	–	576,077 (Note 7)	576,077	0.03
TSUI Hing Chuen William	Share options	–	–	–	576,077 (Note 8)	576,077	0.03
LAU Wai Piu	Share options	–	–	–	576,077 (Note 9)	576,077	0.03

* On 23 April 2014, the Company announced a proposed rights issue on the basis of 1 rights share for every 2 existing shares ("Rights Issue") held by shareholders of the Company. The Rights Issue was completed on 30 May 2014 and 697,979,812 rights shares were issued and allotted on 3 June 2014. The total number of issued shares of the Company was increased from 1,395,959,624 to 2,093,939,436 with effect from 3 June 2014.

Notes:

1. Those shares would be allotted and issued to Mr. JI Yuguang upon the exercise in full of the share options granted to Mr. JI under the 2002 share option scheme (as defined below) of the Company. The number of outstanding share options was adjusted from 572,604 to 576,077 while the exercise price per share was adjusted from HK$4.234 to HK$4.208 on 3 June 2014 upon completion of Rights Issue on 30 May 2014. Those share options, all of which remained exercisable as at 31 December 2014, were/will be exercisable during the period from 3 March 2011 to 2 March 2019.

2. Those shares would be allotted and issued to Mr. LI Jianguo upon the exercise in full of the share options granted to Mr. LI under the 2002 share option scheme of the Company. The number of outstanding share options was adjusted from 916,165 to 921,722 while the exercise price per share was adjusted from HK$4.234 to HK$4.208 on 3 June 2014 upon completion of Rights Issue on 30 May 2014. Those share options, all of which remained exercisable as at 31 December 2014, were/will be exercisable during the period from 3 March 2011 to 2 March 2019.

3. Those shares are held by Mr. LIN Yong as beneficial owner.

4. Those shares would be allotted and issued to Mr. LIN Yong upon the exercise in full of the share options granted to Mr. LIN under the 2002 share option scheme of the Company. The number of outstanding share options was adjusted from 916,165 to 921,722 while the exercise price per share was adjusted from HK$4.234 to HK$4.208 on 3 June 2014 upon completion of Rights Issue on 30 May 2014. Those share options, all of which remained exercisable as at 31 December 2014, were/will be exercisable during the period from 3 March 2011 to 2 March 2019.

5. Those shares would be allotted and issued to Mr. POON Mo Yiu upon the exercise in full of the share options granted to Mr. POON under the 2002 share option scheme of the Company. The number of outstanding share options was adjusted from 1,374,247 to 1,382,583 while the exercise price per share was adjusted from HK$4.234 to HK$4.208 on 3 June 2014 upon completion of Rights Issue on 30 May 2014. Those share options, all of which remained exercisable as at 31 December 2014, were/will be exercisable during the period from 3 March 2011 to 2 March 2019.

6. Those shares would be allotted and issued to Mr. HUI Yee Wilson upon the exercise in full of the share options granted to Mr. HUI under the 2002 share option scheme of the Company. The number of outstanding share options was adjusted from (i) (Date of Grant: 1 December 2007) from 1,187,255 to 1,194,457 while the exercise price per share was adjusted from HK$5.129 to HK$5.098; and (ii) (Date of Grant: 3 September 2010) from 1,145,206 to 1,152,153 while the exercise price per share was adjusted from HK$4.234 to HK$4.208 on 3 June 2014 upon completion of Rights Issue on 30 May 2014. Those share options, all of which remained exercisable as at 31 December 2014, were/will be exercisable (i) (Date of Grant: 1 December 2007) during 1 June 2008 to 31 May 2016; and (ii) (Date of Grant: 3 September 2010) during the period from 3 March 2011 to 2 March 2019.

7. Those shares would be allotted and issued to Mr. CHENG Chi Ming Brian upon the exercise in full of the share options granted to Mr. CHENG under the 2002 share option scheme of the Company. The number of outstanding share options was adjusted from 572,604 to 576,077 while the exercise price per share was adjusted from HK$4.234 to HK$4.208 on 3 June 2014 upon completion of Rights Issue on 30 May 2014. Those share options, all of which remained exercisable as at 31 December 2014, were/will be exercisable during the period from 3 March 2011 to 2 March 2019.

8. Those shares would be allotted and issued to Mr. TSUI Hing Chuen William upon the exercise in full of the share options granted to Mr. TSUI under the 2002 share option scheme of the Company. The number of outstanding share options was adjusted from 572,604 to 576,077 while the exercise price per share was adjusted from HK$4.234 to HK$4.208 on 3 June 2014 upon completion of Rights Issue on 30 May 2014. Those share options, all of which remained exercisable as at 31 December 2014, were/will be exercisable during the period from 3 March 2011 to 2 March 2019.

9. Those shares would be allotted and issued to Mr. LAU Wai Piu upon the exercise in full of the share options granted to Mr. LAU under the 2002 share option scheme of the Company. The number of outstanding share options was adjusted from 572,604 to 576,077 while the exercise price per share was adjusted from HK$4.234 to HK$4.208 on 3 June 2014 upon completion of Rights Issue on 30 May 2014. Those share options, all of which remained exercisable as at 31 December 2014, were/will be exercisable during the period from 3 March 2011 to 2 March 2019.

All the interests disclosed above represent long positions in the shares and underlying shares of the Company.

Save as disclosed above, as at 31 December 2014, none of the directors of the Company or their associates had registered any other interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded in the register kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Directors' Rights to Acquire Shares or Debentures

Save as disclosed under the sections headed "Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures" above and "Share Option Schemes" below, at no time during the year ended 31 December 2014 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

Shared-Based Compensation Scheme

The Company operates two equity-settled share-based compensation schemes including a share option scheme (the "Share Option Scheme") and a share award scheme (the "Share Award Scheme") for the purpose of assisting in recruiting, retaining and motivating key staff members. Eligible participants of the schemes include the Company's directors, including independent non-executive directors, and other employees of the Group.

Share Option Schemes

On 23 August 2002, the shareholders of the Company approved the adoption of the Share Option Scheme (the "2002 Share Option Scheme"). The 2002 Share Option Scheme was expired on 22 August 2012. Share options granted under the 2002 Share Option Scheme prior to its expiry continued to be valid and exercisable pursuant to the terms of the 2002 Share Option Scheme. A summary of the principal terms of the 2002 Share Option Scheme, as disclosed in accordance with the Listing Rules, is set out as follows:

Purpose of the 2002 Share Option Scheme:

To attract, retain and motivate talented employees to strive towards long term performance targets set by the Company and its subsidiaries and at the same time to allow the participants to enjoy the results of the Company attained through their effort and contribution.

Participants of the 2002 Share Option Scheme:

Any full time employees, executive and non-executive directors of the Company or any of its subsidiaries or associates.

Total number of shares available for issue under the 2002 Share Option Scheme and percentage of the Company's issued share capital immediately before the expiry:

The maximum number of shares which may be issued upon exercise of all options to be granted under the 2002 Share Option Scheme and any other share option schemes of the Company shall not in aggregate exceed 10% of the total number of shares in issue as at the date of adoption of the 2002 Share Option Scheme (the "Scheme Mandate Limit") but the Company may seek approval of its shareholders at general meetings to refresh the Scheme Mandate Limit, save that the maximum number of shares in respect of which options may be granted by directors of the Company under the 2002 Share Option Scheme and any other share option schemes of the Company shall not exceed 10% of the issued share capital of the Company as at the date of approval by the shareholders of the Company at general meetings where such limit is refreshed. Options previously granted under the 2002 Share Option Scheme and any other share option schemes of the Company (including those outstanding, cancelled, lapsed or exercised options) will not be counted for the purpose of calculating such 10% limit as refreshed. Notwithstanding the aforesaid in this paragraph, the maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2002 Share Option Scheme and any other share option schemes of the Company shall not exceed 30% (or such higher percentage as may be allowed under the Listing Rules) of the total number of shares in issue from time to time.

Immediately before the expiry, the total number of shares available for issue under the 2002 Share Option Scheme was 71,503,270 shares, which represented approximately 7.81% of the issued share capital of the Company at that day.

Maximum Entitlement of Each Participant under the 2002 Share Option Scheme:

The maximum number of shares issued and to be issued upon exercise of the options granted to each participant under the 2002 Share Option Scheme and any other share option schemes of the Company (including both exercised and outstanding options) in any 12-month period shall not exceed 1% of the total number of the Company's shares in issue. Any further grant of share options in excess of this limit is subject to approval by the shareholders of the Company at a general meeting.

Share options granted to a director, chief executive or substantial shareholders of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors of the Company. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the total number of shares of the Company in issue at the date on which such grant is proposed by the Board or with an aggregate value (based on the closing price of the Company's shares at the date on which such grant is proposed by the Board) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance at a general meeting of the Company.

The period within which the shares must be taken up under an option and the minimum period for which an option must be held before it can be exercised:

The exercise period of the share options granted is determinable by the Board, and such period shall commence not earlier than 6 months from the date of the grant of the options and expire not later than 10 years after the date of grant of the options.

The amount payable on application or acceptance of the option and the period within which payments or calls must or may be made or loans for such purposes must be paid:

The offer of a grant of share options may be accepted within 30 days from the date of the offer upon payment of a consideration of HK$1 by the grantee.

The basis of determining the exercise price:

The exercise price of the share options is determinable by the Board, and shall be at least the highest of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the offer date; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the 5 trading days immediately preceding the offer date; and (iii) the nominal value of the Company's shares.

The remaining life of the 2002 Share Option Scheme:

The 2002 Share Option Scheme was expired on 22 August 2012. However, the share options granted under the 2002 Share Option Scheme prior to its expiry are still exercisable pursuant to the terms of this scheme.

Details of movement of share options under the 2002 Share Option Scheme during the year ended 31 December 2014 were as follows:

	Number of share options									Price of Company's shares***	
Name or category of participants	At 1 January 2014	Granted during the year	Adjusted during the year	Exercised during the year	Lapsed during the year	At 31 December 2014	Date of grant of share options*	Exercise period of share options	Exercise price of share options** HK$ per share	At immediately preceding the grant date of share options HK$ per share	At immediately preceding the exercise date of share options HK$ per share
Directors											
JI Yuguang	572,604	–	3,473 (Note 1)	–	–	576,077	3 September 2010	3 March 2011 – 2 March 2019	4.208 (Note 1)	4.79	N/A
LI Jianguo	916,165	–	5,557 (Note 1)	–	–	921,722	3 September 2010	3 March 2011 – 2 March 2019	4.208 (Note 1)	4.79	N/A
LIN Yong	916,165	–	5,557 (Note 1)	–	–	921,722	3 September 2010	3 March 2011 – 2 March 2019	4.208 (Note 1)	4.79	N/A
POON Mo Yiu	1,374,247	–	8,336 (Note 1)	–	–	1,382,583	3 September 2010	3 March 2011 – 2 March 2019	4.208 (Note 1)	4.79	N/A
HUI Yee Wilson	1,187,255	–	7,202 (Note 1)	–	–	1,194,457	1 December 2007	1 June 2008 – 31 May 2016	5.098 (Note 1)	5.69	N/A
	1,145,206	–	6,947 (Note 1)	–	–	1,152,153	3 September 2010	3 March 2011 – 2 March 2019	4.208 (Note 1)	4.79	N/A

Name or category of participants	At 1 January 2014	Granted during the year	Adjusted during the year	Exercised during the year	Lapsed during the year	At 31 December 2014	Date of grant of share options*	Exercise period of share options	Exercise price of share options** HK$ per share	At immediately preceding the grant date of share options HK$ per share	At immediately preceding the exercise date of share options HK$ per share
	Number of share options									Price of Company's shares***	
CHENG Chi Ming Brian	572,604	–	3,473 (Note 1)	–	–	576,077	3 September 2010	3 March 2011 – 2 March 2019	4.208 (Note 1)	4.79	N/A
TSUI Hing Chuen William	572,604	–	3,473 (Note 1)	–	–	576,077	3 September 2010	3 March 2011 – 2 March 2019	4.208 (Note 1)	4.79	N/A
LAU Wai Piu	572,604	–	3,473 (Note 1)	–	–	576,077	3 September 2010	3 March 2011 – 2 March 2019	4.208 (Note 1)	4.79	N/A
	7,829,454	–	47,491	–	–	7,876,945					
Continuous contract employees											
In aggregate	10,374,003	–	53,564 (Note 1)	(80,000)	(1,543,433) (Note 2)	8,804,134	1 December 2007	1 June 2008 – 31 May 2016	5.098 (Note 1)	5.69	5.85
In aggregate	11,783,964	–	65,924 (Note 1)	(522,000)	(916,165) (Note 2)	10,411,723	3 September 2010	3 March 2011 – 2 March 2019	4.208 (Note 1)	4.79	5.49
	22,157,967	–	119,488	(602,000)	(2,459,598)	19,215,857					
	29,987,421	–	166,979	(602,000)	(2,459,598)	27,092,802					

* The vesting period of the share options is from the date of the grant until the commencement of the exercise period. All share options referred to above are subject to a 6-month vesting period.

** The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

*** The price of the Company's shares disclosed at immediately preceding the grant date of the share options is the Stock Exchange closing price on the trading day immediately prior to the date of the grant of the share options. The price of the Company's shares disclosed at immediately preceding the exercise date of the share options is the weighted average of the Stock Exchange closing prices over all the exercises of share options within the disclosure category.

Notes:

1. The Company completed the Rights Issue on 30 May 2014. Accordingly, the exercise price and the number of share options were adjusted.

2. These share options lapsed during the year ended 31 December 2014 as a result of staff resignations during the year.

Share Award Scheme

On 19 December 2014, the Company adopted the Share Award Scheme under which the shares of the Company (the "Awarded Shares") may be awarded to selected participants (including, without limitation, any executive directors, non-executive or independent non-executive directors) of any members of the Group (the "Selected Participants") pursuant to the terms of the Scheme Rules and the Trust Deed of the Share Award Scheme. The Share Award Scheme became effective on the adoption date and, unless otherwise terminated or amended, will remain in force for 10 years from that date, i.e., 18 December 2024.

The aggregate number of Awarded Shares permitted to be awarded under the Share Award Scheme throughout the duration of the Share Award Scheme is limited to 10% of the issued share capital of the Company as at the adoption date (being 217,248,566 shares). The maximum number of Awarded Shares which may be awarded to Selected Participants in any 12-month period up to and including the date of award shall not in aggregate over 1% of the issued share capital of the Company as at the adoption date (being 21,724,856 shares).

When a Selected Participant has satisfied all vesting conditions, which might include the length of service and/or performance conditions, specified by the Board at the time of making the award and become entitled to the shares of the Company forming the subject of the award, the trustee shall transfer the relevant Awarded Shares to that employee at no cost.

No Awarded Shares was granted to the directors of the Company for the year ended 31 December 2014.

Further details of the Share Award Scheme are disclosed in note 37 to the financial statements.

Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares

As at 31 December 2014, the interests and short positions of those persons (other than the directors of the Company) in the shares and underlying shares of the Company as required to be recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO, were as follows:

Name of substantial shareholders	Notes	Number of shares held and nature of interests		Number of underlying shares held under equity derivatives	Total	Approximate percentage of the Company's total issued share capital
		Direct	Deemed			
Haitong Securities Co., Ltd. ("HSCL")	(1)	–	1,453,087,080	–	1,453,087,080	66.93
Haitong International Holdings Limited ("HTIH")	(1)	1,453,087,080	–		1,453,087,080	66.93
Cheng Yu Tung Family (Holdings) Limited ("CYTF")	(2)	–	144,480,897	–	144,480,897	6.61
Cheng Yu Tung Family (Holdings II) Limited ("CYTF II")	(2)	–	144,480,897	–	144,480,897	6.61
Chow Tai Fook Capital Limited ("CTFC")	(2)	–	144,480,897	–	144,480,897	6.61
Chow Tai Fook (Holding) Limited ("CTFH")	(2)	–	144,480,897	–	144,480,897	6.61
Chow Tai Fook Enterprises Limited ("CTFE")	(2)	–	144,480,897	–	144,480,897	6.61
New World Development Company Limited ("NWD")	(2)	–	144,480,897	–	144,480,897	6.61
NWS Holdings Limited ("NWS")	(2)	–	144,480,897	–	144,480,897	6.61
NWS Service Management Limited (incorporated in the Cayman Islands) ("NWSSM (Cayman)")	(2)	–	144,480,897	–	144,480,897	6.61
NWS Service Management Limited (incorporated in the British Virgin Islands) ("NWSSM (BVI)")	(2)	–	144,480,897	–	144,480,897	6.61
NWS Financial Management Services Limited ("NWSFM")	(2)	144,480,897	–	–	144,480,897	6.61

Notes:

(1) HSCL held the entire issued share capital of HTIH. By virtue of the provisions of the SFO, HSCL is deemed to be interested in the shares in which HTIH is interested.

(2) CYTF and CYTF II held respectively an interest of approximately 48.98% and 46.65% in CTFC, which in turn held an interest of approximately 78.58% in CTFH and CTFH in turn held the entire issued share capital of CTFE. CTFE and its subsidiaries held an interest of approximately 43.35% in NWD, which in turn and its subsidiaries held approximately 61.31% of the issued share capital of NWS. NWS, through its wholly-owned subsidiary, NWSSM (Cayman), held the entire issued share capital of NWSSM (BVI), which in turn held the entire issued share capital of NWSFM. By virtue of the provisions of the SFO, each of CYTF, CYTF II, CTFC, CTFH, CTFE, NWD, NWS, NWSSM (Cayman) and NWSSM (BVI) is deemed to be interested in the shares in which NWSFM is interested.

All the interests disclosed above represent long positions in the shares and underlying shares of the Company.

Save as disclosed above, as at 31 December 2014, no person, other than the directors of the Company, whose interests are set out in the section headed "Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

Directors' Interests in Competing Businesses

Mr. LI Jianguo (a Deputy Chairman of the Company) is the deputy chairman of the board of directors of HTIH, which is a wholly-owned subsidiary of HSCL and an assistant to the general manager of HSCL. Mr. LIN Yong (a Deputy Chairman and the Managing Director of the Company) is a director and the chief executive officer of HTIH as well as an assistant to the general manager of HSCL. Mr. JI Yuguang (the Chairman of the Company) is the deputy general manager and a director of the Overseas Business Committee of HSCL as well as the chairman of the board of HTIH. Ms. WANG Meijuan (a non-executive director of the Company) is respectively a director and the chief supervisor of Haitong Capital Investment Co., Ltd. and Haitong Futures Co., Ltd., the group companies of HSCL, and a member of the Brokerage Business Committee and the general manager of the audit department of HSCL. HSCL competes or may compete, either directly or indirectly, with the business of the Group.

The Board considers that, having considered the facts that:

(i) Mr. LI Jianguo and Mr. LIN Yong (both are executive directors of the Company) represent only half of the numbers of executive director while Mr. JI Yuguang and Ms. WANG Meijuan (both are non-executive directors of the Company) do not participate in the daily operations of the Group, and the remaining half of the executive directors together with the 4 independent non-executive directors of the Company are capable of taking the lead where potential conflict of interests arise;

(ii) the Group is capable of, and does carry on its business independently of, and on an arm's length basis with the competing business of the HSCL Group;

(iii) the Group and the HSCL Group have each augmented its business in a way so as to optimize the synergistic effect between the Group and the HSCL Group with a view to, where that is appropriate, minimizing duplication in terms of allocation of time and resources, and promoting efficiency, effectiveness and quality in the development of their respective businesses;

(iv) the Company has established corporate governance procedures to ensure business opportunities and performance are independently assessed and reviewed from time to time;

(v) Mr. LI Jianguo, Mr. LIN Yong, Mr. JI Yuguang and Ms. WANG Meijuan (collectively, the "Relevant Directors") are fully aware of their fiduciary duty to the Group, and will abstain from voting on any matter where there is or may be a conflict of interest; and

(vi) the competing business in which the HSCL Group is engaged is primarily focused in the PRC whereas the Group's business is primarily Hong Kong-based,

the Group's interest is adequately safeguarded.

Since (i) all the major and important corporate actions of the Company are and will be fully deliberated and determined by the Board; and (ii) any director(s) who is/are or deemed to be interested in any proposed transaction(s) will have his/their interest fully disclosed and will abstain from voting at the relevant resolution(s) in accordance with the applicable requirements of the New Bye-laws of the Company, the Board is of the view that each of the Relevant Directors does not, by himself/herself or in an individual capacity, competes with the Company and/or the business of the Group.

Based on the above, as at 31 December 2014, none of the directors of the Company and their associates was considered to have interests in the businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group.

Continuing Connected Transactions

The continuing connected transactions undertaken by the Group are included in the transactions set out in note 43 to the financial statements.

The independent non-executive directors of the Company have reviewed the continuing connected transactions in note 43 to the financial statements and have confirmed that the continuing connected transactions have been entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or on terms no less favourable to the Group than terms available to or from (as appropriate) independent third parties; and (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued his unqualified letter containing his findings and conclusions in respect of the continuing connected transactions disclosed by the Group in note 43 to the financial statements in accordance with paragraph 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

Disclosure Pursuant to Rule 13.21 of the Listing Rules

On 16 May 2013, the Company (as borrower) entered into a facility agreement (the "Facility Agreement I") with certain financial institutions (as lenders) in respect of a revolving loan facility in an aggregate amount of HK$3,000,000,000 for a term of up to 3 years.

On 23 May 2014, the Company (as borrower) entered into a facility agreement (the "Facility Agreement II") with certain financial institutions (as lenders) in respect of a term loan facility in an aggregate amount of HK$1,336,000,000 for a term of up to 36 months and a revolving loan facility in an aggregate amount of HK$2,004,000,000 for a term of up to 36 months.

Pursuant to the terms of the Facility Agreement I and Facility Agreement II, if, inter alia, either of the following events of default occurs, all or any part of the facilities may be immediately cancelled and all or any part of the loans together with accrued interest and any other amounts accrued or outstanding under the facilities may become immediately due and payable or payable on demand:

(1) HSCL ceases to directly or indirectly own at least 51% of the share capital in the Company; or

(2) HSCL does not or ceases to have management control of the Company ("Management Control"). Management Control refers to (i) a majority of incumbent directors of the Company are nominees of HSCL and (ii) HSCL has control over the management strategies and policies of the Company.

Announcements regarding the entering into of Facility Agreement I and Facility Agreement II were made on 16 May 2013 and 23 May 2014 respectively.

Sufficiency of Public Float

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

Corporate Governance

The Company's corporate governance principles and practices are set out in the Corporate Governance Report on pages 22 to 39 of this Annual Report.

Auditors

The financial statements for the year ended 31 December 2014 of the Company have been audited by Deloitte Touche Tohmatsu who will retire and, being eligible, offer themselves for reappointment.

On behalf of the Board

JI Yuguang
Chairman

Hong Kong, 11 March 2015

Independent Auditor's Report

Deloitte.
德勤

TO THE SHAREHOLDERS OF HAITONG INTERNATIONAL SECURITIES GROUP LIMITED
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Haitong International Securities Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 76 to 204, which comprise the consolidated and Company's statements of financial position as at 31 December 2014, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and 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 and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, 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.

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.

Other Matter

The consolidated financial statements for the year ended 31 December 2013 were audited by another auditor who expressed an unmodified opinion on those statements on 4 March 2014.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong, 11 March 2015

Consolidated Statement of Profit or Loss

For the year ended 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
Revenue	6	**2,713,291**	1,646,814
Other income and gains or losses	6	**20,512**	2,807
		2,733,803	1,649,621
Employee benefits costs:			
Salaries and allowances, bonuses and pension scheme contributions	7	**(545,281)**	(421,312)
Commission to accounts executives	7	**(240,031)**	(160,191)
Depreciation	14	**(33,494)**	(45,113)
Other operating expenses		**(356,986)**	(313,540)
		(1,175,792)	(940,156)
Finance costs	7	**(375,475)**	(126,146)
Share of profit of investments accounted for using the equity method	13	**33,212**	15,157
Profit before tax	7	**1,215,748**	598,476
Income tax expense	10	**(197,479)**	(68,311)
Profit for the year		**1,018,269**	530,165
Attributable to:			
Owners of the Company		**1,018,269**	529,152
Non-controlling interests		**–**	1,013
		1,018,269	530,165
			(restated)
Earnings per share attributable to owners of the Company	11		
– Basic (HK cents per share)		**56.17**	41.07
– Diluted (HK cents per share)		**50.42**	39.15

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2014

	2014 HK$'000	2013 HK$'000
Profit for the year	1,018,269	530,165
Other comprehensive income/(expense):		
Items that may be reclassified subsequently to profit or loss:		
Cash flow hedge	592	(4,953)
Changes in fair value of available-for-sale investments	(9,058)	55,694
Disposal of available-for-sale investments	(20,195)	–
Other comprehensive (expense)/income for the year	(28,661)	50,741
Total comprehensive income for the year	989,608	580,906
Total comprehensive income for the year attributable to:		
Owners of the Company	989,608	579,893
Non-controlling interests	–	1,013
	989,608	580,906

Consolidated Statement of Financial Position

At 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
Assets			
Non-current assets			
Investments accounted for using the equity method	13	2,585,166	178,181
Property and equipment	14	101,255	115,306
Goodwill	15	9,854	9,854
Other intangible assets	16	6,609	6,609
Other assets	18	57,458	41,184
Available-for-sale investments	22	471,083	728,418
Held-to-maturity investments	23	182,306	449,421
Other loans and advances	24	811,000	1,188,200
Deferred tax assets		6,030	5,726
		4,230,761	2,722,899
Current assets			
Advances to customers in margin financing	25	9,619,965	7,938,421
Other loans and advances	24	1,819,200	1,872,200
Accounts receivable	26	4,495,624	1,642,922
Prepayments, deposits and other receivables	27	277,293	331,685
Tax recoverable		72,317	19,383
Held-to-maturity investments	23	3,811	358,182
Derivative financial instruments	30	263,027	60,602
Financial assets at fair value through profit or loss	29	9,962,803	1,950,230
Financial assets designated at fair value through profit or loss	34	2,485,154	–
Financial assets held under resale agreements	50	24,765	–
Cash held on behalf of customers	31	11,668,936	12,053,559
Cash and cash equivalents		3,236,317	488,021
		43,929,212	26,715,205
Total assets		48,159,973	29,438,104

Consolidated Statement of Financial Position (Continued)

At 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
Equity and liabilities			
Capital and Reserves			
Share capital	36	218,440	139,596
Reserves	38	8,039,480	4,627,100
Proposed final dividend	12	338,582	153,556
Total equity		8,596,502	4,920,252
Liabilities			
Non-current liabilities			
Convertible bonds	35	1,781,445	966,273
Non-convertible bonds	35	4,580,804	–
Deferred tax liabilities		12,026	14,910
Financial liabilities designated at fair value through profit or loss	34	620,000	–
Loans and other borrowings	35	–	426,503
		6,994,275	1,407,686
Current liabilities			
Accounts payable	32	15,630,644	13,407,180
Other payables and accruals	28	489,396	289,903
Other liabilities	20	105,795	–
Tax payable		222,184	113,503
Financial liabilities at fair value through profit or loss	33	326,072	144,795
Financial liabilities designated at fair value through profit or loss	34	1,645,886	170,553
Derivative financial instruments	30	217,793	6,842
Loans and other borrowings	35	13,931,426	8,977,390
		32,569,196	23,110,166
Total liabilities		39,563,471	24,517,852
Total equity and liabilities		48,159,973	29,438,104
Net current assets		11,360,016	3,605,039
Total assets less current liabilities		15,590,777	6,327,938

LIN Yong
Director

POON Mo Yiu
Director

Statement of Financial Position

At 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
Assets			
Non-current assets			
Property and equipment	14	23,873	21,190
Investment in subsidiaries	19	959,855	105,377
Amounts due from subsidiaries	39	11,112,904	–
Other assets		1,095	–
		12,097,727	126,567
Current assets			
Amounts due from subsidiaries	39	11,966,653	11,881,785
Prepayments, deposits and other receivables	27	35,710	24,605
Tax recoverable		3,272	3,536
Cash and cash equivalents		17,320	12,856
		12,022,955	11,922,782
Total assets		24,120,682	12,049,349
Equity and Liabilities			
Capital and Reserves			
Share capital	36	218,440	139,596
Reserves	38	6,087,698	3,177,708
Proposed final dividend	12	338,582	153,556
Total equity		6,644,720	3,470,860

Statement of Financial Position (Continued)

At 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
Liabilities			
Non-current liabilities			
Convertible bonds	35	1,781,445	966,273
Amounts due to subsidiaries	39	5,584,696	–
		7,366,141	966,273
Current liabilities			
Amounts due to subsidiaries	39	934,772	1,885,874
Other payables and accruals	28	192,434	141,002
Tax payable		2,501	4,334
Loans and other borrowings	35	8,980,114	5,581,006
		10,109,821	7,612,216
Total liabilities		17,475,962	8,578,489
Total equity and liabilities		24,120,682	12,049,349
Net current assets		1,913,134	4,310,566
Total assets less current liabilities		14,010,861	4,437,133

LIN Yong
Director

POON Mo Yiu
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2014

	Attributable to owners of the Company														
	Share capital HK$'000	Share premium account[1] HK$'000	Share option reserve[1] HK$'000	Capital redemption reserve[1] HK$'000	Contributed surplus[1] HK$'000	Capital reserve[1] HK$'000	Investment revaluation reserve[1] HK$'000	Exchange reserve[1] HK$'000	Hedging reserve[1] HK$'000	Convertible bond reserve[1] HK$'000	Proposed cash/scrip dividend HK$'000	Retained profits[1] HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2013	91,534	1,787,879	18,058	5,102	21	45,501	4,183	(30)	–	–	68,651	1,233,135	3,254,034	5,811	3,259,845
Profit for the year	–	–	–	–	–	–	–	–	–	–	–	529,152	529,152	1,013	530,165
Other comprehensive income (expense) for the year	–	–	–	–	–	–	55,694	–	(4,953)	–	–	–	50,741	–	50,741
Total comprehensive income (expense)	–	–	–	–	–	–	55,694	–	(4,953)	–	–	529,152	579,893	1,013	580,906
Shares issued under rights issue – note 36	45,767	1,107,292	–	–	–	–	–	–	–	–	–	–	1,153,059	–	1,153,059
Share options lapsed	–	3,223	(3,223)	–	–	–	–	–	–	–	–	–	–	–	–
Acquisition of additional shares in subsidiaries	–	–	–	–	–	(5,118)	–	–	–	–	–	–	(5,118)	(6,824)	(11,942)
Issuance of convertible bonds – note 35	–	–	–	–	–	–	–	–	–	32,299	–	–	32,299	–	32,299
2012 final dividend declared and settled in cash – note 12	–	–	–	–	–	–	–	–	–	–	(68,651)	–	(68,651)	–	(68,651)
2013 interim dividend declared and settled in cash and scrip – note 12	2,295	82,282	–	–	–	–	–	–	–	–	–	(109,841)	(25,264)	–	(25,264)
Proposed 2013 final dividend – note 12	–	–	–	–	–	–	–	–	–	–	153,556	(153,556)	–	–	–
At 31 December 2013	139,596	2,980,676	14,835	5,102	21	40,383	59,877	(30)	(4,953)	32,299	153,556	1,498,890	4,920,252	–	4,920,252
At 1 January 2014	139,596	2,980,676	14,835	5,102	21	40,383	59,877	(30)	(4,953)	32,299	153,556	1,498,890	4,920,252	–	4,920,252
Profit for the year	–	–	–	–	–	–	–	–	–	–	–	1,018,269	1,018,269	–	1,018,269
Other comprehensive income (expense) for the year	–	–	–	–	–	–	(29,253)	–	592	–	–	–	(28,661)	–	(28,661)
Total comprehensive income (expense)	–	–	–	–	–	–	(29,253)	–	592	–	–	1,018,269	989,608	–	989,608
Shares issued under rights issue – note 36	69,798	2,573,521	–	–	–	–	–	–	–	–	–	–	2,643,319	–	2,643,319
Shares issued upon conversion of convertible bonds – note 36	8,986	318,800	–	–	–	–	–	–	–	(10,257)	–	–	317,529	–	317,529
Shares issued under share option scheme – note 36	60	2,887	(343)	–	–	–	–	–	–	–	–	–	2,604	–	2,604
Share options lapsed	–	1,283	(1,283)	–	–	–	–	–	–	–	–	–	–	–	–
Issuance of convertible bonds – note 35	–	–	–	–	–	–	–	–	–	45,091	–	–	45,091	–	45,091
2013 final dividend declared and settled in cash – note 12	–	–	–	–	–	–	–	–	–	–	(153,556)	–	(153,556)	–	(153,556)
2014 interim dividend declared and settled in cash – note 12	–	–	–	–	–	–	–	–	–	–	–	(168,345)	(168,345)	–	(168,345)
Proposed 2014 final dividend – note 12	–	–	–	–	–	–	–	–	–	–	338,582	(338,582)	–	–	–
At 31 December 2014	218,440	5,877,167	13,209	5,102	21	40,383	30,624	(30)	(4,361)	67,133	338,582	2,010,232	8,596,502	–	8,596,502

1 These reserve accounts represent the consolidated reserves other than share capital and proposed cash/scrip dividend of approximately HK$8,039 million (31 December 2013: approximately HK$4,627 million) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

For the year ended 31 December 2014

	2014 HK$'000	2013 HK$'000
Operating activities		
Profit before tax	1,215,748	598,476
Adjustments for:		
Interest income	(1,045,982)	(742,123)
Interest income from investment in debt securities	(52,598)	(130,136)
Finance costs	375,475	126,146
Share of profit of investments accounted for using the equity method	(33,212)	(15,157)
Dividend income from listed investments	(24,797)	(11,173)
Loss on disposal of property and equipment	490	6,392
Depreciation	33,494	45,113
Foreign exchange difference from held-to-maturity investments	14,521	(11,950)
Gain on disposal of available-for-sale investments	(20,195)	–
Impairment loss on held-to-maturity investments	33,500	–
Operating cash flows before movements in working capital	496,444	(134,412)
Increase in other assets	(16,274)	(22,381)
Increase in advances to customers in margin financing	(1,681,544)	(3,239,324)
Decrease/(increase) in other loans and advances	430,200	(1,980,050)
Increase in accounts receivable	(2,852,702)	(217,123)
Decrease/(increase) in prepayments, deposits and other receivables	11,628	(72,499)
Increase in financial assets at fair value through profit or loss	(7,720,849)	(1,529,671)
Increase in financial assets designated at fair value through profit or loss	(2,485,154)	–
Decrease/(increase) in cash held on behalf of customers	384,623	(6,961,024)
Increase in accounts payable	2,223,464	6,661,277
Increase in financial assets sold under repurchase agreements	763,193	426,503
Increase in financial assets held under resale agreements	(24,765)	–
Increase in financial liabilities at fair value through profit or loss	181,277	144,795
Increase in other liabilities	5,578	–
Increase in financial liabilities designated at fair value through profit or loss	2,095,333	170,553
Decrease/(increase) in derivative financial instruments	9,118	(37,551)
(Decrease)/increase in other payables and accruals	(35,959)	94,199
Cash used in operations	(8,216,389)	(6,696,708)
Interest received	997,576	736,888
Dividend received	24,797	11,173
Interest paid	(182,142)	(102,092)
Tax paid	(144,920)	(8,218)
Net cash used in operating activities	(7,521,078)	(6,058,957)

Consolidated Statement of Cash Flows (Continued)

For the year ended 31 December 2014

	2014 HK$'000	2013 HK$'000
Investing activities		
Proceeds from disposal of property and equipment	31	100
Proceeds from disposal of available-for-sale investments	324,348	–
Proceeds from redemption of held-to-maturity investments	533,584	200,899
Interest received from investment in debt securities	49,709	118,355
Purchases of property and equipment	(19,964)	(24,114)
Purchases of available-for-sale investments	(24,881)	(541,034)
Purchases of held-to-maturity investments	(6,218)	(167,985)
Purchase of investments accounted for using equity method	(2,373,773)	(163,024)
Redemption in unlisted debt securities	114,471	8,859
Net cash outflow on acquisition of a subsidiary	(130,476)	–
Acquisition of additional shares of subsidiaries	–	(11,942)
Net cash used in investing activities	(1,533,169)	(579,886)
Financing activities		
Proceeds from rights issue	2,643,319	1,153,059
Proceeds from issuance of non-convertible bonds	4,594,678	–
Proceeds from issuance of convertible bonds	1,146,540	1,020,261
Proceeds from shares issued upon exercise of share options	2,604	–
Convertible bonds issuing cost paid	(5,002)	(35,527)
Non-convertible bonds issuing cost paid	(22,035)	–
Proceeds for bank and other borrowings raised	3,764,340	4,615,152
Dividends paid to shareholders	(321,901)	(93,915)
Net cash from financing activities	11,802,543	6,659,030
Net increase in cash and cash equivalents	2,748,296	20,187
Cash and cash equivalents at beginning of year	488,021	467,834
Cash and cash equivalents at end of year	3,236,317	488,021
Analysis of balances of cash and cash equivalents		
Cash and cash equivalents	3,236,317	488,021

1. General

Haitong International Securities Group Limited (the "Company") is a limited liability company incorporated in Bermuda. The principal place of business of the Company is located at 22nd Floor, Li Po Chun Chambers, 189 Des Voeux Road Central, Hong Kong.

The Company is listed on The Stock Exchange of Hong Kong Limited ("Stock Exchange").

During the year ended 31 December 2014, the Company and its subsidiaries (collectively named as the "Group") were involved in the following principal activities:

- securities, futures, options and bullion contracts brokerage
- the provision of nominee and custodian services
- the provision of corporate advisory, placing and underwriting services
- the provision of investment management services
- the provision of securities margin financing and leverage and acquisition financing
- trading and market making activities
- structured products issuance
- investment

This consolidated financial statements are presented in HK dollars ("HK$") which is the same as the functional currency of the Company, unless otherwise stated.

2. Application of new and revised Hong Kong financial reporting standards ("HKFRS")

In the current year, the Group has applied the following amendments to HKFRSs and a new interpretation issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment entities
Amendments to HKAS 32	Offsetting financial assets and financial liabilities
Amendments to HKAS 39	Novation of derivatives and continuation of hedge accounting
HK(IFRIC) – INT 21	Levies

2. Application of new and revised Hong Kong financial reporting standards ("HKFRS") *(continued)*

Impacts of the adoption of the new or amended HKFRSs are discussed below:

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

The amendments to HKFRS 10 define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its consolidated and separate financial statements.

To qualify as an investment entity, a reporting entity is required to:

- obtain funds from one or more investors for the purpose of providing them with investment management services;
- commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- measure and evaluate performance of substantially all of its investments on a fair value basis.

Consequential amendments have been made to HKFRS 12 and HKAS 27 to introduce new disclosure requirements for investment entities.

As the Company is not an investment entity (assessed based on the criteria set out in HKFRS 10 as at 1 January 2014), the application of the amendments has had no impact on the disclosures or the amounts recognised in the Group's consolidated financial statements.

Amendments to HKAS 32 Offsetting financial assets and financial liabilities

The amendments to HKAS 32 clarify the requirements relating to the offsetting of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realisation and settlement".

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

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

The amendments to HKAS 39 provide relief from the requirement to discontinue hedge accounting when a derivative designated as a hedging instrument is novated under certain circumstances. The amendments also clarify that any change to the fair value of the derivative designated as a hedging instrument arising from the novation should be included in the assessment and measurement of hedge effectiveness.

The amendments have been applied retrospectively. As the Group does not have any derivatives which are currently designated as hedging instruments that are novated during both the prior and current year, the application of these amendments has had no impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements.

2. Application of new and revised Hong Kong financial reporting standards ("HKFRS") *(continued)*

HK(IFRIC) – INT 21 Levies

HK(IFRIC) – INT 21 addresses the issue as to when to recognise a liability to pay a levy imposed by a government. The Interpretation defines a levy, and specifies that the obligating event that gives rise to the liability is the activity that triggers the payment of the levy, as identified by legislation. The Interpretation provides guidance on how different levy arrangements should be accounted for, in particular, it clarifies that neither economic compulsion nor the going concern basis of financial statements preparation implies that an entity has a present obligation to pay a levy that will be triggered by operation in a future period.

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

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial instruments[1]
HKFRS 14	Regulatory deferral accounts[2]
HKFRS 15	Revenue from contracts with customers[3]
Amendments to HKAS 1	Disclosure initiative[5]
Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operation[5]
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation[5]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer plants[5]
Amendments to HKAS 19	Defined benefit plans: Employee contributions[4]
Amendments to HKAS 27	Equity method in separate financial statements[5]
Amendments to HKAS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture[5]
Amendments to HKAS 10, HKFRS 12 and HKAS 28	Investment entities: Applying the consolidation exception[5]
Amendments to HKFRSs	Annual improvements to HKFRSs 2010 – 2012 cycle[6]
Amendments to HKFRSs	Annual improvements to HKFRSs 2011 – 2013 cycle[4]
Amendments to HKFRSs	Annual improvements to HKFRSs 2012 – 2014 cycle[5]

1 Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.
2 Effective for first annual HKFRS financial statements beginning on or after 1 January 2016, with earlier application permitted.
3 Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.
4 Effective for annual periods beginning on or after 1 July 2014, with earlier application permitted.
5 Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.
6 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions. Earlier application is permitted.

2. Application of new and revised Hong Kong financial reporting standards ("HKFRS") *(continued)*

HKFRS 9 Financial instruments

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

Key requirements of HKFRS 9 are described below:

- All recognised financial assets that are within the scope of HKAS 39 "Financial instruments: Recognition and measurement" are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

2. Application of new and revised Hong Kong financial reporting standards ("HKFRS") *(continued)*

HKFRS 9 Financial instruments *(continued)*

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

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

- The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The directors of the Company anticipate that the application of HKFRS 9 in the future may affect the classification and measurement of the Group's financial assets and financial liabilities. The management is still in progress of assessing the impact of the adoption of HKFRS 9 and it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

The directors of the Company do not expect to adopt the HKFRS 9 early before its effective date.

2. Application of new and revised Hong Kong financial reporting standards ("HKFRS") *(continued)*

HKFRS 15 Revenue from contracts with customers

In July 2014, HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and the related Interpretations when it becomes effective.

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

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The directors of the Company anticipate that the application of HKFRS 15 in the future may have impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

The directors of the Company do not expect to adopt the HKFRS 15 early before its effective date.

Amendments to HKFRS 11 Accounting for acquisitions of interests in joint operations

The amendments to HKFRS 11 provide guidance on how to account for the acquisition of a joint operation that constitutes a business as defined in HKFRS 3 Business Combinations. Specifically, the amendments state that the relevant principles on accounting for business combinations in HKFRS 3 and other standards (e.g. HKAS 36 Impairment of Assets regarding impairment testing of a cash generating unit to which goodwill on acquisition of a joint operation has been allocated) should be applied. The same requirements should be applied to the formation of a joint operation if and only if an existing business is contributed to the joint operation by one of the parties that participate in the joint operation.

A joint operator is also required to disclose the relevant information required by HKFRS 3 and other standards for business combinations.

The amendments to HKFRS 11 apply prospectively for annual periods beginning on or after 1 January 2016. The directors of the Company do not anticipate that the application of these amendments to HKFRS 11 will have a material impact on the Group's consolidated financial statements and not expect to adopt the HKFRS 11 early before its effective date.

2. Application of new and revised Hong Kong financial reporting standards ("HKFRS") *(continued)*

Amendments to HKAS 16 and HKAS 38 Clarification of acceptable methods of depreciation and amortisation

The amendments to HKAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to HKAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:

a) when the intangible asset is expressed as a measure of revenue; or

b) when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

The amendments apply prospectively for annual periods beginning on or after 1 January 2016. Currently, the Group uses the straight-line method for depreciation and amortisation for its property and equipment, and intangible assets respectively. The directors of the Company believe that the straight-line method is the most appropriate method to reflect the consumption of economic benefits inherent in the respective assets and accordingly, the directors of the Company do not anticipate that the application of these amendments to HKAS 16 and HKAS 38 will have a material impact on the Group's consolidated financial statements.

The directors of the Company do not expect to adopt the Amendments to HKAS 16 and HKAS 38 early before its effective date.

Amendments to HKAS 19 Defined benefit plans: Employee contributions

The amendments to HKAS 19 clarify how an entity should account for contributions made by employees or third parties to defined benefit plans, based on whether those contributions are dependent on the number of years of service provided by the employee.

For contributions that are independent of the number of years of service, the entity may either recognise the contributions as a reduction in the service cost in the period in which the related service is rendered, or to attribute them to the employees' periods of service using the projected unit credit method; whereas for contributions that are dependent on the number of years of service, the entity is required to attribute them to the employees' periods of service.

The directors of the Company do not anticipate that the application of these amendments to HKAS 19 will have any impact on the Group's consolidated financial statements since there are no defined benefit plans and the directors of the Company do not expect to adopt the Amendments to HKAS 19 early before its effective date.

2. Application of new and revised Hong Kong financial reporting standards ("HKFRS") *(continued)*

Amendments to HKAS 27 Equity method in separate financial statements

The amendments allow an entity to account for investments in subsidiaries, joint ventures and associates in its separate financial statements:

- At cost
- In accordance with HKFRS 9 Financial Instruments (or HKAS 39 "Financial instruments: recognition and measurement for entities" that have not yet adopted HKFRS 9), or
- Using the equity method as described in HKAS 28 Investments in Associates and Joint Ventures.

The accounting option must be applied by category of investments.

The amendments also clarify that when a parent ceases to be an investment entity, or becomes an investment entity, it shall account for the change from the date when the change in status occurred.

In addition to the amendments to HKAS 27, there are consequential amendments to HKAS 28 to avoid a potential conflict with HKFRS 10 Consolidated Financial Statements and to HKFRS First time Adoption of Hong Kong Financial Reporting Standards.

The directors of the Company do not anticipate that the application of these amendments to HKAS 27 will have a material impact on the Group's consolidated financial statements and not expect to adopt the Amendments to HKAS 27 early before its effective date.

Amendments to HKFRS 10 and HKAS 28 Sale or contribution of assets between an investor and its associate or joint venture

Amendments to HKAS 28:

- The requirements on gains and losses resulting from transactions between an entity and its associate or joint venture have been amended to relate only to assets that do not constitute a business.

- A new requirement has been introduced that gains or losses from downstream transactions involving assets that constitute a business between an entity and its associate or joint venture must be recognised in full in the investor's financial statements.

- A requirement has been added that an entity needs to consider whether assets that are sold or contributed in separate transactions constitute a business and should be accounted for as a single transaction.

2. Application of new and revised Hong Kong financial reporting standards ("HKFRS") *(continued)*

Amendments to HKFRS 10 and HKAS 28 Sale or contribution of assets between an investor and its associate or joint venture *(continued)*

Amendments to HKFRS 10:

- An exception from the general requirement of full gain or loss recognition has been introduced into HKFRS 10 for the loss control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method.

- New guidance has been introduced requiring that gains or losses resulting from those transactions are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement at fair value of investments retained in any former subsidiary that has become an associate or a joint venture that is accounted for using the equity method are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The directors of the Company do not anticipate that the application of these amendments to HKFRS 10 and HKAS 28 will have a material impact on the Group's consolidated financial statements and not expect to adopt the Amendments to HKFRS 10 and HKAS 28 early before its effective date.

Annual improvements to HKFRSs 2010 – 2012 cycle

The Annual Improvements to "HKFRSs 2010 – 2012 Cycle" include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 2 (i) change the definitions of "vesting condition" and "market condition"; and (ii) add definitions for "performance condition" and "service condition" which were previously included within the definition of "vesting condition". The amendments to HKFRS 2 are effective for share-based payment transactions for which the grant date is on or after 1 July 2014.

The amendments to HKFRS 3 clarify that contingent consideration that is classified as an asset or a liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of HKFRS 9 or HKAS 39 or a non-financial asset or liability. Changes in fair value (other than measurement period adjustments) should be recognised in profit and loss. The amendments to HKFRS 3 are effective for business combinations for which the acquisition date is on or after 1 July 2014.

The amendments to HKFRS 8 (i) require an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have 'similar economic characteristics'; and (ii) clarify that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.

2. Application of new and revised Hong Kong financial reporting standards ("HKFRS") *(continued)*

Annual improvements to HKFRSs 2010 – 2012 cycle *(continued)*

The amendments to the basis for conclusions of HKFRS 13 clarify that the issue of HKFRS 13 and consequential amendments to HKAS 39 and HKFRS 9 did not remove the ability to measure short term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial. As the amendments do not contain any effective date, they are considered to be immediately effective.

The amendments to HKAS 16 and HKAS 38 remove perceived inconsistencies in the accounting for accumulated depreciation/amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

The amendments to HKAS 24 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

The directors of the Company do not anticipate that the application of these amendments will have a material effect on the Group's consolidated financial statements and not expect to adopt the Annual Improvements to HKFRSs 2010 – 2012 Cycle early before its effective date.

Annual Improvements to HKFRSs 2011 – 2013 cycle

The "Annual improvements to HKFRSs 2011 – 2013 cycle" include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 3 clarify that the standard does not apply to the accounting for the formation of all types of joint arrangement in the financial statements of the joint arrangement itself.

The amendments to HKFRS 13 clarify that the scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, HKAS 39 or HKFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within HKAS 32.

2. Application of new and revised hong kong financial reporting standards ("HKFRS") *(continued)*

Annual Improvements to HKFRSs 2011 – 2013 cycle *(continued)*

The amendments to HKAS 40 clarify that HKAS 40 and HKFRS 3 are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring investment property must determine whether:

(a) the property meets the definition of investment property in terms of HKAS 40; and
(b) the transaction meets the definition of a business combination under HKFRS 3.

The directors of the Company do not anticipate that the application of these amendments will have a material effect on the Group's consolidated financial statements and not expect to adopt the Annual Improvements to HKFRSs 2011 – 2013 cycle early before its effective date.

Annual improvements to HKFRSs 2012 – 2014 cycle

The "Annual improvements to HKFRSs 2012 – 2014 cycle" include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 5 introduce specific guidance in HKFRS 5 for when an entity reclassifies an asset (or disposal group) from held for sale to held for distribution to owners (or vice versa), or when held-for-distribution accounting is discontinued. The amendments apply prospectively.

The amendments to HKFRS 7 provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of the disclosures required in relation to transferred assets and clarify that the offsetting disclosures (introduced in the amendments to HKFRS 7 "Disclosure – Offsetting financial assets and financial liabilities" issued in December 2011 and effective for periods beginning on or after 1 January 2013) are not explicitly required for all interim periods. However, the disclosures may need to be included in condensed interim financial statements to comply with HKAS 34 "Interim financial reporting".

The amendments to HKAS 19 clarify that the high quality corporate bonds used to estimate the discount rate for post-employment benefits should be issued in the same currency as the benefits to be paid. These amendments would result in the depth of the market for high quality corporate bonds being assessed at currency level. The amendments apply from the beginning of the earliest comparative period presented in the financial statements in which the amendments are first applied. Any initial adjustment arising should be recognised in retained profits at the beginning of that period.

The amendments to HKAS 34 clarify the requirements relating to information required by HKAS 34 that is presented elsewhere within the interim financial report but outside the interim financial statements. The amendments require that such information be incorporated by way of a cross reference from the interim financial statements to the other part of the interim financial report that is available to users on the same terms and at the same time as the interim financial statements.

The directors of the Company do not anticipate that the application of these will have a material effect on the Group's consolidated financial statements and not expect to adopt the Annual Improvements to HKFRSs 2012 – 2014 Cycle early before its effective date.

3. Significant accounting policies

Statement of compliance

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance which for the current year, continue to be those of the predecessor Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangement for Part 9 of the Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 of the Ordinance.

Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. For non-financial assets, the Group takes into account the Group's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another parties that would use the asset in its highest and best use. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

3. Significant accounting policies *(continued)*

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

3. Significant accounting policies *(continued)*

Basis of consolidation *(continued)*

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 Income Taxes and HKAS 19 Employee Benefits respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 "Share-based payment" at the acquisition date (see the accounting policy below); and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 "Non-current assets held for sale and discontinued operations" are measured in accordance with that standard.

3. Significant accounting policies *(continued)*

Basis of consolidation *(continued)*

Business combinations *(continued)*

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another HKFRS.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

3. Significant accounting policies *(continued)*

Investments in associates and joint ventures

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

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates or joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with HKFRS 5. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

3. Significant accounting policies *(continued)*

Investments in associates and joint ventures *(continued)*

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment is classified as held for sale. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with HKAS 39. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

3. Significant accounting policies *(continued)*

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business. Revenue is recognised when it is probable that the economic benefits will flow to the Group and when revenue can be measured reliably, on the following basis:

- Commission income on securities brokerage, futures and options brokerage and bullion contracts brokerage are recorded as income on a trade date basis when the relevant contract notes are executed;

- Commission income on placing, underwriting and sub-underwriting, consultancy and financial advisory fees and commission income on wealth management are recorded as income in accordance with the terms of underlying agreements when the relevant significant acts have been completed;

- Income from fund management and custodian and handling services, or when services are rendered;

- Interest income from a financial asset is accrued on a time basis using the effective interest method, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition;

- Realised profits or losses from available-for-sale investments, financial assets at fair value through profit or loss, financial assets designated at fair value through profit or loss, financial liabilities at fair value through profit or loss, and financial liabilities designated at fair value through profit or loss derivative and bullion contracts are recognised on the transaction dates when the relevant contract notes are executed whilst the unrealised profits or losses are recognised from valuation at the end of the reporting period in accordance with the accounting policies for financial instruments (see the accounting policies below);

- Income from leveraged foreign exchange transactions, on an accrual basis;

- Dividend income, when the shareholders' right to receive payment has been established.

3. Significant accounting policies *(continued)*

Property and equipment

Property and equipment held for use in the production or supply of goods or services, or for administrative purpose, are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property and equipment less their residual values over their estimated useful lives, using straight line method as follows:

Leasehold land and buildings	Over the shorter of the lease terms and 2.5%
Leasehold improvements	20%
Furniture, fixtures and equipment	20%
Computer hardware and equipment	30%

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. 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. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

3. Significant accounting policies *(continued)*

Intangible assets *(continued)*

Internally-generated intangible assets – research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred. An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. 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 when the asset is derecognised.

3. Significant accounting policies *(continued)*

Leasing

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

The Group as lessee

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

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see the accounting policy below). Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When a building is under finance lease and the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as finance lease.

3. Significant accounting policies *(continued)*

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences arising on a monetary item that forms part of the Company's net investment in a foreign operation, in which case, such exchange differences are recognised in other comprehensive income and accumulated in equity and will be reclassified from equity to profit or loss on disposal of the foreign operation. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period, except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are also recognised directly in other comprehensive income.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of foreign currency translation reserve.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

3. Significant accounting policies *(continued)*

Employee benefits

Pension scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and recognised as expenses when employees have rendered services entitling them to the contributions.

The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme, except for the Group's employer voluntary contributions, which are refunded to the Group when an employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF Scheme. The refunded contribution is recognised in the consolidated statement of profit or loss to offset the current year contribution made.

Paid leave carried forward

The Group provides paid annual leave to its employees under their employment contracts on a calendar year basis. Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

Bonus plans

The Group recognises a liability and an expense for bonuses and profit-sharing, where appropriate, based on approved formulas that take into consideration the profit attributable to the Group after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

Share-based payment transactions

Share options granted to employees

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity settled transactions").

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share option reserve).

3. Significant accounting policies *(continued)*

Employee benefits *(continued)*

Share-based payment transactions *(continued)*

Share options granted to employees (continued)

At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share options reserve.

For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to share premium.

Share award scheme to employees

The Company adopted a 10-year share award scheme to incentivise selected employees and directors for their contributions to the Group.

For any awarded shares granted, the fair value of the employee services received is determined by reference to the fair value of awarded shares granted at the grant date and is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (employee share-based compensation reserve). At the end of each reporting period, the Group revises its estimates of the number of awarded shares that are expected to ultimately vest. The impact of the revision of the estimates, if any, is recognised in profit or loss, with a corresponding adjustment to the employee share-based compensation reserve.

For any shares of the Company ("Awarded Shares") that are purchased under the share award scheme, the consideration paid, including any directly attributable incremental costs, would be presented as "Shares held for Employee share award scheme" and deducted from equity. When the Awarded Shares are transferred to the awardees upon vesting, the related costs of the Awarded Shares are eliminated against the employee share-based compensation reserve and the remaining balances will be transferred to retained profits. No share award and own shares have been granted and acquired by the Company during current year.

3. Significant accounting policies *(continued)*

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the consolidated statement of profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

3. Significant accounting policies *(continued)*

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' ("AFS") financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

3. Significant accounting policies *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Financial assets at FVTPL (continued)

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 "Financial instruments: Recognition and measurement" permits the entire combined contract to be designated as at FVTPL.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from re-measurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets. Fair value is determined in the manner described in note 46.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including other loans and advances, advances to customers in margin financing, accounts receivable, amounts due from subsidiaries, cash and cash equivalents, cash held on behalf of customers, deposits and other receivables), are measured at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Group has the positive intention and ability to hold to maturity other than:

(a) those that the entity upon initial recognition designates as at fair value through profit or loss;
(b) those that the entity designates as available for sale; and
(c) those that meet the definition of loans and receivables.

Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method, less any identified impairment losses.

3. Significant accounting policies *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

AFS financial assets

Available-for-sale investments are non-derivatives that are either designated or not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments.

Equity and debt securities held by the Group that are classified as AFS financial assets and are traded in an active market are measured at fair value at the end of each reporting period. Changes in the carrying amount of AFS monetary financial assets relating to interest income calculated using the effective interest method and dividends on AFS equity investments are recognised in profit or loss. Other changes in the carrying amount of AFS financial assets are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss (see the accounting policy in respect of impairment loss on financial assets below).

Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as other loans and advances and advances to customers in margin financing, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments and observable changes in national or local economic conditions that correlate with default on receivables.

3. Significant accounting policies *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Impairment of financial assets (continued)

For financial assets that are carried at amortised cost, the amount of the impairment loss recognised is 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.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of other loans and advances, advances to customers in margin financing, accounts receivable and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a loan and advance and an advance to customer in margin financing, an account receivable or a receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. In respect of AFS debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

3. Significant accounting policies *(continued)*

Financial instruments *(continued)*

Financial liabilities and equity instruments *(continued)*

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liabilities are either held for trading or those designated as at FVTPL on initial recognition.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on re-measurement recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any interest paid on the financial liabilities. Fair value is determined in the manner described in note 46.

Other financial liabilities

Other financial liabilities including loans and other borrowings, accounts payable, other payables and amounts due to subsidiaries are subsequently measured at amortised cost, using the effective interest method.

3. Significant accounting policies *(continued)*

Financial instruments *(continued)*

Financial liabilities and equity instruments *(continued)*

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or liability and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) or payments through the expected life of the financial asset or liability, or, where appropriate, a shorter period to the net carrying amount of the financial asset or liability on initial recognition.

Interest expense is recognised on an effective interest basis.

Compound financial instruments

The component parts of the convertible loan notes issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognised in equity will be transferred to share premium and share capital. Where the conversion option remains unexercised at the maturity date of the convertible note, the balance recognised in equity will be transferred to retained profits. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

Transaction costs that relate to the issue of the convertible loan notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible loan notes using the effective interest method.

3. Significant accounting policies *(continued)*

Financial instruments *(continued)*

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently re-measured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which case the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Financial assets sold under repurchase agreements

Financial assets sold under repurchase agreements continue to be recognised, which do not result in derecognition of the financial assets, and are recorded as "financial assets at FVTPL". Financial assets sold subject to agreements with a commitment to repurchase at a specific future date are not derecognised in the consolidated statement of financial position. The proceeds from selling such assets are presented as "financial assets sold under repurchase agreements" and included in loans and borrowings in the consolidated statement of financial position. Financial assets sold under repurchase agreements are initially measured at fair value and are subsequently measured at amortised cost using the effective interest method.

Financial assets held under resale agreements

Financial assets that have been purchased under agreements with a commitment to resell at a specific future date are not recognised in the consolidated statement of financial position. The cost of purchasing such assets is presented under "financial assets held under resale agreements" in the consolidated statement of financial position. Financial assets held under resale agreements are initially measured at fair value and are subsequently measured at amortised cost using the effective interest method.

Hedge accounting

The Group designates certain derivatives as hedging instruments for cash flow hedges.

At the inception of the hedge relationship, the entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk.

3. Significant accounting policies *(continued)*

Financial instruments *(continued)*

Hedge accounting *(continued)*

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of cash flow hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognised hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income and accumulated in the cash flow hedging reserve are transferred from the cash flow hedging reserve and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss recognised in other comprehensive income and accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

3. Significant accounting policies *(continued)*

Financial instruments *(continued)*

Derecognition *(continued)*

On derecognition of a financial asset other than in its entirety, the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Impairment losses on tangible and intangible assets other than goodwill and financial assets (see the accounting policy in respect of goodwill and financial assets above)

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that they may be impaired.

3. Significant accounting policies *(continued)*

Impairment losses on tangible and intangible assets other than goodwill and financial assets (see the accounting policy in respect of goodwill and financial assets above) *(continued)*

Recoverable amount is the higher of 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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another standard.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

4. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources.

The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going 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.

4. Critical accounting judgements and key sources of estimation uncertainty *(continued)*

Key sources of estimation uncertainty

Impairment of loans and advances to customers

The Group reviews its loans and advances to customers (including other loans and advances and advances to customers in margin financing) to assess impairment on a periodic basis.

Each loan and advance to customer that is individually significant is reviewed for indication of impairment at the end of each reporting period. Loans and advances to customers that are individually not significant and are assessed not to be impaired individually are reviewed at the end of each reporting period on a collective portfolio basis. Objective evidence of collective impairment includes Group's past experience of collecting payments and observable changes in national or local economic conditions that correlate with default on receivables.

In assessing the individual impairment and determining whether an impairment loss should be recognised in profit or loss, the Group makes judgments as to whether there is any observable data indicating that there is an objective evidence of impairment that will have a measurable decrease in the estimated future cash flows from a portfolio of advances. Moreover, the Group also reviews the value of the securities collateral received from the customers in determining the impairment. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Details of disclosures for other loans and advances and advances to customers in margin financing are set out in note 24 and note 25 respectively.

Fair value of derivative and financial instruments

The Group selects appropriate valuation techniques for financial instruments not quoted in an active market. Note 47 provides detailed information about the key assumptions used in the determination of the fair value of material financial instruments.

Critical judgements in applying accounting policies

Determination of consolidation scope

All facts and circumstances must be taken into consideration in the assessment of whether the Group, as an investor, controls the investee. The principle of control sets out the following three elements of control: (a) power over the investee; (b) exposure, or rights, to variable returns from involvement with the investee; and (c) the ability to use power over the investee to affect the amount of the investor's returns.

An investor's initial assessment of control or its status as a principal or an agent would not change simply because of a change in market conditions (e.g. a change in the investee's returns driven by market conditions), unless the change in market conditions changes one or more of the three elements of control listed above or changes the overall relationship between a principal and an agent.

At the end of each reporting period, the Group assesses the variable returns arising from other entities and uses plenty of judgments, in combination with historical exposure to variable returns, to determine the consolidation scope.

5. Segment information

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker is the person or group that allocates resources to and assesses the performance of the operating segments of an entity. The Group has determined the Executive Committee as its chief operating decision maker.

The Group's majority of revenue is related to activities conducted in Hong Kong. No single customer amounts to more than 10 percent of the Group's revenue.

During the year ended 31 December 2014, in order to more accurately reflect the activities of the "Structured Financing" segment, this segment is now renamed as "Leveraged and Acquisition Finance". Moreover, owing to the rapid expansion of the "Equity Derivatives" segment and its positive contribution to the Group's result, this segment is also separately reported. Furthermore, as the "Others" segment mainly comprises investment activities with remarkable performance, it is now properly named as "Investment Holdings" segment. As a result, the Group has 7 reportable segments in the current year. Comparative figures in prior year have been restated to conform to the current year's presentation. The segments are managed separately as each segment engages in different activities. The Group's reportable segments are as follows:

(a) the brokerage and margin financing segment engages in securities, futures, options and bullion contracts brokerage and dealing, provision of margin financing to customers, and provision of custodian and handling services;

(b) the corporate finance segment engages in provision of corporate advisory, placing and underwriting services;

(c) the investment management segment comprises provision of fund management and provision of wealth management services;

(d) the leveraged and acquisition finance segment engages in the provision of financing solutions to corporate clients of the Company for their corporate actions and shareholder activities, including takeovers, mergers and acquisitions;

(e) the fixed income, currency and commodities segment engages in trading and market making in debt securities, bullion contracts and leveraged foreign exchange trading;

(f) the equity derivatives segment engages in trading and market making in equity securities and derivatives; and

(g) the investment holdings segment comprises investment in funds and equity securities.

5. Segment information *(continued)*

The following table presents revenue and profit/(loss) for the Group's business segments:

For the year ended 31 December 2014

	Brokerage and margin financing HK$'000	Corporate finance HK$'000	Investment management HK$'000	Leveraged and acquisition finance HK$'000	Fixed income, currency and commodities HK$'000	Equity Derivatives HK$'000	Investment Holdings HK$'000	Consolidated HK$'000
Segment revenue:								
Sales to external customers	1,181,294	396,294	123,457	421,206	233,953	196,417	160,670	2,713,291
Other income	–	1,852	–	–	16,192	–	2,468	20,512
Segment results	307,960	303,163	25,614	246,700	112,223	104,034	82,842	1,182,536
Share of profit of investments accounted for using the equity method								33,212
Income tax expense								(197,479)
Profit for the year								1,018,269
Depreciation	(26,318)	–	(256)	(2,827)	(1,679)	(1,318)	(1,096)	(33,494)
Finance costs	(168,004)	–	–	(93,327)	(30,954)	(35,397)	(47,793)	(375,475)

5. Segment information *(continued)*

For the year ended 31 December 2013 (restated)

	Brokerage and margin financing HK$'000	Corporate finance HK$'000	Investment management HK$'000	Leveraged and acquisition finance HK$'000	Fixed income, currency and commodities HK$'000	Equity Derivatives HK$'000	Investment Holdings HK$'000	Consolidated HK$'000
Segment revenue								
Sales to external customers	802,310	167,854	92,346	401,029	187,390	(8,156)	4,041	1,646,814
Other income	–	1,566	–	–	–	–	1,241	2,807
Segment results	203,907	99,847	6,820	207,142	86,582	(16,217)	(4,762)	583,319
Share of profit of investments accounted for using the equity method								15,157
Income tax expense								(68,311)
Profit for the year								530,165
Depreciation	(38,772)	–	(932)	(3,687)	(1,722)	–	–	(45,113)
Finance costs	(55,431)	–	–	(40,218)	(20,203)	(1,627)	(8,667)	(126,146)

6. Revenue and other income and gains or losses

An analysis of revenue (which is also the Group's turnover) and other income and gains or losses is as follows:

	2014 HK$'000	2013 HK$'000
Revenue		
Brokerage:		
Commission on securities brokerage	405,280	311,559
Commission on futures and options brokerage	123,021	126,687
Commission on bullion contracts brokerage	3,274	6,159
Custodian and handling service fees	24,943	16,811
Corporate finance:		
Commission on placing, underwriting and sub-underwriting	180,558	132,210
Consultancy and financial advisory fees	215,736	35,644
Investment management:		
Fund management and performance fees	76,476	38,492
Commission on wealth management	46,981	53,854
Loans and financing activities:		
Interest income from leveraged and acquisition finance activities	421,206	401,029
Interest income from margin financing and other activities	624,776	341,094
Trading and market making:		
Interest income from investment in debt securities	52,598	130,136
Net gain on financial assets/liabilities at fair value through profit or loss	536,313	28,977
Net loss from derivatives and bullion contracts trading	(34,718)	(6,498)
Net income from leveraged foreign exchange trading	12,050	19,487
Dividend income	24,797	11,173
	2,713,291	1,646,814
Other income and gains or losses		
Gain on disposals of available-for-sale investments	20,195	–
Others	317	2,807
	20,512	2,807

7. Profit before tax

	2014 HK$'000	2013 HK$'000
Profit before tax has been arrived at after charging:		
Minimum lease payments under operating leases:		
Land and buildings	72,682	77,214
Computer equipment	2,797	12,140
Auditor's remuneration	2,600	3,340
Foreign exchange differences, net	24,809	(1,213)
Loss on disposal of fixed assets	490	6,392
Repair and maintenance (including system maintenance)	58,056	33,367
Quotemeter services	3,964	3,515
Marketing, advertising and promotion expense	16,932	18,747
Equipment rental and servicing	44,801	39,350
Bad debts (recovery)/written off	(1,593)	3,823
Employee benefits costs (including directors' remuneration and five highest paid employees):		
Salaries, bonuses and allowances	536,542	414,180
Commission to accounts executives	240,031	160,191
Net pension scheme contributions	8,739	7,132
	785,312	581,503
Impairment loss on held-to-maturity investments (note 23)	33,500	–
Finance costs:		
– bank loans and overdrafts wholly repayable within 5 years	245,513	96,918
– convertible bonds wholly repayable within 5 years	50,642	18,917
– non-convertible bonds wholly repayable within 5 years	61,001	–
– others wholly repayable within 5 years (note 35 and note 43 (a)(iv))	18,319	10,311
	375,475	126,146

8. Directors' and chief executive officer's emoluments

Directors' remuneration for the year is as follows:

	2014 HK$'000	2013 HK$'000
Fees:		
Executive directors	300	300
Non-executive directors	600	600
Independent non-executive directors	850	850
	1,750	1,750
Other emoluments:		
Executive directors:		
Salaries and allowances	8,482	8,078
Bonuses (note (a))	28,512	22,464
Pension scheme contributions	66	60
	37,060	30,602
	38,810	32,352

Note:

(a) Bonuses include performance related bonuses, in which certain executive directors of the Company are entitled to bonus payments which are determined as a percentage of the profit after tax of the Group.

8. Directors' and chief executive officer's emoluments *(continued)*

Independent non-executive directors

For the year ended 31 December 2014

	Fees HK$'000	Salaries and allowances HK$'000	Bonuses HK$'000	Employee share option benefits HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
LIN Ching Yee Daniel	200	–	–	–	–	200
WEI Kuo-chiang	200	–	–	–	–	200
TSUI Hing Chuen William	250	–	–	–	–	250
LAU Wai Piu Bill	200	–	–	–	–	200
	850	–	–	–	–	850

For the year ended 31 December 2013

	Fees HK$'000	Salaries and allowances HK$'000	Bonuses HK$'000	Employee share option benefits HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
LIN Ching Yee Daniel	200	–	–	–	–	200
WEI Kuo-chiang	200	–	–	–	–	200
TSUI Hing Chuen William	250	–	–	–	–	250
LAU Wai Piu Bill	200	–	–	–	–	200
	850	–	–	–	–	850

8. Directors' and chief executive officer's emoluments *(continued)*

Executive directors and non-executive directors

For the year ended 31 December 2014

	Fees HK$'000	Salaries and allowances HK$'000	Bonuses HK$'000	Employee share option benefits HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
Executive directors:						
LI Jianguo	300	–	–	–	15	315
LIN Yong*	–	3,599	14,256	–	17	17,872
POON Mo Yiu	–	2,570	7,128	–	17	9,715
HUI Yee Wilson	–	2,313	7,128	–	17	9,458
	300	8,482	28,512	–	66	37,360
Non-executive directors:						
JI Yuguang	200	–	–	–	–	200
CHENG Chi Ming Brian	200	–	–	–	–	200
WANG Meijuan	200	–	–	–	–	200
	600	–	–	–	–	600
	900	8,482	28,512	–	66	37,960

8. Directors' and chief executive officer's emoluments *(continued)*

Executive directors and non-executive directors *(continued)*

For the year ended 31 December 2013

	Fees HK$'000	Salaries and allowances HK$'000	Bonuses HK$'000	Employee share option benefits HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
Executive directors:						
LI Jianguo	300	–	–	–	15	315
LIN Yong*	–	3,427	10,360	–	15	13,802
POON Mo Yiu	–	2,448	6,098	–	15	8,561
HUI Yee Wilson	–	2,203	6,006	–	15	8,224
	300	8,078	22,464	–	60	30,902
Non-executive directors:						
JI Yuguang	200	–	–	–	–	200
CHENG Chi Ming Brian	200	–	–	–	–	200
WANG Meijuan	200	–	–	–	–	200
	600	–	–	–	–	600
	900	8,078	22,464	–	60	31,502

* Mr. LIN Yong is also the Chief Executive Officer of the Group and his emoluments disclosed above include those for services rendered by him as the Chief Executive Officer.

9. Employees' remuneration

Five highest paid employees

The five highest paid employees during the current and prior year included three directors, details of each director's remuneration are set out in note 8 above.

The total remuneration of two non-directors for the year ended 31 December 2014 and 31 December 2013 was as follows.

	2014 HK$'000	2013 HK$'000
Salaries, bonuses and allowances	17,928	13,200
Pension scheme contributions	34	11
	17,962	13,211

The number of non-director, highest paid employees whose remuneration fell within the following bands is as follows:

	2014	2013
HK$6,000,001 to HK$6,500,000	–	1
HK$6,500,001 to HK$7,000,000	–	1
HK$7,000,001 to HK$7,500,000	–	–
HK$7,500,001 to HK$8,000,000	–	–
HK$8,000,001 to HK$8,500,000	–	–
HK$8,500,001 to HK$9,000,000	1	–
HK$9,000,001 to HK$9,500,000	1	–
	2	2

Note: Details of the remuneration disclosed above do not include amounts paid or payable by way of commissions generated by employees of the Group.

9. Employees' remuneration *(continued)*

Senior management remuneration by band

The emoluments of the Group's senior management fell within the following bands:

	2014	2013
HK$2,500,001 to HK$3,000,000	–	1
HK$3,000,001 to HK$3,500,000	–	–
HK$3,500,001 to HK$4,000,000	–	1
HK$4,000,001 to HK$4,500,000	2	–
HK$4,500,001 to HK$5,000,000	–	2
HK$5,000,001 to HK$5,500,000	1	2
HK$5,500,001 to HK$6,000,000	–	–
HK$6,000,001 to HK$6,500,000	–	–
HK$6,500,001 to HK$7,000,000	1	–
HK$7,000,001 to HK$7,500,000	2	–
HK$7,500,001 to HK$8,000,000	1	–
	7	6

10. Income tax expense

	2014 HK$'000	2013 HK$'000
Current taxation		
– Hong Kong	201,614	83,253
– PRC and other jurisdictions	1,019	1,101
	202,633	84,354
Over provision in prior years		
– Hong Kong	(1,966)	(8,506)
Deferred tax		
– Current year	(3,188)	(7,537)
	197,479	68,311

10. Income tax expense *(continued)*

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profits arising in Hong Kong for the current and prior year.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

The tax charge for the year can be reconciled to 'profit before tax' per the consolidated statement of profit or loss as follows:

	2014 HK$'000	2013 HK$'000
Profit before tax	**1,215,748**	598,476
Taxation at income tax rate of 16.5%	**200,598**	98,749
Overprovision in respect of prior years	**(1,966)**	(8,506)
Tax effect of expenses not deductible for tax purpose	**13,136**	10,131
Tax effect of income not taxable for tax purpose	**(30,880)**	(29,857)
Tax effect of utilisation of estimated tax losses previously not recognised	**–**	(10,796)
Tax effect of estimated tax losses not recognised	**3,316**	2,031
Effect of different tax rates of subsidiaries operating in other jurisdictions	**905**	(188)
Others	**12,370**	6,747
Income tax expense	**197,479**	68,311

The Group has estimated tax losses of approximately HK$70 million and HK$47 million as at 31 December 2014 and 31 December 2013, respectively, that can be carried forward indefinitely for offsetting against future taxable profits of the respective companies in which the losses arose.

Deferred tax assets have not been recognised in respect of the tax losses of HK$27 million as at 31 December 2014 (31 December 2013: HK$13 million) as it is not probable that sufficient future taxable profits will be available in the subsidiaries in which the losses arose against which the unused tax losses can be utilised in the near future.

11. Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit for the year attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

	2014	2013
Earnings		
Profit for the year attributable to owners of the Company (HK$'000)	1,018,269	529,152
		(restated)
Number of shares		
Weighted average number of ordinary shares in issue (in thousands) (note (a))	1,812,884	1,288,311
Basic earnings per share (HK cents per share)	56.17	41.07

Diluted earnings per share

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive ordinary shares.

	2014	2013
Earnings		
Profit for the year attributable to owners of the Company (HK$'000)	1,018,269	529,152
Effect of dilutive potential ordinary shares		
– Interest on convertible bonds (net of tax) (HK$'000) (note (b))	42,286	15,796
Earnings for the purpose of diluted earnings per share (HK$'000)	1,060,555	544,948
		(restated)
Number of shares		
Weighted average number of ordinary shares in issue (in thousands) (note (a))	1,812,884	1,288,311
Effect of dilutive potential ordinary shares:		
– Convertible bonds (in thousands) (note (b))	290,066	103,600
– Share options (in thousands) (note (c))	402	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share (in thousands)	2,103,352	1,391,911
Diluted earnings per share (HK cents per share)	50.42	39.15

11. Earnings per share *(continued)*

Notes:

(a) During both current and prior years, the Group raised approximately HK$2,643 million and HK$1,153 million by way of rights issue on the basis of one rights share for every two existing shares held by shareholders of the Company at the price of HK$3.80 and HK$2.55 respectively, which represent a discount to the prevailing fair value at the date of rights issue of the existing shares.

The effect of the bonus element resulting from the rights issue has been included in the calculation of basic and diluted earnings per share and prior year basic and diluted earnings per share is adjusted in order to provide a comparable basis for the rights issue in the current year.

(b) On 18 July 2013 and 10 October 2013, the Company issued convertible bonds of HK$776 million and HK$232 million respectively, which have been combined legally and constitute a single series. On 4 November 2014, the Company further issued convertible bonds of HK$1,164 million. Details of the convertible bonds issued by the Company are set out in note 35.

During the current year, parts of the convertible bonds issued by the Company in prior year have been converted into ordinary shares of the Company as set out in note 35(a), which created a potential dilutive effect to the basic earnings per share before their conversion.

As at 31 December 2014, the convertible bonds issued in 2013 and in current year that remain outstanding are convertible into ordinary shares of the Company at an adjusted conversion price of HK$3.61 on note 35(a) (2013: HK$3.91 to HK$4)and HK$6, respectively, at the option of the holders of the convertible bonds, which created a potential dilutive effect to the basic earnings per share.

In the calculation of the diluted earnings per share, the convertible bonds are assumed to have been converted into ordinary shares. The weighted average number of ordinary shares outstanding is increased by the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares from the date of the first issue with the adjustment if there is any conversion of the convertible bonds into ordinary shares during the year. The net profit is adjusted to eliminate the interest expense less the tax effect.

(c) The computation of diluted earnings per share assumed the exercise of the Company's outstanding share options with the exercise price lower than the average market price during the year ended 31 December 2014 and with the adjustment for the share options lapsed or exercised during the year.

As the exercise price of the Company's share options was above the average share price of the Company during the year ended 31 December 2013, the share options have no effect of dilutive potential ordinary shares for 2013.

12. Dividends

	2014 HK$'000	2013 HK$'000
Interim dividend paid		
– HK8 cents (2013: HK8 cents) per ordinary share	168,345	109,841
Proposed final dividend		
– HK15.5 cents (2013: HK11 cents) per ordinary share	338,582	153,556
	506,927	263,397

At a meeting of the Board of the Company held on 21 August 2013, the directors resolved to declare an interim dividend of HK8 cents per share in cash with a scrip option. The interim dividend was paid on 8 November 2013, with a total of HK$25,264,000 cash dividend paid to the shareholders and 22,945,565 shares were issued in scrip form.

At a meeting of the Board of the Company held on 4 March 2014, the directors resolved to declare a final dividend of HK11 cents per share in cash for the year ended 31 December 2013. The final dividend of HK$153,556,000 was paid on 20 May 2014.

At a meeting of the Board of the Company held on 7 August 2014, the directors resolved to declare an interim dividend of HK8 cents per share in cash for the 6 months ended 30 June 2014. The interim dividend of HK$168,345,000 was paid on 11 September 2014.

At a meeting of the Board of the Company held on 11 March 2015, the directors recommended the payment of final dividend in cash for the year ended 31 December 2014 in the total amount of HK$338,582,000. The proposed final dividend for the year ended 31 December 2014 is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

13. Investments accounted for using the equity method

	2014 HK$'000	2013 HK$'000
Associates:		
Cost of unlisted investment in associates	281,530	7,757
Share of post-acquisition profits and other comprehensive income, net of dividend received	29,073	–
	310,603	7,757
Joint ventures:		
Cost of unlisted investment in joint ventures	2,255,267	155,267
Share of post-acquisition profits and other comprehensive income, net of dividend received	19,296	15,157
	2,274,563	170,424
	2,585,166	178,181

Details of investments accounted for using the equity method:

Name of entity	Country of incorporation	Class of share held	Interests held by the Group As at 31 December 2014	Interests held by the Group As at 31 December 2013	Principal activities
Joint venture					
Haitong-AC Asian Special Opportunities Fund (note a)	The Cayman Islands	Participating Management	43.6% 50%	44% 50%	Investment holding
New Bridge China Auto Caymans L.P. (note b)	The Cayman Islands	Limited partnership	38.9%	–	Investment holding
Harveston Asset Management Pte. Ltd	Singapore	Ordinary	50%	–	Fund management
Associate					
Trinitus Asset Management Limited	Hong Kong	Ordinary	20%	20%	Investment management service
Haitong CSI300 Index ETF (note c)	Hong Kong	Non-participating	31.9%	–	Investment holding

Except for Haitong CSI300 Index ETF, both joint ventures and associates are unlisted entities without quoted market price available.

13. Investments accounted for using the equity method *(continued)*

As at 31 December 2014, the fair value of the Group's interest in Haitong CSI300 Index ETF, which is listed on The Stock Exchange of Hong Kong Limited, was HK$303 million based on the quoted market price available on The Stock Exchange of Hong Kong Limited, which is a level 1 input in terms of HKFRS 13.

All of these associates and joint ventures are accounted for using the equity method in these consolidated financial statements. The directors consider the above joint ventures and associates are not significant to the Group's consolidated financial position.

Notes:

(a) As of 31 December 2014 and 31 December 2013, the Group held 20,000 units of participating shares, representing 43.6% (31 December 2013: 44%) interest in the Haitong-AC Asian Special Opportunities Fund (the "Fund"). The participating shares provide the Group with the share of returns from the Fund but not any decision-making power nor any voting right in daily operation of the Fund.

As of 31 December 2014 and 31 December 2013, the Group held 50% of the management shares in the Fund and the other 50% management shares are held by a third party. The management shareholders are empowered to make all the key financing and operating decisions in the Fund and require unanimous consent of the parties sharing control. The arrangement of sharing of control is contractually agreed by both parties. As such, the interest of the Group in the Fund is classified as a joint venture.

There is no unfilled capital commitment to the Fund. The current carrying amount of HK$175 million (31 December 2013: 170 million) in the consolidated statement of financial position represents the Group's maximum exposure.

(b) As of 31 December 2014, the Group held approximately 38.9% (31 December 2013: Nil) interests in New Bridge China Auto Caymans L.P. ("New Bridge") as a limited partner. The interests in New Bridge as a limited partner provide the Group with the share of returns and receive the distribution from New Bridge.

Pursuant to the limited partnership agreement of New Bridge, the business of New Bridge shall be carried on and managed by the general partner, which is a third party to the Group, with the restriction that all the key financing and operating decisions in New Bridge require unanimous consent of all limited partners and general partner. The arrangement of sharing of control in all key financing and operating decisions among the general partner and limited partners is contractually agreed by all parties. As such, the interest of the Group in New Bride is classified as joint venture.

There is no unfilled capital commitment to New Bridge. The current carrying amount of HK$2,100 million (31 December 2013: nil) in the consolidated statement of financial position represents the Group's maximum exposure.

At the same time of investing in New Bridge, the Group entered into a total return swap transaction with a gross notional amount of HK$2,100 million (the "Equity Notional Amount") with an external third party, who initially paid cash of HK$620 million (the "Initial Exchange Amount") to the Group. The total return swap transaction will be due and expired on 4 December 2017 (the "Maturity Date").

Upon maturity, if the fair value of the Group's interest in New Bridge and accumulated distribution from New Bridge during the contracted period of total return swap (the "Total Returns") are in excess of the Equity Notional Amount, the Group shall be obliged to pay such excess and return the Initial Exchange Amount paid by the counterparty, while if the Total Returns from New Bridge falls below the Equity Notional Amount, the counterparty shall be obliged to pay such shortfall to the Group up to HK$1,480 million and the Initial Exchange Amount would be netted off against such shortfall payable before returning to the counterparty.

In return, the counterparty would pay interest on a semi-annual basis at the fixed interest rate of 9.9% per annum by reference to a principle amount of HK$1,480 million to the Group until maturity date. Based on the swap contract, the Group has the right to settle the contract by cash or physical settlement with certain conditions fulfilled. The total return swap transaction has been recognized as and included in non-current portion of "financial liabilities designated at fair value through profit or loss" in the consolidated financial statement as set out in note 34 and the details of disclosure for fair value measurement are set out in note 47.

(c) As at 31 December 2014, the Group held 19,467,200 units, representing 31.9% (31 December 2013: Nil) interest in the Haitong CSI300 Index ETF (the "Fund ETF"). The units provide the Group with the share of returns from the Fund ETF but not any decision-making power nor any voting right in the daily operation. The daily operation of the Fund ETF is managed by the investment manager, which is a wholly owned subsidiary of the Company. The directors consider that the Group does not have control over the Fund ETF based on the assessment criteria set out in note 21 but there is significant influence over the Fund ETF and it is therefore classified as an associate of the Group.

14. Property and equipment

GROUP

	Leasehold land and buildings HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Computer hardware and equipment HK$'000	Total HK$'000
31 December 2014					
At 1 January 2014					
Cost	3,092	46,964	39,363	363,951	453,370
Accumulated depreciation	(1,293)	(33,614)	(30,176)	(272,981)	(338,064)
Net carrying values	1,799	13,350	9,187	90,970	115,306
At 1 January 2014, net of accumulated depreciation	1,799	13,350	9,187	90,970	115,306
Additions	-	6,820	3,891	9,253	19,964
Disposals	-	(244)	(133)	(144)	(521)
Depreciation	(77)	(4,436)	(3,128)	(25,853)	(33,494)
At 31 December 2014, net of accumulated depreciation	1,722	15,490	9,817	74,226	101,255
At 31 December 2014					
Cost	3,092	53,004	42,711	403,126	501,933
Accumulated depreciation	(1,370)	(37,514)	(32,894)	(328,900)	(400,678)
Net carrying values	1,722	15,490	9,817	74,226	101,255
31 December 2013					
At 1 January 2013					
Cost	3,092	72,703	54,350	357,698	487,843
Accumulated depreciation	(1,215)	(62,276)	(45,751)	(235,804)	(345,046)
Net carrying values	1,877	10,427	8,599	121,894	142,797
At 1 January 2013, net of accumulated depreciation	1,877	10,427	8,599	121,894	142,797
Additions	-	12,546	4,658	6,910	24,114
Disposals	-	(5,087)	(1,293)	(112)	(6,492)
Depreciation	(78)	(4,536)	(2,777)	(37,722)	(45,113)
At 31 December 2013, net of accumulated depreciation	1,799	13,350	9,187	90,970	115,306
At 31 December 2013					
Cost	3,092	46,964	39,363	363,951	453,370
Accumulated depreciation	(1,293)	(33,614)	(30,176)	(272,981)	(338,064)
Net carrying values	1,799	13,350	9,187	90,970	115,306

14. Property and equipment *(continued)*

COMPANY

	Leasehold land and buildings HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Computer hardware and equipment HK$'000	Total HK$'000
31 December 2014					
At 1 January 2014					
Cost	1,178	21,513	19,785	334	42,810
Accumulated depreciation	(405)	(8,955)	(11,926)	(334)	(21,620)
Net carrying values	773	12,558	7,859	-	21,190
At 1 January 2014, net of accumulated depreciation	773	12,558	7,859	-	21,190
Additions	-	6,491	3,294	-	9,785
Disposals	-	(232)	(57)	-	(289)
Depreciation	(29)	(4,226)	(2,558)	-	(6,813)
At 31 December 2014, net of accumulated depreciation	744	14,591	8,538	-	23,873
At 31 December 2014					
Cost	1,178	27,223	22,758	277	51,436
Accumulated depreciation	(434)	(12,632)	(14,220)	(277)	(27,563)
Net carrying values	744	14,591	8,538	-	23,873
31 December 2013					
At 1 January 2013					
Cost	1,178	47,782	35,377	334	84,671
Accumulated depreciation	(375)	(37,757)	(27,962)	(334)	(66,428)
Net carrying values	803	10,025	7,415	-	18,243
At 1 January 2013, net of accumulated depreciation	803	10,025	7,415	-	18,243
Additions	-	11,979	3,854	-	15,833
Disposals	-	(5,085)	(1,204)	-	(6,289)
Depreciation	(30)	(4,361)	(2,206)	-	(6,597)
At 31 December 2013, net of accumulated depreciation	773	12,558	7,859	-	21,190
At 31 December 2013					
Cost	1,178	21,513	19,785	334	42,810
Accumulated depreciation	(405)	(8,955)	(11,926)	(334)	(21,620)
Net carrying values	773	12,558	7,859	-	21,190

14. Property and equipment *(continued)*

The Group's leasehold land and buildings included above are situated in Hong Kong and are held under the following lease terms:

	2014 HK$'000	2013 HK$'000
At net carrying amount:		
Medium term leases	1,722	1,799

15. Goodwill

	2014 HK$'000	2013 HK$'000
Goodwill	9,854	9,854

Particulars regarding impairment testing on goodwill are disclosed in note 17.

16. Other intangible assets

	2014 HK$'000	2013 HK$'000
Cost (gross carrying amount)	10,131	10,131
Accumulated amortisation	(3,522)	(3,522)
Net carrying amount	6,609	6,609

Upon the adoption of HKAS 38 "Intangible assets" in 2005, the Group's eligibility rights to trade on or through the Stock Exchange and The Hong Kong Futures Exchange Limited of net carrying amount of HK$4,609,000 (2013: HK$4,609,000) are considered to have indefinite lives, which are not amortised, as the trading rights have no expiry date. The accumulated amortisation is brought forward from prior years before the adoption of HKAS 38.

The remaining HK$2,000,000 represents the Group's investment in throttle rate for trading order to be transmitted to the Automated Matching System of the Stock Exchange. This intangible asset has no expiry date.

Particulars regarding impairment testing on trading rights are disclosed in note 17.

17. Impairment testing on goodwill and other intangible assets (trading rights) with indefinite useful lives

Impairment testing on goodwill

For the purpose of impairment testing, goodwill set out in note 15 which is acquired through business combinations has been allocated into two individual cash generating units (CGUs) for impairment testing:

- Wealth management cash-generating unit; and
- Investment management cash generating unit

The carrying amount of goodwill allocated to each of the cash generating units is as follows:

	Wealth management HK$'000	Investment management HK$'000	Total HK$'000
Carrying amount of goodwill	854	9,000	9,854

During the years ended 31 December 2014 and 31 December 2013, management of the Group determined that there are no impairments of any of its CGUs containing goodwill as the recoverable amounts of Unit A and Unit B (defined below) exceed their respective carrying amounts.

The basis of the recoverable amounts of the above CGUs and their major underlying assumptions are summarised below:

(i) Wealth management cash-generating unit ("Unit A")

The recoverable amount of Unit A has been determined based on value in use calculation using cash flow projections covering a five-year period approved by senior management.

The discount rate applied to the cash flow projections is 5% (2013: 5%) and cash flows are using a growth rate of 10% (2013: 10%) which is determined based on past performance and management's expectations for the market development. The discount rate used reflect specific risks relating to Unit A.

17. Impairment testing on goodwill and other intangible assets (trading rights) with indefinite useful lives *(continued)*

Impairment testing on goodwill *(continued)*

(ii) Investment management cash-generating unit ("Unit B")

The recoverable amount of the investment management services cash-generating unit has been determined based on value in use calculation using cash flow projections covering a five-year period approved by senior management. The discount rate applied to the cash flow projections is 5% (2013: 5%) and cash flows are using a growth rate of 6% (2013: 6%) (for investment fund management) and 6% (2013: 6%) (for other fund management).

The discount rate used reflect specific risks relating to Unit B.

Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted income and gross margin. Such estimation is based on the units' past performance and management's expectations for the market development and efficiency improvement.

Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of Unit A and Unit B to exceed their respective aggregate recoverable amount.

Impairment testing on trading rights with indefinite useful lives

The carrying amount of intangible assets of trading rights allocated to the following cash generating unit are as follows:

	Brokerage business HK$'000
Carrying amount of trading rights	6,609

The trading rights held by the Group are considered by the directors of the Company as having indefinite useful lives because they are expected to contribute net cash inflows indefinitely. The trading rights will not be amortised until their useful life is determined to be finite. Instead, they will be tested for impairment annually and whenever there is an indication that they may be impaired. The respective recoverable amounts of the cash generating units relating to brokerage business, whereby these trading rights are allocated to, using a value in use calculation, exceed the carrying amounts.

Accordingly, there is no impairment of the trading rights as at 31 December 2014 and 31 December 2013.

18. Other assets

	2014 HK$'000	2013 HK$'000
At cost:		
Deposits with the Stock Exchange:		
– Compensation fund	650	650
– Fidelity fund	350	350
Dealers' deposit with Hong Kong Securities and Futures Commission ("SFC")	350	350
Stamp duty deposits	500	500
Contributions to The Central Clearing and Settlement System Guarantee Fund	26,377	23,119
Admission fees paid to Hong Kong Securities Clearing Company Limited	300	300
Reserve fund with The SEHK Options Clearing House Limited	17,396	8,631
Deposits with HKFE Clearing Corporation Limited in contribution to the reserve fund	8,338	5,796
Cost of membership for a seat at The Chinese Gold and Silver Exchange Society	486	486
Compensation fund paid to The Shenzhen Stock Exchange Co., Ltd.	300	300
Settlement Risk Fund paid to The Shanghai Securities Central Clearing & Registration Corporation	387	387
Others	2,024	315
	57,458	41,184

19. Investment in subsidiaries

	2014 HK$'000	2013 HK$'000
Unlisted shares, at cost	105,377	105,377
Deemed contribution	854,478	–
	959,855	105,377

The deemed contribution represents the imputed interest on non-current interest free loan to subsidiaries calculated with reference to Hong Kong Accounting Standard 39 "Financial Instruments: Recognition and measurement".

19. Investment in subsidiaries *(continued)*

The particulars of principal subsidiaries of the Company as at 31 December 2014 are as follows:

Name	Place of incorporation/ registration and operations	Paid-up registered capital	Percentage of equity attributable to the Company Direct %	Indirect %	Principal activities
Castle Range Developments Limited	British Virgin Islands	US$10	–	100 (2013:100)	Investment holding
Fully Success Holdings Limited	British Virgin Islands	US$10	–	100 (2013:100)	Investment holding
Grand Mountain Holdings Limited	Hong Kong	HK$100	–	100 (2013:100)	Investment holding
Hai Tong Asset Management (HK) Limited	Hong Kong	HK$20,000,000	–	100 (2013:100)	Provision of fund management services
Hai Tong Capital (HK) Limited	Hong Kong	HK$10,000,000	–	100 (2013:100)	Provision of corporate advisory services
Haitong China Select Investment Fund S.P.	Cayman Islands	N/A	–	100 (note e)	Fund investment
Haitong International Alternative Investment (Fund I) L.P.	Cayman Islands	N/A	–	100	Fund investment
Haitong International Alternative Investment GP Limited (note a)	Cayman Islands	US$1	–	100	Investment holding
Haitong International Alternative Investment GP Holding Limited (note a)	British Virgin Islands	US$1	–	100	Investment holding
Haitong International Alternative Investment Holding Limited (note a)	British Virgin Islands	US$1	–	100	Investment holding

19. Investment in subsidiaries *(continued)*

Name	Place of incorporation/ registration and operations	Paid-up registered capital	Percentage of equity attributable to the Company Direct %	Indirect %	Principal activities
Haitong International Alternative Investment Management Limited (note a)	Cayman Islands	US$1	–	100	Investment holding
Haitong International Alternative Investment Participation Limited (note a)	British Virgin Islands	US$1	–	100	Investment holding
Haitong International Alternative Investment Success Limited (note a)	British Virgin Islands	US$1	–	100	Investment holding
Haitong International Asset Management Limited	Hong Kong	HK$13,000,000	–	100 (2013:100)	Investment holding and asset management
Haitong International Asset Management Nominees Limited	Hong Kong	HK$6,000,000	–	100 (2013:100)	Investment holding
Haitong International (BVI) Limited	British Virgin Islands	HK$11,576	100 (2013:100)	–	Investment holding
Haitong International Bullion Limited	Hong Kong	HK$7,000,000	–	100 (2013:100)	Bullion contracts dealing and trading
Haitong International Capital Limited	Hong Kong	HK$20,000,000	–	100 (2013:100)	Provision of corporate advisory services
Haitong International Capital Management Limited	British Virgin Islands	US$1	–	100 (2013:100)	Investment holding
Haitong International Charitable Foundation Limited (note b)	Hong Kong	N/A	100	–	Corporation

19. Investment in subsidiaries *(continued)*

Name	Place of incorporation/ registration and operations	Paid-up registered capital	Percentage of equity attributable to the Company Direct %	Indirect %	Principal activities
Haitong International Consultants Limited	Hong Kong	HK$5,000,000	–	100 (2013:100)	Provision of financial advisory services
Haitong International Direct Investment Company Limited	Cayman Islands	US$10	–	100 (2013:100)	Investment holding
Haitong International Equity Investment Management Limited	Hong Kong	US$2,000,000	–	100 (2013:100)	Investment holding
Haitong International Finance 2014 Limited (note a)	British Virgin Islands	US$1	100	–	Investment holding
Haitong International Finance Company Limited	Hong Kong	HK$300,000,002 (Non-voting deferred HK$100,700,001) (note c)	–	100 (2013:100)	Investment holding, money lending and securities trading
Haitong International Financial Management Consultancy (Macau) Limited	Macau	MOP500,000	–	100 (2013:100)	Provision of support services
Haitong International Financial Products Limited	Hong Kong	HK$50,000,000	–	100 (2013:100)	Investment in financial products
Haitong International Financial Solutions Limited	Hong Kong	HK$1,000,000	–	100 (2013:100)	Provision of financial solutions
Haitong International Futures Limited	Hong Kong	HK$200,000,000	–	100 (2013:100)	Futures and options brokerage and trading
Haitong International Immigration Consultants Limited	Hong Kong	HK$100,000	–	100 (2013:100)	Provision of immigration consultancy services

19. Investment in subsidiaries *(continued)*

Name	Place of incorporation/ registration and operations	Paid-up registered capital	Percentage of equity attributable to the Company Direct %	Percentage of equity attributable to the Company Indirect %	Principal activities
Haitong International Information Systems Inc.	British Virgin Islands	US$1	–	100 (2013:100)	Investment holding
Haitong International Information Systems Limited	Hong Kong	HK$11,000,000	–	100 (2013:100)	Provision of information technology solutions
Haitong International Information Technology Inc.	British Virgin Islands	US$1	–	100 (2013:100)	Investment holding
Haitong International Investment (Fund I) Limited	Hong Kong	US$19,000,000	–	100 (2013:100)	Investment holding
Haitong International Investment (Singapore) Pte. Ltd. (note a)	Republic of Singapore	SG$1	–	100	Investment holding
Haitong International Investment Group Limited	Hong Kong	US$1,000,000	–	100 (2013: 100)	Investment holding
Haitong International Investment Group Holdings Limited	Cayman Islands	US$10	–	100 (2013: 100)	Investment holding
Haitong International Investment Management Inc.	British Virgin Islands	US$1	–	100 (2013:100)	Investment holding
Haitong International Investment Managers Limited	Hong Kong	HK$47,000,000	–	100 (2013:100)	Provision of asset and fund management services
Haitong International Investment Services Limited	Hong Kong	HK$42,500,000	–	100 (2013:100)	Securities dealing

19. Investment in subsidiaries *(continued)*

Name	Place of incorporation/ registration and operations	Paid-up registered capital	Percentage of equity attributable to the Company Direct %	Indirect %	Principal activities
Haitong International Management Services Company Limited	Hong Kong	HK$2	–	100 (2013:100)	Provision of management services
Haitong International Net Inc.	British Virgin Islands	US$1	–	100 (2013:100)	Investment holding
Haitong International New Energy I Limited (note a)	British Virgin Islands	US$1	–	100	Investment holding
Haitong International New Energy II Limited (note a)	British Virgin Islands	US$1	–	100	Investment holding
Haitong International New Energy III Limited (note a)	British Virgin Islands	US$1	–	100	Investment holding
Haitong International New Energy IV Limited (note a)	British Virgin Islands	US$1	–	100	Investment holding
Haitong International New Energy V Limited (note a)	British Virgin Islands	US$1	–	100	Investment holding
Haitong International New Energy VII Limited (note a)	British Virgin Islands	US$1	–	100	Investment holding
Haitong International On-line Inc.	British Virgin Islands	US$1	–	100 (2013:100)	Investment holding
Haitong International On-line Services Limited	Hong Kong	HK$6,000,000	–	100 (2013:100)	Provision of electronic financial services
Haitong International Products & Solutions Limited (note a)	British Virgin Islands	US$1	–	100	Investment holding

19. Investment in subsidiaries *(continued)*

Name	Place of incorporation/ registration and operations	Paid-up registered capital	Percentage of equity attributable to the Company Direct %	Indirect %	Principal activities
Haitong International Research Limited	Hong Kong	HK$1,000,000	–	100 (2013:100)	Provision of research services
Haitong International Securities Company Limited	Hong Kong	HK$4,500,000,000 (2013: HK$2,500,000,000) (note f)	–	100 (2013:100)	Securities brokerage and dealing and leveraged foreign exchange trading
Haitong International Securities (Singapore) Pte. Ltd.	Republic of Singapore	SG$5,000,001	–	100 (2013:100)	Securities and futures contracts brokerage
Haitong International Securities Group (Singapore) Pte. Ltd.	Republic of Singapore	SG$7,000,001	–	100 (2013:100)	Investment holding
Haitong International Securities Nominees Limited	Hong Kong	HK$2	–	100 (2013:100)	Provision of nominee and custodian services
Haitong International Wealth Management Limited	Hong Kong	HK$3,708,000 (2013: HK$1,240,000) (note g)	–	100 (2013:100)	Provision of financial planning services and financial and insurance products brokerage
Haitong Middle Kingdom Fund	Cayman Islands	N/A	–	65.14 (note e)	Fund investment
Haitong PE Investment Management Ltd.	Cayman Islands	US$10	–	100 (2013:100)	Investment management
Haitong Special Opportunities Fund I S.P.	Cayman Islands	N/A	–	100 (note e)	Fund investment
iT Technology Company Limited	Hong Kong	HK$2	–	100 (2013:100)	Investment holding

19. Investment in subsidiaries *(continued)*

Name	Place of incorporation/ registration and operations	Paid-up registered capital	Percentage of equity attributable to the Company Direct %	Indirect %	Principal activities
iT Technology Holdings Inc.	British Virgin Islands	US$1	–	100 (2013:100)	Investment holding
Ocean Pilot Investments Limited	British Virgin Islands	US$1	–	100 (2013:100)	Investment holding
Prosper Ideal Limited	Hong Kong	HK$2	–	100 (2013:100)	Investment holding
演天資訊科技(深圳)有限公司 (note d)	People's Republic of China ("PRC")	HK$10,000,000	–	100 (2013:100)	Provision of software development services
大福投資諮詢顧問(廣州)有限公司 (note d)	PRC	HK$2,000,000	–	100 (2013:100)	Provision of investment consultancy services
大福投資諮詢顧問(上海)有限公司 (note d)	PRC	US$700,000	–	100 (2013:100)	Provision of investment consultancy services
海通大福投資諮詢(深圳)有限公司 (note d)	PRC	HK$2,000,000	–	100 (2013:100)	Provision of investment consultancy services
海通大福投資諮詢(上海)有限公司 (note d)	PRC	HK$2,000,000	–	100 (2013:100)	Provision of investment consultancy services
海通國際(上海)股權投資基金管理有限公司 (note d)	PRC	US$2,000,000	–	100 (2013:100)	Provision of equity investment and asset management services

19. Investment in subsidiaries *(continued)*

Notes:

(a) Incorporated during the current year as a company limited by shares.

(b) Incorporated during the current year as a company limited by guarantee and not having a share capital.

(c) The non-voting deferred shares carry no rights to dividends, attend or vote at general meetings and receive any surplus in a return of capital, winding-up or otherwise in respect of the first HK$100,000,000,000,000 thereof.

(d) Entities registered as wholly-foreign-owned enterprises under the law in PRC.

(e) The above-mentioned interest holding does not empower the Group for any voting right since they are the fund investment. Details of the consolidated structured entities are set out in note 20.

(f) The increase of share capital represented the issue of 2,000,000,000 new ordinary shares on 4 September 2014 to Haitong International Finance Company Limited for the consideration of HK$2,000,000,000.

(g) The increase of share capital represented the transfer from share premium upon abolition of par value since the commencement date of the new Hong Kong Companies Ordinance on 3 March 2014.

Acquisition of subsidiary

On July 2014, the Group acquired approximately 65.14% of issued units of Haitong Middle Kingdom Fund ("Middle Kingdom Fund") for consideration of HK$200,000,000. Details of interest in consolidated structured entities are set out in note 20.

This acquisition has been accounted for using the acquisition method of accounting.

Consideration transferred

	Middle Kingdom Fund HK$'000
Cash	200,000

19. Investment in subsidiaries *(continued)*

Acquisition of subsidiary *(continued)*

Assets acquired and liabilities recognised at the date of acquisition

	Middle Kingdom Fund HK$'000
Financial assets at fair value through profit or loss	291,724
Prepayment, deposits and other receivables	32,317
Cash and cash equivalents	69,524
Other payables and accruals	(86,534)
Net assets acquired at the date of acquisition	307,031

Net assets acquired at the date of acquisition attributable to the Group

	Middle Kingdom Fund HK$'000
Net assets acquired at the date of acquisition	307,031
Proportion of the Group's interest	65.14%
Net assets acquired at the date of acquisition attributable to the Group	200,000

Third-party interests at the acquisition date were measured at the proportionate share of the fair value of identifiable net assets of Middle Kingdom Fund.

As the acquisition date, included in the financial assets at fair value through profit or loss represents the listed equity investments with the quoted market price.

In the opinion of the directors of the Company, the fair values of the other receivables acquired (which principally comprised accounts receivable and other receivables) approximate to the gross contractual amounts, the best estimate at acquisition date of the contractual cash flows of the receivables which are expected to be collected.

19. Investment in subsidiaries *(continued)*

Acquisition of subsidiary *(continued)*

Net cash outflow on acquisition of a subsidiary

Middle Kingdom Fund

	2014 HK$'000
Consideration paid in cash	200,000
Less: cash and cash equivalent balances acquired	(69,524)
Net cash outflow on acquisition of a subsidiary	130,476

Impact of acquisitions of Middle Kingdom Fund on the results of the Group

Included in the Group's revenue for the year ended 31 December 2014 is the net loss on financial assets at fair value through profit or loss and dividend income of HK$11,039,000 and HK$3,097,000 attributable to Middle Kingdom Fund since acquisition respectively. The Group's profit for the year ended 31 December 2014 included HK$16,003,000 in respect of Middle Kingdom Fund since acquisition.

Change in ownership interest in a subsidiary

During the year ended 31 December 2013, the Group acquired the remaining 40% equity interests in Haitong International Wealth Management Limited and its subsidiaries and Haitong International Consultants Limited, of which the details are disclosed in note 40 to these consolidated financial statements.

Debt securities issued by subsidiaries

None of the subsidiaries had issued any debt securities during the current and prior year except for Haitong International Finance 2014 Limited which has issued US$600 million of guaranteed bonds during the current year. Details of the debt securities issued are set out in note 35.

Proposed acquisition transaction

In November 2014, Haitong International (BVI) Limited ("Haitong BVI"), a wholly owned subsidiary of the Company and Japaninvest Group plc ("Japaninvest") reached an agreement for cash acquisition of Japaninvest by Haitong BVI to acquire the entire issued and to be issued ordinary share capital of Japaninvest.

The consideration for the proposed acquisition of the entire issued and to be issued ordinary share capital of Japaninvest is at approximately of ¥2,878,200,000 or equivalent to HK$187,831,000 as at 31 December 2014. Japaninvest is a company incorporated in England and Wales and its shares are listed on the Mothers Market of the Tokyo Stock Exchange. Japaninvest provides pan-Asia equity research, analysis and sales advice for the benefit of investing clients.

19. Investment in subsidiaries *(continued)*

Proposed acquisition transaction *(continued)*

As at 31 December 2014, the proposed acquisition has not yet been completed and is subject to the approval from the shareholders of Japaninvest and the sanction of the Court in the United Kingdom on 2 March 2015. Details of the proposed acquisition are set out in note 52.

Significant restriction

Pursuant to the acquisition agreement, Haitong BVI paid the proposed acquisition value of ¥2,878,200,000 (equivalent to HK$187,831,000 as at 31 December 2014) in its own bank account as an escrow account for the proposed acquisition of Japaninvest in November 2014. According to the escrow account agreement, no withdraw shall be made by the Group except for satisfying the Group's obligation to pay cash consideration for the proposed acquisition or the proposed acquisition lapses and withdraws by the Group.

Cash and cash equivalents held by subsidiaries in the Mainland China are subject to exchange control restrictions. The carrying amount of these restricted assets in the consolidated financial statements at 31 December 2014 was approximately of HK$7.5 million (31 December 2013: HK$6.1 million).

20. Interest in consolidated structured entities

The Group had consolidated certain structured entities including asset management products. For the asset management products where the Group involves as manager and also as investor, the Group assesses whether the combination of investments it held together with its remuneration creates exposure to variability of returns from the activities of the asset management products that is of such significance that it indicates that the Group is a principal.

Third-party interests in consolidated structured entities consist of third-party unit/shareholders' interests in consolidated structured entities which are reflected as a liability since they can be put back to the Group for cash. The realisation of net assets attributable to third-party unit/shareholders' interests in consolidated structured entities cannot be predicted with accuracy since these represent the interests of third-party unit holders in consolidated investment funds that are subject to the actions of third-party unit holders.

Interests held by third-party unit/shareholders of HK$5.6 million in consolidated structured entities during 2014 (2013: Nil) are presented in other income and gains or losses in the consolidated statement of profit or loss and the interests held by third-party unit holders/shareholders as at 31 December 2014 (31 December 2013: Nil) are included in other liabilities in the consolidated statements of financial position.

21. Interests in unconsolidated structured entities

The Group invested in certain structured entities, including investment funds, partnership investments and private equity investment with primary objectives for capital appreciation, investment income and selling in the near future for profit. Pursuant to subscription agreement or equivalent documents, the beneficial interests held by the Group in these structured entities are in the form of participating shares or interests which primarily provide the Group with the share of returns from the structured entities but not any decision making power nor any voting right to involve in and control the daily operation.

These structured entities are set up and managed by respective investment manager or general partner who has the power and authority to manage and make decisions for the structured entities.

Among those investment funds held by the Group where the Group directly or indirectly involves as investment manager, the Group regularly assesses and determines whether:

– the Group is acting as an agent or a principal in these investment funds;
– substantive removal rights held by other parties may remove the Group as an investment fund manager; and
– the investment interests held together with its remuneration from servicing and managing these structured entities create significant exposure to variability of returns in these investment funds.

In the opinion of the directors of the Company, the variable returns that the Group to these structured entities is not significant and the Group is primarily acting as an agent and subject to substantive removal rights held by other parties who may remove the Group as an investment manager. Therefore, the Group did not consolidate these structured entities.

The Group classified its investment funds as available-for-sale investments, financial assets at fair value through profit or loss and financial assets designated at fair value through profit or loss as appropriate in notes 22, 29 and 34.

22. Available-for-sale investments

	2014 HK$'000	2013 HK$'000
Unlisted fund investments, at fair value:		
– in Hong Kong (note (a))	460,833	629,658
Unlisted equity investments, at fair value:		
– in Mainland China (note (b))	10,250	15,375
Unlisted debt securities, at fair value:		
– in Hong Kong	–	83,385
	471,083	728,418

Notes:

(a) The Group invested in equity of unconsolidated investment funds. These investment funds mainly invest in listed securities and derivatives, with a primary objective to provide the investors with capital appreciation and investment income.

There is no unfilled capital commitment to the Fund. The current carrying amount of HK$461 million (31 December 2013: HK$630 million) in the consolidated statement of financial position represents the Group's maximum exposure.

(b) The balance represents the unlisted promoter foreign shares of Changmao Biochemical Engineering Company Limited ("Changmao"), a company whose H Shares listed on the Stock Exchange, and the unlisted promoter foreign shares are subject to certain restrictions on transfer. Upon obtaining the requisite approvals from, among other bodies, the China Securities Regulatory Commission and the Stock Exchange, the promoter foreign shares may be convertible into listed H shares of Changmao and shall thereafter carry the same rights obligations of those listed H shares of Changmao.

Details of disclosure for fair value measurement are set out in note 47.

23. Held-to-maturity investments

	2014 HK$'000	2013 HK$'000
Unlisted debt securities	186,117	807,603
Less: current portion	(3,811)	(358,182)
Non-current portion	182,306	449,421

The debt securities held by the Group are having contractual interest rate from 4.1% to 11.75% per annum (31 December 2013: 2.95% to 13.75% per annum) and with maturity period ranging from 2015 to 2018 (31 December 2013: ranging from 2014 to 2018).

As at 31 December 2014, the fair value of the held-to-maturity investments was approximately HK$188,541,000 (31 December 2013: HK$818,189,000). Details of disclosure for fair value measurements are set out in note 47.

During the current year, there were significant deterioration in the issuers' creditworthiness of particular debt investments which were initially classified as held-to-maturity and these isolated events that were beyond the Group's control, were non-recurring and could not have been reasonably anticipated by the Group.

The management assessed that there is objective evidence that an impairment loss on particular debt investments incurred individually. The amount of the loss was measured as the difference between the asset's carrying amount and the quoted market price of the particular debt investment. The carrying amount of the investments was reduced directly and the amount of loss has been recognised in consolidated statement of profit or loss. Details of disclosure for impairment loss are set out in note 7.

As a result of abovementioned isolated events for particular debt investments, the management considered that it is no longer appropriate to classify those investments as held-to-maturity. The amount of HK$51,191,000 has been re-classified to available-for-sale investment and remeasured at fair value. Subsequent to the reclassification to available-for-sale investment, these investments have been fully disposed of before the year end.

24. Other loans and advances

	2014 HK$'000	2013 HK$'000
Other loans and advances	**2,630,200**	3,060,400
Less: Non-current portion	**(811,000)**	(1,188,200)
Current portion	**1,819,200**	1,872,200

There is neither impaired nor overdue other loans and advances as of reporting date.

Majority of these other loans and advances are secured and/or backed by guarantee with contractual maturity within 2 years from the reporting date. Credit limits are set for borrowers and regular reviews on these other loans and advances are conducted by the risk management department and the risk management committee of the Group based on the latest status of these other loans and advances, and the latest announced or available information about the borrowers and the underlying collateral held. Apart from collateral monitoring, the Group seeks to maintain tight control over its loans and advances in order to minimise credit risk by reviewing the borrowers' and/or guarantors' financial positions.

As at 31 December 2014, these loans bear interest at Hong Kong prime rate minus 1.5% to Hong Kong prime rate plus 7% per annum or at a fixed rate of 4% to 11% per annum (31 December 2013: Hong Kong prime rate minus 2% to Hong Kong prime rate plus 10% per annum or at a fixed rate of 2% to 13% per annum).

Interest income derived from other loans and advances was recognised as "interest income from leveraged and acquisition finance activities" (note 6). The carrying value of the other loans and advances is approximate to their fair value.

25. Advances to customers in margin financing

	2014 HK$'000	2013 HK$'000
Loans to margin clients	9,627,076	7,945,532
Less: Impairment allowance	(7,111)	(7,111)
	9,619,965	7,938,421

The credit facility limits to margin clients are determined by the discounted market value of the collateral securities accepted by the Group.

The loans to margin clients are secured by the underlying pledged securities and interest bearing. The Group maintains a list of approved stocks for margin lending at a specified loan to collateral ratio. Any excess in the lending ratio will trigger a margin call which the customers have to make good the shortfall.

As at 31 December 2014, advances to customers in margin financing of HK$9,620 million (31 December 2013: HK$7,938 million) was secured by securities pledged by the customers to the Group as collateral with undiscounted market value of HK$49,242 million (31 December 2013: HK$36,088 million).

The advances to customers in margin financing have been reviewed by management to assess impairment allowances which are based on the evaluation of collectability, ageing analysis of accounts and on management's judgement, including the current creditworthiness and the past collection statistics of individual account. There was no impaired debt for the years ended 31 December 2014 and 2013.

No ageing analysis is disclosed as in the opinion of the directors, the ageing analysis is not meaningful in view of the revolving nature of the business of securities margin financing.

26. Accounts receivable

	2014 HK$'000	2013 HK$'000
Accounts receivable from:		
– Clients	123,466	146,725
– Brokers, dealers and clearing house	3,446,165	1,456,466
– Clients for subscription of new shares in rights issue and IPO	872,798	228
– Others (note)	53,195	39,503
	4,495,624	1,642,922

Note: The amount represents the fees receivable from advisory and wealth management, asset and fund management business.

26. Accounts receivable *(continued)*

There is no impaired accounts receivable as of the reporting dates for current and prior year end.

The following is an ageing analysis of the accounts receivable based on trade date at the reporting date:

	2014 HK$'000	2013 HK$'000
Between 0 and 3 months	4,453,312	1,616,085
Between 4 and 6 months	23,853	7,174
Between 7 and 12 months	6,728	12,910
Over 1 year	11,731	6,753
	4,495,624	1,642,922

Accounts receivable from clients, brokers, dealers and clearing house arising from the business of dealing in securities are repayable on demand subsequent to settlement date. The normal settlement terms of accounts receivable arising from the business of dealing in securities are two days after trade date and accounts receivable arising from the business of dealing in futures and options are one day after trade date.

Accounts receivable from clients arising from financing of rights issue and IPO subscriptions are required to settle their securities trading balances on the allotment date determined under the relevant market practices or exchange rules. As at 31 December 2014, the settlement date is 8 January 2015.

Normal settlement terms of accounts receivable from advisory and wealth management, asset and fund management are determined in accordance with the contract terms, usually within one year after the service provided.

Trading limits are set for customers. The Group seeks to maintain tight control over its outstanding accounts receivable in order to minimise credit risk. As at 31 December 2014, overdue balances are approximately of HK$2.1 million (31 December 2013: HK$2.8 million) which are regularly monitored by management. The management ensures that the listed equity securities belonged to clients in which the Group holds as custodian are sufficient to cover the amounts due to the Group.

27. Prepayments, deposits and other receivables

	THE GROUP		THE COMPANY	
	2014	2013	2014	2013
	HK$'000	HK$'000	HK$'000	HK$'000
Prepayments, deposits and other debtors	277,293	217,214	35,710	24,605
Unlisted debt securities (note)	–	114,471	–	–
	277,293	331,685	35,710	24,605

Note: As at 31 December 2013, the fair value of unlisted debt securities was approximately HK$114,471,000 and it bore contractual interest of 11% per annum and it was matured in September 2014.

28. Other payables and accruals

	THE GROUP		THE COMPANY	
	2014	2013	2014	2013
	HK$'000	HK$'000	HK$'000	HK$'000
Other payables and accruals	489,396	289,903	192,434	141,002

Other payables are non-interest bearing and are repayable within one year.

29. Financial assets at fair value through profit or loss

	2014	2013
	HK$'000	HK$'000
Held for trading		
Listed equity investments, at fair value		
– in Hong Kong	938,454	122,484
– in overseas (including Mainland China)	547,280	64,405
Listed investment funds in Hong Kong, at fair value	533	–
Exchange traded funds in Hong Kong	428,781	98,393
Unlisted debt investments, at fair value		
– in Hong Kong	5,942,706	1,208,515
Unlisted investment funds, at fair value (note)	2,105,049	456,433
	9,962,803	1,950,230

29. Financial assets at fair value through profit or loss *(continued)*

Note: The Group invested in unconsolidated investment funds. These investment funds invests in including, but not limited to stocks, bonds, funds, notes, debentures, commodities, warrants, structured products, access products, forwards, futures, derivatives, options, swaps and currencies, with primary objectives to provide the investors with capital appreciation, investment income and for selling in the near future for profit.

There is no unfilled capital commitment to these unconsolidated investment funds. The current carrying amount of HK$2,105 million (31 December 2013: HK$456 million) in the consolidated statement of financial position represents the Group's maximum exposure.

Details of disclosure for fair value measurement are set out in note 47.

30. Derivative financial instruments

	2014 HK$'000	2013 HK$'000
Assets		
Swaps – held-for-trading	35,840	21,054
Equity linked notes – held-for-trading	31,383	39,548
Forward foreign currency exchange contracts – held-for-trading	195,536	–
Options listed in Hong Kong – held for trading	268	–
	263,027	60,602
Liabilities		
Swaps – cash flow hedges	4,595	5,065
Swaps – held-for-trading	7,428	1,777
Forward foreign currency exchange contracts – held-for-trading	205,770	–
	217,793	6,842

The notional principal amounts of the outstanding swap contracts held for cash flow hedging against the interest expenses from the bank borrowings as at 31 December 2014 and 31 December 2013 were both HK$1,000 million.

The profit or loss arising from ineffective portion of cash flow hedges is immaterial.

The maximum exposure to credit risk at the year end is the fair value of the derivative financial assets in the consolidated statement of financial position.

31. Cash held on behalf of customers

The Group maintains segregated trust accounts with authorized institutions to hold clients' monies arising from its normal course of business. The Group has classified the clients' monies as cash held on behalf of customers under the current assets section of the consolidated statement of financial position and recognised the corresponding accounts payable (note 32) to respective clients on the grounds that it is liable for any loss or misappropriation of clients' monies. The cash held on behalf of customers is restricted and governed by the Securities and Futures (Client Money) Rules under the Securities and Futures Ordinance.

32. Accounts payable

	2014 HK$'000	2013 HK$'000
Accounts payable to:		
– Clients	**14,144,852**	12,846,277
– Brokers, dealers and clearing house	**973,033**	316,749
– Others	**512,759**	244,154
	15,630,644	13,407,180

The majority of the accounts payable balances are repayable on demand except where certain accounts payable to clients represent margin deposits received from clients for their trading activities under normal course of business. Only the excess amounts over the required margin deposits stipulated are repayable on demand.

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 these businesses.

The Group has a practice to satisfy all the requests for payments immediately within the credit period.

Except for the accounts payable to clients which bear interest at 0.001% as at 31 December 2014 (31 December 2013: 0.001%), all the accounts payable are non-interest bearing.

Accounts payable to clients also include those payables placed in trust accounts with authorized institutions of HK$11,668,936,000 (31 December 2013: HK$12,053,559,000), Hong Kong Futures Exchange Clearing Corporation Limited, Stock Exchange Options Clearing House and other futures dealers totalling HK$824,204,000 (31 December 2013: HK$860,264,000).

33. Financial liabilities at fair value through profit or loss

	2014 HK$'000	2013 HK$'000
Held for trading		
Listed equity investments, at fair value		
– in Hong Kong (note)	292,145	139,812
– in overseas	–	4,983
Unlisted bond investments, at fair value		
– in overseas (note)	33,927	–
	326,072	144,795

Note: Balance represents the fair value of equity and debt securities from short selling activities.

34. Financial assets/liabilities designated at fair value through profit or loss

	2014 HK$'000	2013 HK$'000
Assets		
Unlisted equity investment, at fair value (note (a) & (b))		
– in overseas (including Mainland China)	608,901	–
Unlisted partnership investment, at fair value (note (a) & (b))		
– in overseas (including Mainland China)	315,625	–
Unlisted debt investment, at fair value (note (b))		
– in overseas (including Mainland China)	14,777	–
Unlisted investment funds, at fair value (note (a) & (b))	85,631	–
Listed equity investment, at fair value (note (b))		
– in overseas (including Mainland China)	1,460,220	–
	2,485,154	–

34. Financial assets/liabilities designated at fair value through profit or loss *(continued)*

	2014 HK$'000	2013 HK$'000
Liabilities		
Issued structured products, at fair value (note (c))		
– Unlisted	2,265,886	170,553
Less: Non-current portion (note 13(b))	(620,000)	–
	1,645,886	170,553

Details of disclosure for fair value measurements are set out in note 47.

Notes:

(a) As at 31 December 2014, included in financial assets designated at fair value through profit or loss are the unlisted equity investments, unlisted partnership investments and unlisted investment funds which are managed by external third parties. The directors considered the Group did not have control based on the assessment criteria set out in note 21 or significant influence in these investments.

There is no unfilled capital commitment to these unlisted equity and partnership investments. The current carrying amount of HK$1,010 million (31 December 2013: Nil) in the consolidated statement of financial position represents the Group's maximum exposure.

(b) These financial assets are primarily acquired by the Group which are driven by the issued structured products and become its underlying investments and hedging items for the risk of economic exposure on these issued structured products as set out in note (c) below.

These financial assets are designated at fair value as such instruments, as well as the financial instruments which they are hedging, are risk managed on a fair value basis as part of the Group's trading portfolio and the risk is reported to key management personnel on this basis.

(c) As at 31 December 2014 and 31 December 2013, included in financial liabilities designated at fair value through profit or loss are the issued structured notes which arise from selling structured products generally in the form of notes or certificates with the underlying investments related to listed equity investments in active markets and unlisted equity or partnership investments.

The risk of economic exposure on these structured products is primarily hedged using financial instruments classified as financial assets designated at fair value through profit or loss or investments accounted for using equity method. These structured products are designated at fair value through profit or loss as the risks to which the Group is a contractual party are managed on a fair value basis as part of the Group's trading portfolio and the risk is reported to key management personnel on this basis.

35. Loans and other borrowings

	THE GROUP		THE COMPANY	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Non-current Liabilities				
Convertible bonds (notes (a), (b) and (h))	**1,781,445**	966,273	**1,781,445**	966,273
Non-convertible bonds (note (c))	**4,580,804**	–	**–**	–
Financial assets sold under repurchase agreements (note (f))	**–**	426,503	**–**	–
	6,362,249	1,392,776	**1,781,445**	966,273
Current Liabilities				
Secured borrowings:				
– Bank loans (notes (d), (e) and (g))	**3,144,969**	2,806,875	**–**	–
– Financial assets sold under repurchase agreements (note (f))	**1,189,696**	–	**–**	–
Unsecured borrowings:				
– Bank loans (notes (e), (g))	**8,074,149**	4,565,515	**7,457,502**	3,976,006
– Other loans (note (e) and note 43)	**1,522,612**	1,605,000	**1,522,612**	1,605,000
	13,931,426	8,977,390	**8,980,114**	5,581,006
Total borrowings	**20,293,675**	10,370,166	**10,761,559**	6,547,279

Notes:

(a) On 18 July 2013, the Company issued convertible bonds in principal amount of HK$776 million at par and further issued convertible bonds in principal amount of HK$232 million at 105% on 10 October 2013. The convertible bonds issued on 10 October 2013 constitute an additional issue to the convertible bonds issued on 18 July 2013 and two issues have been combined legally and constitute a single series. The redemption value of these convertible bonds at maturity on 18 July 2018 is 112.89% of their principal amount, and these convertible bonds bear interest at a fixed rate of 1.25% per annum. At any time between 27 August 2013 up to the close of business on the tenth day prior to the maturity date, these convertible bonds can be converted into ordinary shares of the Company at an initial conversion price of HK$4 per share (subject to adjustments) at the option of the holders of the convertible bonds. As at 31 December 2014, the conversion price is adjusted to HK$3.61 per share after the rights issue announced on 23 April 2014 as set out in note 36(c) and determination of the right to the entitlement of the interim dividend on 2 September 2014. The values of the liability component and the equity conversion component were determined at the issuance of the bonds.

35. Loans and other borrowings *(continued)*

Notes: *(continued)*

(a) *(continued)*
During the year ended 31 December 2014, convertible bonds issued by the Company in the prior year with the principal amount of HK$325 million were converted into ordinary shares of the Company. There was no such conversion in the prior year.

For the year ended 31 December 2013, approximately 71% of the raised proceeds have been used to support the Group's brokerage and margin financing activities and the remainder of the raised proceeds has been used to support the Group's fixed income, currency and commodity activities.

(b) On 4 November 2014, the Company issued convertible bonds in principal amount of HK$1,164 million at discount of 98.5%. The redemption value of these convertible bonds at maturity on 4 November 2019 is 105.11% of their principal amount, and these convertible bonds bear interest at a fixed rate of 1.25% per annum. At any time between 14 December 2014 up to the close of business on the ten day prior to the maturity date, these convertible bonds can be converted into ordinary shares of the Company at an initial conversion price of HK$6 per share (subject to adjustments) at the option of the holders of the convertible bonds. The values of the liability component and the equity conversion component were determined at the issuance of the bonds.

For the year ended 31 December 2014, approximately 64% of the raised proceeds has been used to support the Group's fixed income, currency and commodity activities and the remainder of 36% of the raised proceeds have been used to support the Group's brokerage and margin financing activities.

(c) On 11 September 2014, the Group's wholly owned subsidiary Haitong International Finance 2014 Limited issued guaranteed bonds in principal amount of US$600 million at a discount of 98.809% which is listed on the Hong Kong Exchanges and Clearing Limited and guaranteed by the Company. The bond carries a fixed annual interest rate of 3.99% with a maturity period of 5 years. The principal will be full repayable on the maturity date at 11 September 2019.

Haitong Securities Co., Ltd., the ultimate holding company of the Group, entered into a keepwell deed for the above bonds. Haitong Securities Co., Ltd. will undertake to cause Haitong International Finance 2014 Limited to remain solvent at all times and to have sufficient liquidity to ensure timely payment by Haitong International Finance 2014 Limited of any amounts payable in respect of the bonds in accordance with the terms and conditions of the bonds any payments due under the Keepwell Deed.

(d) Bank loans of HK$3,145 million (31 December 2013: HK$2,807 million) are secured by the listed shares (held by the Group as security for advances to customers in margin financing with the customers' consent) of HK$8,594 million at fair value (31 December 2013: HK$6,807 million).

(e) Bank loans and other loans are repayable on demand or within 1 year. As at 31 December 2014, included in the current portion of unsecured bank loans of HK$74.7 million (31 December 2013: nil) are not repayable within one year from the end of the reporting period but contain a repayment on demand clause. Details of maturity of bank loans and other loans are set out in note 44.

(f) The balance represents consideration received under the repurchase agreements. Details on the repurchase agreements are set out in note 49 of the consolidated financial statements. The current portion of consideration under such arrangements is chargeable at a fixed interest rate in the range of 0.28% to 4.05% and LIBOR plus 1.3% per annum (31 December 2013: Nil). As at 31 December 2013, the non-current portion of consideration under such arrangement was chargeable at a fixed interest rate of 2.965% which has been reclassified to current portion in current year since it will be mature within 1 year.

35. Loans and other borrowings *(continued)*

Notes: *(continued)*

(g) All the Group's bank borrowings bear interest at Hong Kong Interbank Offered Rate ("HIBOR") plus 0.55% to HIBOR plus 2.75% per annum (31 December 2013: HIBOR plus 0.55% to HIBOR plus 2% per annum).

(h) For the convertible bonds issued in current and prior year, the bond holders are eligible to require the Company to redeem all or some of the convertible bonds on 4 November 2017 and 18 July 2016 at 103.04% and 107.46% of the principal amounts respectively.

36. Share capital

	2014 HK$'000	2013 HK$'000
Authorised:		
4,500,000,000 (31 December 2013: 2,000,000,000) ordinary shares of HK$0.10 each	450,000	200,000
Issued and fully paid:		
2,184,397,016 (31 December 2013: 1,395,959,624) ordinary shares of HK$0.10 each	218,440	139,596

The movements in issued share capital were as follows:

	Number of shares in issue	Issued share capital HK$'000
As at 1 January 2013	915,342,706	91,534
New shares issued under rights issue (note (a))	457,671,353	45,767
Scrip dividends issued (note (b))	22,945,565	2,295
As at 31 December 2013 and 1 January 2014	1,395,959,624	139,596
New shares issued under rights issue (note (c))	697,979,812	69,798
New shares issued under exercise of convertible bonds (note 35 (a))	89,855,580	8,986
New shares issued under exercise of share options	602,000	60
As at 31 December 2014	2,184,397,016	218,440

No share option was exercised during the year ended 31 December 2013.

36. Share capital *(continued)*

Notes:

(a) On 6 March 2013, the Company announced a rights issue on the basis of 1 rights share for every 2 existing shares held by shareholders of the Company at the record date of 20 March 2013 at the discounted price of HK$2.55 per share (the "Rights Issue I"). The Rights Issue I was subsequently completed on 15 April 2013 and 457,671,353 rights shares were issued and allotted on 16 April 2013. After deducting the expenses in connection with this Rights Issue I amounting to HK$14 million, the net proceeds from issuance were HK$1,153 million.

For the year ended 31 December 2013, approximately 31% and 30% of the raised proceeds have been used to support the Group's brokerage and margin financing activities and fixed income, currency and commodity activities respectively and the remainder of approximately 21% and 18% of the raised proceeds have been used to support the Group's structured financing and corporate financing activities respectively.

(b) At a meeting of the board of directors of the Company held on 21 August 2013, the directors of the Company resolved to declare an interim dividend of HK8 cents per share in cash with a scrip option. 22,945,565 shares were issued on 8 November 2013 in scrip form.

(c) On 23 April 2014, the Company announced a rights issue on the basis of 1 rights share for every 2 existing shares held by shareholders of the Company at the record date of 8 May 2014 at the discounted price of HK$3.80 per share (the "Rights Issue II"). The Rights Issue II was subsequently completed on 30 May 2014 and 697,979,812 rights shares were issued on 3 June 2014. After deducting the expenses in connection with this Rights Issue II amounting to HK$9 million, the net proceeds from issuance were HK$2,643 million.

For the year ended 31 December 2014, approximately 44% and 33% of the raised proceeds have been used to support the Group's derivatives trading and fixed income, currency and commodity activities respectively and the remainder of approximately 23% of the raised proceeds have been used to support the Group's brokerage and margin financing activities.

37. Share option/award scheme

Share option scheme

On 23 August 2002, the shareholders of the Company approved the adoption of a share option scheme (the "2002 Share Option Scheme"), which was expired on 22 August 2012. A summary of the principal terms of the 2002 Share Option Scheme, as disclosed in accordance with the Listing Rules, is set out as follows:

The 2002 Share Option Scheme was adopted for the purpose of attracting, retaining and motivating talented employees to strive towards long term performance targets set by the Company and its subsidiaries and at the same time allowing the participants to enjoy the results of the Company attained through their effort and contribution. Under the 2002 Share Option Scheme, options were granted to any full time employees, executive and non-executive directors of the Company or any of its subsidiaries or associates.

The maximum number of shares which may be issued upon exercise of all options to be granted under the 2002 Share Option Scheme and any other share option schemes of the Company shall not in aggregate exceed 10% of the total number of shares in issue as at the date of adoption of the 2002 Share Option Scheme (the "Scheme Mandate Limit") but the Company may seek approval of its shareholders at general meetings to refresh the Scheme Mandate Limit, save that the maximum number of shares in respect of which options may be granted by directors of the Company under the 2002 Share Option Scheme and any other share option schemes of the Company shall not exceed 10% of the issued share capital of the Company as at the date of approval by the shareholders of the Company at general meetings where such limit is refreshed.

If refreshed, options previously granted under the 2002 Share Option Scheme and any other share option schemes of the Company (including those outstanding, cancelled, lapsed or exercised options) will not be counted for the purpose of calculating such 10% limit.

Notwithstanding the aforesaid in previous paragraph, the maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2002 Share Option Scheme and any other share option schemes of the Company shall not exceed 30% (or such higher percentage as may be allowed under the Listing Rules) of the total number of shares in issue from time to time. The maximum number of shares issued and to be issued upon exercise of the options granted to each participant under the 2002 Share Option Scheme and any other share option schemes of the Company (including both exercised and outstanding options) in any 12-month period shall not exceed 1% of the total number of the Company's shares in issue. Any further grant of share options in excess of this limit is subject to approval by the shareholders of the Company at a general meeting.

37. Share option/award scheme *(continued)*

Share option scheme *(continued)*

Share options granted to a director, chief executive or substantial shareholders of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the total number of shares of the Company in issue at the date on which such grant is proposed by the directors or with an aggregate value (based on the closing price of the Company's shares at the date on which such grant is proposed by the directors) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance at a general meeting of the Company.

The offer of a grant of share options may be accepted within 30 days from the date of the offer upon payment of a consideration of HK$1 by the grantee. The exercise period of the share options granted is determinable by the directors, and such period shall commence not earlier than 6 months from the date of grant of the options and expire not later than 10 years after the date of grant of the options. The vesting period of the share options is from the date of the grant until the commencement of the exercise period. All share options under the 2002 Share Option Scheme are subject to a 6-month vesting period.

The exercise price of the share options is determinable by the directors, and shall be at least the highest of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the offer date; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the 5 trading days immediately preceding the offer date; and (iii) the nominal value of the Company's shares.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

The 2002 Share Option Scheme expired on 22 August 2012. However, the share options granted under the 2002 Share Option Scheme prior to its expiry are still exercisable pursuant to the terms of this scheme.

37. Share option/award scheme *(continued)*

Share option scheme *(continued)*

The following table discloses movements of share options granted to the directors and employees of the Group.

	2014		2013	
	Weighted average exercise price HK$ per share	Number of options '000	Weighted average exercise price HK$ per share	Number of options '000
At beginning of the year	4.58	29,988	5.25	32,140
Adjusted during the year	4.53	167	4.59	3,951
Exercised during the year	4.33	(602)	–	–
Forfeited during the year	4.77	(2,460)	5.14	(6,103)
At end of the year	4.54	27,093	4.58	29,988

The exercise prices and exercise periods of the share options outstanding as at respective reporting dates are as follows:

31 December 2014 Number of options '000	Exercise price HK$ per share (note)	Exercise period
9,999	5.098	1 June 2008 to 31 May 2016
17,094	4.208	3 March 2011 to 2 March 2019
27,093		

31 December 2013 Number of options '000	Exercise price HK$ per share (note)	Exercise period
11,561	5.129	1 June 2008 to 31 May 2016
18,427	4.234	3 March 2011 to 2 March 2019
29,988		

Note: The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, scrip dividend, or bonus shares, or other similar changes in the Company's share capital.

37. Share option/award scheme *(continued)*

Share option scheme *(continued)*

As the 2002 Share Option Scheme had been expired in 2012, no new share options were granted for the years ended 31 December 2014 and 31 December 2013.

No share option was exercised for the years ended 31 December 2013.

As at 31 December 2014, the Company had 27,092,802 (2013: 29,987,421) share options outstanding under the 2002 Share Option Scheme, which represented approximately 1.24% (2013: 2.15%) of the Company's shares in issue as at that date.

The exercise in full of the remaining share options would, under the present capital structure of the Company, result in the issue of 27,092,802 (2013: 29,987,421) additional ordinary shares of the Company and additional share capital of HK$2,709,280 (2013: HK$2,998,742) and share premium of HK$120,195,977 (2013: HK$134,315,324) (before issue expenses).

At the date of approval of these consolidated financial statements, the Company had 26,894,802 (2013: 29,987,421) share options outstanding under the 2002 Share Option Scheme, which represents approximately 1.20 % (2013: 2.15%) of the Company's shares in issue at that date.

Share award scheme

On 19 December 2014, the Board of directors of the Company (the "Board") adopted a 10-year share award scheme (the "Scheme") to incentivise selected employees and directors ("Selected Participants") for their contributions to the Group and to attract suitable personnel for further development of the Group.

Pursuant to the Scheme, ordinary shares of HK$0.1 each in the capital of the Company will be acquired from the market by the trustee at the cost of the Company and will be held in trust for the Selected Participants before vesting. The total number of Shares granted under the Scheme shall be limited to 10% of the total issued share capital of the Company as at 19 December 2014 (the "Adoption Date") or such other percentage as determined by the Board from time to time.

No award of the Shares shall be granted to any single Selected Participant which would result in the maximum number of awarded Shares under the Scheme in the 12-month period up to and including the date of such grant representing in aggregate over 1% of the issued share capital of the Company as at the Adoption Date.

The Board has delegated the power and authority to the Administration Committee to handle operational matters of the Scheme but all major decisions in relation to the Scheme shall be made by the Board unless expressly provided for in the scheme rules pursuant to the Scheme or the Board resolves to delegate such power to the Administration Committee.

37. Share option/award scheme *(continued)*

Share award scheme *(continued)*

Pursuant to the scheme rules, the Administration Committee may, from time to time, at its absolute discretion and subject to such terms and conditions as it may think fit (including the basis of eligibility of each Participant, select any participant for participation in the Scheme as a Selected Participant and determine the number of awarded shares, save and except that the selection of a Director as a Selected Participant, the terms and conditions of the Award to such Director and the number of Awarded Shares thereunder shall be approved by the Board upon the recommendation of the Remuneration Committee.

After the selection of the Selected Participant(s) and the determination of the number of awarded Shares by the Board, the Administration Committee shall inform the trustee accordingly. The Administration Committee shall also inform the Selected Participant(s) by award notice. Provided that the respective Selected Participant(s) has (have) executed the relevant acceptance form(s) and returned the same together with a counterpart of the award notice(s) to the trustee through the Company within the period prescribed in the award notice(s), the Company shall during the award period pay or cause to be paid to the trustee for purchasing the awarded Shares ("Reference Amount").

In addition to providing the Reference Amount by the Company to the Trustee after the Selected Participants' acceptance of the Awards, the Company may also provide the Reference Amount to the Trustee for it to acquire Shares for the benefit of the Selected Participants in general from time to time during the term of the Scheme, provided that if the total number of Shares held under the Scheme, excluding the Shares represented by the Awards granted, if any, shall exceed 10% of the then outstanding limit of the Scheme as referred to in the section headed "Scheme Limit" in the announcement dated 19 December 2014, no further Reference Amount shall be given to effect such acquisition.

After receiving the Reference Amount, the Trustee shall apply the same towards the purchase of awarded Shares in the market through a broker at the prevailing market price on the Stock Exchange pursuant to the Scheme Rules and the Company would recognise as reserve in the statement of changes in equity.

The Administration Committee shall conduct a review of the performance conditions (if any) in relation to each Selected Participant at least once in each financial year during the award period if the award period is more than 12 months or once only during the award period if the award period is less than 12 months. The awarded Shares will be vested if the Selected Participant is able to meet the relevant performance conditions during the relevant period, or lapse if the Selected Participant is unable to meet the relevant performance conditions during the relevant period.

During the year, no award share has been granted by the Company.

38. Reserves

The amounts of the Group's reserves and the movements therein for the current year and prior year are presented in the consolidated statement of changes in equity.

The amounts of the Company's reserves and its movements are as follows:

	Share premium account HK$'000	Share option reserve HK$'000	Capital redemption reserve surplus HK$'000	Contributed profits HK$'000	Convertible bond reserve (note 35) HK$'000	Retained profit HK$'000	Total HK$'000
At 1 January 2013	1,786,679	18,058	5,102	2,697	–	34,945	1,847,481
Profit and total comprehensive income for the year	–	–	–	–	–	371,751	371,751
Shares issued under rights issue – note 36	1,107,292	–	–	–	–	–	1,107,292
Issuance of convertible bonds – note 35	–	–	–	–	32,299	–	32,299
2013 interim dividend declared and settled in shares and cash – note 12	82,282	–	–	–	–	(109,841)	(27,559)
Proposed 2013 final dividend – note 12	–	–	–	–	–	(153,556)	(153,556)
Share options lapsed	3,223	(3,223)	–	–	–	–	–
At 31 December 2013	2,979,476	14,835	5,102	2,697	32,299	143,299	3,177,708
At 1 January 2014	2,979,476	14,835	5,102	2,697	32,299	143,299	3,177,708
Profit and total comprehensive expense for the year	–	–	–	–	–	487,218	487,218
Shares issued under rights issue – note 36	2,573,521	–	–	–	–	–	2,573,521
Shares issued upon conversion of convertible bonds – note 36	318,800	–	–	–	(10,257)	–	308,543
Shares issued under share option Scheme – note 36	2,887	(343)	–	–	–	–	2,544
Issuance of convertible bonds – note 35	–	–	–	–	45,091	–	45,091
2014 interim dividend declared and settled in cash – note 12	–	–	–	–	–	(168,345)	(168,345)
Proposed 2014 final dividend – note 12	–	–	–	–	–	(338,582)	(338,582)
Share options lapsed	1,283	(1,283)	–	–	–	–	–
At 31 December 2014	5,875,967	13,209	5,102	2,697	67,133	123,590	6,087,698

38. Reserves *(continued)*

The contributed surplus of the Group and the Company arose in 1996 as a result of the group reorganisation in preparation for the listing of the Company and represented the difference between the nominal value of the share capital issued by the Company and the aggregate net asset value of the subsidiaries acquired at the date of acquisition. Under the Companies Act 1981 of Bermuda (as amended), the Company may make distributions to its members out of the contributed surplus provided certain conditions are met.

The share option reserve of the Group and the Company comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payment transactions in note 3 to the consolidated financial statements. The amount will be transferred to the share premium account when the related options are expired or forfeited.

The consolidated profit attributable to owners of the Company for the year ended 31 December 2014 includes a profit of HK$487,218,000 (2013: profit of HK$371,751,000) which has been dealt with in the financial statements of the Company.

39. Amounts due from/to subsidiaries

The non-current amounts due from subsidiaries are unsecured, interest free and the directors of Company considered the amounts will not be repayable within 12 months.

The current amounts due from subsidiaries are unsecured, repayable on demand and non-interest bearing.

The Company assesses at the year-end whether there is objective evidence that the amounts due from subsidiaries are impaired. The impairment is made if and only if there is objective evidence of impairment as a result of one or more loss events including unsustainable operating losses occurring and having an impact in the estimated future cash flows of subsidiaries that can be reliably estimated. In the opinion of the directors of the Company, no impairment indicator was noted in the current and prior year.

Except for the non-current amounts due to a subsidiary of HK$4,633,645,000 (2013: Nil) bearing interest at 4.36% and being matured in 5 years, the non-current amounts due to subsidiaries are unsecured, repayable over 12 months and non-interest bearing. The current amounts due to subsidiaries are unsecured, repayable on demand and non-interest bearing.

40. Transaction with non-controlling interests

During the year ended 31 December 2013, the Company acquired the remaining 40% equity interests in Haitong International Wealth Management Limited and its subsidiaries and Haitong International Consultants Limited, at a total consolidation of approximately HK$11,942,000. The carrying amount of the non-controlling interests in these subsidiaries was approximately HK$6,824,000. The Group recognised a decrease in non-controlling interests of approximately HK$6,824,000 and a decrease in equity attributable to owners of Company of approximately HK$5,118,000 resulting from this transaction.

41. Operating lease arrangements

The Group leases certain of its office properties and data centre under operating lease arrangements. Leases for office properties are negotiated for terms ranging from six months to five years, and those for data centre for terms of five years. At 31 December 2014 and 31 December 2013, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	THE GROUP		THE COMPANY	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**59,194**	73,239	**38,587**	45,311
In the second to fifth years, inclusive	**23,418**	88,102	**15,708**	54,294
	82,612	161,341	**54,295**	99,605

42. Capital commitment

In addition to the operating lease commitments detailed in note 41 above, the Group had the following commitments at year end.

	2014	2013
	HK$'000	HK$'000
Contracted, but not provided for:		
Computer equipment	**2,772**	–
Others	**3,004**	–
	5,776	–

43. Related party transactions

(a) In addition to the transactions and balances detailed elsewhere in these consolidated financial statements, the Group had the following material transactions with related parties during:

(i) On 12 November 2012, the Company entered into a master services agreement with Haitong Securities Co., Ltd., the ultimate holding company of the Company which took effect from 1 January 2013.

Pursuant to the master service agreement, the Company and Haitong Securities Co., Ltd. have each agreed to provide services to companies of the Group or Haitong Securities Co., Ltd. and its subsidiaries. Services pursuant to the new master services agreement include brokerage transactions, research transactions, investment management and advisory services transactions, financing transactions, corporate finance transactions and information technology support transactions.

The income and expenses from brokerage transactions services amounted to HK$1,081,920 (2013: HK$299,888) and HK$719,559 (2013: HK$1,355,828) respectively for current year in accordance with the terms of the new master services agreement.

(ii) During the current year ended 31 December 2014, the Group received a management fee of HK$2,542,790 (31 December 2013: HK3,046,000) and performance fee of HK$16,344,702 (31 December 2013: Nil) on provision of discretionary account management services to Haitong International Holdings Limited, the immediate holding company of the Company.

The fee is charged at 0.5% per annum (31 December 2013: 0.5% per annum) on the net asset value of the underlying investment portfolio at the end of each month.

(iii) During the current year ended 31 December 2014, the Group received corporate advisory fee of HK$1,200,000 (31 December 2013: HK$1,300,000) from Haitong Securities Co., Ltd. in relation to the provision of advisory for the local compliance services, including the Listing Rules and SFC requirements and consulting services.

(iv) During the prior year ended 31 December 2013, the Company obtained an unsecured loan from Haitong International Holdings Limited, the immediate holding company of the Company. As at 31 December 2014, the Company had outstanding balance of HK$1,523 million (31 December 2013: HK$1,605 million).

The unsecured loan is chargeable at an interest rate of from HIBOR+1.176% to HIBOR+1.213%, LIBOR + 1.25% and CNH Hong Kong Interbank Offered Rate Fixing ("CNBHIBOR") + 1.25% per annum (31 December 2013: HIBOR+1.194% to HIBOR+1.249%). Interest expense for such intercompany loan amounted to HK$13,050,755 (31 December 2013: HK$9,487,576).

43. Related party transactions *(continued)*

(a) *(continued)*

(v) During the prior year ended 31 December 2013, Haitong Securities Co., Ltd. paid HK$17,960,000 incentive fee income to the Group in relation to the initial public offering of Haitong Securities Co., Ltd. which was listed in H shares in the Stock Exchange in 2012 that the Group acted as one of the joint bookrunners, joint global coordinators, joint lead managers and joint sponsors in this initial public offering.

That incentive fee income was discretionary in nature and was determined by Haitong Securities Co., Ltd. during prior year.

(vi) During the prior year ended 31 December 2013, Haitong International Finance Holdings Limited, a fellow subsidiary of the Company, issued a credit enhanced bond. The Group acted as one of the joint bookrunners in the offering.

This transaction falls within the scope of "corporate finance transaction" under the master services agreement entered into between the Company and Haitong Securities Co., Ltd. on 12 November 2012. The underwriting commission income recognised during the year in relation to the issue amounted to HK$9,379,282 in accordance with the terms of subscription agreements.

(b) Compensation of key management personnel of the Group:

	2014 HK$'000	2013 HK$'000
Short term employee benefits	81,257	58,758
Post-employment benefits	154	150
Total compensation paid to key management personnel	81,411	58,908

44. Maturity profile of assets and liabilities

An analysis of the maturity profile of certain assets and liabilities of the Group analysed by the remaining period at the reporting date to the contractual maturity date is as follows:

	Repayable on demand or less than 3 months HK$'000	Over 3 months to 1 year HK$'000	Over 1 year to 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
31 December 2014					
Assets					
Advances to customers in margin financing	9,619,965	–	–	–	9,619,965
Other loans and advances	–	1,819,200	811,000	–	2,630,200
Cash held on behalf of customers	11,668,936	–	–	–	11,668,936
Cash and cash equivalents	3,236,317	–	–	–	3,236,317
Financial assets held under resale agreement	24,765	–	–	–	24,765
Debt securities					
– Held-to-maturity	–	3,811	182,306	–	186,117
– Fair value through profit or loss	32,381	55,449	5,302,440	567,213	5,957,483
	24,582,364	1,878,460	6,295,746	567,213	33,323,783
Liabilities					
Accounts payable to clients excluding payable to brokers, dealers and clearing house	14,144,852	–	–	–	14,144,852
Loans and other borrowings	13,233,323	698,103	–	–	13,931,426
Convertible bonds issued	–	–	1,781,455	–	1,781,455
Non-convertible bonds issued	–	–	4,580,804	–	4,580,804
	27,378,175	698,103	6,362,259	–	34,438,537

Note: As at 31 December 2014, approximately HK$6.34 billion bank loan was drawn under a syndicated loan agreement whereby the Company obtained revolving loan facility in an aggregate amount of HK$6.34 billion syndicated loan.

44. Maturity profile of assets and liabilities *(continued)*

	Repayable on demand or less than 3 months HK$'000	Over 3 months to 1 year HK$'000	Over 1 year to 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
31 December 2013					
Assets					
Advances to customers in margin financing	7,938,421	–	–	–	7,938,421
Other loans and advances	200,000	1,672,200	1,188,200	–	3,060,400
Cash held on behalf of customers	12,053,559	–	–	–	12,053,559
Cash and cash equivalents	488,021	–	–	–	488,021
Debt securities					
– Held-to-maturity	121,302	236,880	449,421	–	807,603
– Available-for-sale	–	–	512	82,873	83,385
– Fair value through profit or loss	26,988	33,861	1,074,934	72,732	1,208,515
– Other receivables	–	114,471	–	–	114,471
	20,828,291	2,057,412	2,713,067	155,605	25,754,375
Liabilities					
Accounts payable to clients excluding payable to brokers, dealers and clearing house	12,846,277	–	–	–	12,846,277
Loans and other borrowings	8,977,390	–	426,503	–	9,403,893
Convertible bonds issued	–	–	966,273	–	966,273
	21,823,667	–	1,392,776	–	23,216,443

Note: As at 31 December 2013, approximately HK$2 billion bank loan was drawn under a syndicated loan agreement entered with several financial institutions in May 2013 whereby the Company obtained a revolving loan facility in an aggregate amount of HK$3 billion which will be matured in May 2016.

45. Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the year.

The Group is not subject to any externally imposed capital requirements except for certain subsidiaries engaged in securities and futures dealings and broking, corporate finance and advisory, nominee and custodian services, leveraged foreign exchange trading, and fund management, which are regulated entities under the SFC.

During the year, the subsidiaries of the Group which are subject to minimum capital requirements imposed by the SFC, complied with all the minimum capital requirements.

The Group monitors capital using a gearing ratio, which is total borrowings divided by the total shareholders' equity.

Total borrowings include convertible bonds issued, non-convertible bonds issued, loan and other borrowings. Net borrowings include total borrowings net of and cash and cash equivalents.

45. Capital management *(continued)*

Total equity includes all capital and reserves attributable to owners of the Company. The Group's policy is to maintain the gearing ratio at a reasonable level. The gearing ratios as at the end of the reporting period were as follows:

	2014 HK$'000	2013 HK$'000
Convertible bonds	1,781,445	966,273
Non-convertible bonds	4,580,804	–
Loans and other borrowings	13,931,426	9,403,893
Total borrowings	20,293,675	10,370,166
Total equity	8,596,502	4,920,252
Gearing ratio	236%	211%
Total borrowings	20,293,675	10,370,166
Cash and cash equivalent	(3,236,317)	(488,021)
Net borrowings	17,057,358	9,882,145
Net borrowings to equity ratio	198%	201%

46. Financial risk management

The Group's and the Company's major financial instruments include held-to-maturity investments, advances to customers in margin financing, financial assets/liabilities at fair value through profit or loss, financial assets/liabilities designated at fair value through profit or loss, derivative financial instruments, available-for-sale investments, other loans and advances, accounts receivable, amounts due from subsidiaries, accounts payable, cash and cash equivalents and loans and other borrowings. Advances to customers in margin financing, other loans and advances, accounts receivable and accounts payable mainly arise from the Group's operations while cash and bank balances and loans and other borrowings are to maintain liquidity or to raise financing for the Group's operations.

46. Financial risk management *(continued)*

The risks associated with these financial instruments include market risk (price risk, currency risk and 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 on a timely and effective manner.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in economic environment. Market risk comprises three types of risks: price risk, currency risk and interest rate risk.

The Group and the Company's exposures to market risk include price risk, currency risk and interest rate risk.

Price risk

Price risk is the risk that the fair values of equity investments, fund investments, debt securities and derivatives decrease as a result of changes in the levels of equity indices and the values of individual investment.

The Group is exposed to price risk arising from equity investments, fund investments, debt securities and derivative financial instruments that are classified as financial assets/liabilities at fair value through profit or loss, financial assets/liabilities designated at fair value through profit or loss and available-for-sale investments. Majority of the Group's equity investments are listed on The Stock Exchange of Hong Kong Limited and are valued at quoted market prices as at reporting date.

The Group has established a risk management mechanism led by the Board and the Executive Committee through its 2 sub-committees, the Risk Management Committee and the Capital Allocation and Investment Committee which is for the purposes of monitoring the positions of its investment trading activities.

In addition, the Group's exposures are closely monitored by other relevant internal control units, including Risk Management Department, the Finance Department, the Legal and Compliance Department and the Internal Audit Department.

46. Financial risk management *(continued)*

Market risk *(continued)*

Price risk *(continued)*

Listed equity investments

The table below summarises the impact of changes in the Hong Kong Hang Seng Index and other relevant indexes on the Group's profit after tax for the year and on the investment revaluation reserve. The analysis is based on the assumption that the equity index had changed by 10% with all other variables held constant and all the listed equity instruments move according to the historical correlation with the index. The directors of the Company consider Group's exposure to price risk arising from the listed equity investments acquired for the issued structured products can be offset against the Group's exposure to price risk arising from the issued structured products presented in financial liabilities designated at fair value through profit or loss.

Hong Kong Hang Seng Index and other relevant indexes

	2014	
	Impact on profit after tax HK$'000	**Impact on the investment revaluation reserve in equity HK$'000**
Increase by 10%	**67,197**	**513**
Decrease by 10%	**(67,197)**	**(513)**

Hong Kong Hang Seng Index and other relevant indexes

	2013	
	Impact on profit after tax HK$'000	Impact on the investment revaluation reserve in equity HK$'000
Increase by 10%	14,790	235
Decrease by 10%	(14,790)	(235)

46. Financial risk management *(continued)*

Market risk *(continued)*

Price risk *(continued)*

Unlisted fund, equity and partnership investments

The fair value of unlisted fund, equity and partnership investments depend on the valuation of the respective investments. It is assumed that the unit price increased/decreased by 5%, profit after tax for the year would have an estimated HK$87,885,000 increase/decrease (2013: HK$22,522,000 increase/decrease), and investment revaluation reserve in consolidated statement of profit or loss and other comprehensive income would have an estimated HK$23,042,000 increase/decrease (2013: HK$31,483,000 increase/decrease).

Unlisted fund, equity and partnership investments

The directors of the Company consider the Group's exposure to price risk arising from the unlisted fund, equity and partnership investments acquired for the issued structured products can be offset against the Group's exposure to price risk arising from the issued structured products presented in financial liabilities designated at fair value through profit or loss.

Derivative financial instruments – held for trading

The fair value of derivative financial instruments held for trading depends on the return of an underlying investment portfolio or linked index. It is assumed that the fair value of the underlying investment portfolio or linked index increase/decrease by 1%, the fair value of derivative financial instruments held for trading and profit after tax would have an estimated increase/decrease by HK$498,000 (2013: HK$4,790,000) and HK$416,000 (2013: HK$4,000,000) respectively.

In management's opinion, the sensitivity analysis is unrepresentative of the price risk as the year end exposure does not reflect the exposure during the year.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in foreign exchange rates.

The Group's foreign currency risk arises principally from its leveraged foreign exchange business as well as the Group's transactions denominated in currencies other than Hong Kong dollars ("HKD"). The Group hedges economically majority of its client trades in its leveraged foreign exchange business back-to-back with external counterparties, such that the Group is not exposed to significant foreign currency risk.

The majority of the Group's and the Company's assets and liabilities are denominated in HKD, United States dollars ("USD") and Renminbi ("RMB"). The directors do not expect significant foreign exchange risk arising from USD denominated monetary items in view of the Hong Kong dollar pegged system to the USD.

As at 31 December 2014, if RMB strengthened/weakened against HKD by 5% (2013: 5%) with all other variables including tax rate being constant, profit after tax for the year and other comprehensive income for the year would have been HK$289,266,000 (2013: HK$41,295,000) higher/lower and HK$ nil (2013: HK$6,184,000) higher/lower.

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

46. Financial risk management *(continued)*

Market risk *(continued)*

Interest rate risk

Fair value interest rate risk

The Group's fair value interest rate risk relates primarily to investments in debt securities classified as available-for-sale investments and financial assets at or designated at fair value through profit or loss all carried at fixed interest rate. The Group currently does not have a fair value hedging policy. However, the director of the Company consider the Group's exposure to price risk arising from the unlisted fund, equity and partnership investments acquired for the issued structured products can be offset against the Group's exposure to price risk arising from the issued structured products presented in financial liabilities designated at fair value through profit or loss.

The Group's fair value interest rate risk exposure is summarised as follows:

	2014 HK$'000	2013 HK$'000
Financial assets at fair value through profit or loss	5,942,706	1,208,515
Financial liabilities at fair value through profit or loss	(33,927)	–
Available-for-sale investments	–	83,385
	5,908,779	1,291,900

At 31 December 2014, if market interest rates at that date had been 25 basis points (2013: 25 basis points) higher/lower with all other variables held constant, profit after tax for the year would decrease/increase by HK$12,335,000 (2013: decrease/increase by HK$2,523,000) and other comprehensive income would decrease/increase by HK$ nil (2013: decrease/increase by HK$208,000).

In the opinion of the management the sensitivity analysis is unrepresentative of the fair value interest rate risk as the year end exposure does not reflect the exposure during the year.

Cash flow interest rate

The Group's and Company's cash flow interest rate risk relates primarily to the bank deposits, advances to customers in margin financing, other loans and advances, amounts due from subsidiaries, loans and other borrowings as well as other interest-bearing accounts receivable and payable carried at amortised costs with floating interest rates. The Group's held-to-maturity investments are not subject to the interest rate risk as all investments are carried at amortised cost with fixed interest rate.

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of HIBOR arising from the Group's Hong Kong dollar denominated borrowings as its interest-bearing assets and liabilities are mainly Hong Kong dollar denominated.

46. Financial risk management *(continued)*

Market risk *(continued)*

Interest rate risk *(continued)*

Cash flow interest rate (continued)

The Group's exposure to interest rate risk arising from the interest-bearing assets can be offset against the Group's interest-bearing liabilities. Management actively monitors the Group's net interest rate exposure through setting limits on the level of mismatch of interest rate re-pricing and duration gap and aims at maintaining an interest rate spread, such that the Group is always in a net interest-bearing asset position and derives net interest income. All the interest bearing financial assets and liabilities are subject to an interest re-pricing risk of 3 months or below. There is no concentration of interest risk exposure.

In relation to some variable rate borrowings, the Group enters into interest rate swaps to hedge against its exposures to changes in fair values of those borrowings. Interest rate swaps, denominated in Hong Kong dollars, have been entered into achieve an appropriate mix of fixed and floating rate exposure consistent with the Group's policy. As at 31 December 2014, the Group had interest rate swaps with a notional contract amount of HK$1,000 million (31 December 2013: HK$1,000 million), which is designated as cash flow hedges of the interest rate risk inherent in its variable rate bank borrowings. These interest rate swaps are designated as effective hedging instruments and hedge accounting is applied (see note 30 for details).

The Group's cash flow interest rate risk exposure is summarised as follows:

	2014 HK$'000	2013 HK$'000
Accounts receivable	1,923,667	860,885
Advances to customers in margin financing	9,619,965	7,938,421
Other loans and advances	2,630,200	3,060,400
Cash held on behalf of customers	11,280,674	11,820,008
Cash and cash equivalents	2,548,876	418,925
Accounts payable	(12,246,012)	(7,326,639)
Loans and other borrowings (excluding those subject to interest rate swaps)	(11,595,426)	(8,023,893)
	4,161,944	8,748,107

At 31 December 2014, if market interest rates at that date had been 25 basis points (2013: 25 basis points) higher/lower with all other variables held constant, profit after tax for the year would decrease/increase by HK$8,688,000 (2013: decrease/increase by HK$18,262,000). In the opinion of the management the sensitivity analysis is unrepresentative of the cash flow interest rate risk as the year end exposure does not reflect the exposure during the year.

The Company's interest rate risk exposure is considered insignificant.

46. Financial risk management *(continued)*

Credit risk

As at 31 December 2014, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

Among the respective recognised financial assets as stated in the consolidated statement of financial position, the directors considered that the held-to-maturity investments, other receivables, derivative financial instruments, advances to customers in margin financing, other loans and advances, accounts and other receivables, cash and cash equivalent and other assets represent the Group's major exposure to the credit risk arising from the default of the counterparty, with a maximum exposure equal to the carrying amounts of these financial assets in the consolidated statement of financial position.

In order to minimise the credit risk, the Credit Committee of the Group has appointed a group of authorised persons who are charged with the responsibility of approving credit limit of each customer, including the advances to customers in margin financing and other loans and advances. The Credit Committee is also responsible to the credit risk arising from the Group's investment in debt securities, classified either as held to maturity investment, other receivables or financial assets at fair value through profit or loss.

For margin lending, the committee is responsible for approval of share acceptable for margin lending, setting stock margin ratio for each approved share. The approved share list is updated bimonthly, and will be revised as and when deemed necessary by the committee. The committee will prescribe from time to time lending limits on individual share or on any individual customer and his/her associates.

The Risk Management Department of the Group is responsible for overall monitoring of the credit risk of its customers and will make margin call to those customers whose trades exceed their respective limits. Any such excess is required to be made good within two days for securities and the next day for futures of the deficiency report. The deficiency report will be monitored daily by the Group's Chief Risk Officer and responsible officers. Failure to meet margin calls may result in the liquidation of the customers' positions. For each individual other loans and advances, the Risk Management Department will closely monitor financial position of the debtors and guarantors, and for the loans with collaterals pledged to the Group, the Risk Management Department will ensure sufficient collateral were received and to maintain an acceptable loan to collateral value ratio.

For the other loans and advances, prior to the lending of loan, the Credit Committee will review the financial strength, purpose of the borrowing, repayment ability of the borrower to ensure that the borrower has sound financial repayment ability. The Group assesses the credit profiles of each individual debtors by analyzing many factors that influence the default probability, including (but not limited to) the counterparty's financial profile, business prospects and management, macroeconomic development, industrial and sovereign risk, and historical performance. The Credit Committee also meets quarterly and reviews from time to time the financial conditions of the borrower or the guarantors.

46. Financial risk management *(continued)*

Credit risk *(continued)*

For the Group's investment in debt securities, the Investment Committee of the Group assesses the financial performance of the issuers to ensure that the issuers can satisfy the repayment of the principal and interest as they fall due.

The Group has set portfolio size limits and single issuer limits to limit the Group's exposure to the credit risk. The Group also monitors the credit rating and market news of the issuers for any indication of potential credit deterioration.

For the other credit exposures such as the derivative financial instruments, accounts and other receivables, cash and cash equivalents and other assets, the Group ensure that the exposures are limited to reputable counterparties, such as the financial institution, brokers, dealers or clearing houses, which are governed by regulators including the Hong Kong Monetary Authority and the Hong Kong Securities and Futures Commission and other overseas regulators. The risk of default in repayment is considered to be minimal by the directors.

Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings, the Group does not have any other significant concentration of credit risk.

The management is confident in its ability to continue to control and sustain minimal exposure of credit risk arising from below major recognised financial assets as stated in the consolidated statement of financial position.

- For accounts receivables, approximately HK$1,973,362,000 (2013: HK$1,043,086,407) was receivables from clients arising from dealing in securities, which normally had a delivery-against payment settlement term of 2 days.

  There is no concentration of credit risk with respect to the receivables, as the Group has a large number of clients who are internationally dispersed. Most of the accounts and other receivables from clients with overdue more than 30 days are fully secured by listed securities with market value significantly higher than the carrying amount.

- Advances to customers in margin financing are backed by collateral. The Group only accepts collateral in the form of cash and liquid stocks. Advances to customer in margin financing of neither past due nor impaired are fully secured by liquid stocks as set out in note 25.

- Other loans and advances are either secured or backed by guarantees.

46. Financial risk management *(continued)*

Credit risk *(continued)*

- Held-to-maturity investments and other receivables were issued by corporations and reputable large commercial banks with issuer credit rating of Caa2 or above issued by Moody's or CCC+ or above issued by Standard & Poor's.

- Majority of derivative financial instruments were entered with reputable financial institutions with credit rating of Baa1 or above issued by Moody's.

- Majority of cash and cash equivalents were deposited in reputable large commercial banks with credit rating of Baa1 or above issued by Moody's or BBB+ or above issued by Standards & Poor's.

Liquidity risk

Liquidity risk is the risk that the Group and the Company will encounter difficulty in meeting obligations associated with its financial liabilities. As part of the measures to safeguard liquidity, the Group has maintained substantial long term and other stand-by banking facilities, diversifying the funding sources and spacing out the maturity dates.

A number of the Group's activities in Hong Kong are subject to various statutory liquidity requirements as prescribed by the Hong Kong Securities and Futures Commission in accordance with the Hong Kong Securities and Futures Ordinance (the "HKSFO").

The Group has also put in place a monitoring system to ensure that it maintains adequate liquid capital to fund its business commitments and to comply with relevant liquid capital requirements under the HKSFO.

As at 31 December 2014, the Group has available unutilised overdrafts, and short and medium term bank loan facilities of approximately HK$$3,309 million (31 December 2013: HK$2,830 million).

The table below presents the cash flows payable by the Group under non-derivative financial liabilities held for managing liquidity risk by remaining contractual maturities at the reporting date.

The amounts disclosed in the table are the contractual undiscounted cash flows. The table includes both interest and principal cash flows.

46. Financial risk management *(continued)*

Liquidity risk *(continued)*

Liquidity table

THE GROUP

	Repayable on demand or less than 3 months HK$'000	Over 3 months to 1 year HK$'000	Over 1 year to 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
31 December 2014					
Liquidity tables					
Convertible bonds issued	–	18,698	2,017,651	–	2,036,349
Non-convertible bonds issued	87,689	92,848	5,401,959	–	5,582,496
Loans and other borrowings (note)	13,255,739	705,018	267	–	13,961,024
Accounts payable	14,468,837	1,161,807	–	–	15,630,644
Financial liabilities at fair value through profit or loss	326,072	–	–	–	326,072
Financial liabilities designated at fair value through profit or loss	–	1,645,886	620,000	–	2,265,886
Other payables and accruals	489,396	–	–	–	489,396
Other liabilities	105,795	–	–	–	105,795
Derivative financial instrument – net settlement	217,793	–	–	–	217,793
	28,951,321	3,624,257	8,039,877	–	40,615,455

46. Financial risk management *(continued)*

Liquidity risk *(continued)*

Liquidity table *(continued)*

THE GROUP *(continued)*

	Repayable on demand or less than 3 months HK$'000	Over 3 months to 1 year HK$'000	Over 1 year to 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
31 December 2013					
Liquidity tables					
Convertible bonds issued	–	12,536	1,187,358	–	1,199,894
Loans and other borrowings	8,984,598	–	451,795	–	9,436,393
Accounts payable	13,677,183	60,742	–	–	13,737,925
Financial liabilities at fair value through profit or loss	144,795	–	–	–	144,795
Financial liabilities designated at fair value through profit or loss	–	170,553	–	–	170,553
Other payables and accruals	289,903	–	–	–	289,903
Derivative financial instrument – net settlement	6,842	–	–	–	6,842
	23,103,321	243,831	1,639,153	–	24,986,305

46. Financial risk management *(continued)*

Liquidity risk *(continued)*

Liquidity table *(continued)*

THE COMPANY

	Repayable on demand or less than 3 months HK$'000	Over 3 months to 1 year HK$'000	Over 1 year to 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
31 December 2014					
Liquidity tables					
Convertible bonds issued	–	18,698	2,017,651	–	2,036,349
Loans and other borrowings (note)	8,995,815	122	28	–	8,995,965
Other payables and accruals	192,434	–	–	–	192,434
Amounts due to subsidiaries	934,772	–	5,584,696	–	6,519,468
	10,123,021	18,820	7,602,375	–	17,744,216
31 December 2013					
Liquidity tables					
Convertible bonds issued	–	12,536	1,187,358	–	1,199,894
Loans and other borrowings	5,581,006	–	–	–	5,581,006
Other payables and accruals	141,002	–	–	–	141,002
Amounts due to subsidiaries	1,885,874	–	–	–	1,885,874
	7,607,882	12,536	1,187,358	–	8,807,776

Note: Bank loans with a repayment on demand clause are included in the 'repayable on demand or less than 3 months' time band in the maturity analysis. As at 31 December 2014, the aggregate undiscounted principal amounts of these bank loans amounted to HK$74.7 million (31 December 2013: Nil). Taking into account the Group's financial position, the directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors believe that such bank loans repayment dates set out in the loan agreements. At that time, the aggregate principal and interest cash outflows will amount to HK$76.5 million.

46. Financial risk management *(continued)*

Liquidity risk *(continued)*

As at 31 December 2014, the amounts of HK$6,747,000,000 (31 December 2013: HK$4,926,600,000) for financial guarantee contracts are the maximum amounts the Company could be required to settle under the arrangement for the full guaranteed amount to its subsidiaries if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the Group considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

Stock borrowing and lending arrangement

Under the normal course of business, the Group may enter into stock borrowing and lending arrangements with other financial institutions and its customers. Equity securities may be borrowed from the other financial institutions and lent to its customers or for the Group's trading shortselling activity.

During the process, the Group receives cash collateral from the customers and also places cash collateral in other financial institutions as collateral.

	2014 HK$'000	2013 HK$'000
Equity securities borrowed from external financial institutions	449,067	349,919
Equity securities lent to customers	156,922	205,124
Equity securities for Group's trading short selling (note (33))	292,145	144,795
Cash collateral received from customers	178,865	365,516
Cash collateral held by financial institutions	501,296	378,574

The equity securities shorten for the Group's trading position is subject to price risk as included in note 46. Under the stock borrowing and lending arrangement, the Group is principally liable to repay the borrowed securities in case of any default by the customers.

47. Fair value measurements of financial instruments

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

47. Fair value measurements of financial instruments *(continued)*

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis *(continued)*

An analysis of the Group's financial assets measured at fair value as at 31 December 2014 and 31 December 2013 are as follows:

	Fair value as at 31 December 2014 HK$'000	Fair value as at 31 December 2013 HK$'000	Fair value hierarchy	Basis of fair value measurement/Valuation techniques and key inputs
Recurring fair value measurements:				
Available-for-sale investments				
– Unlisted fund investments	460,833	629,658	Level 2	Note (a)
– Unlisted equity investments	10,250	15,375	Level 2	Note (b)
– Unlisted corporate debt Investments	–	83,385	Level 2	Note (c)
Financial assets at fair value through profit or loss				
– Listed equity investments				
– in Hong Kong	938,454	122,484	Level 1	Note (d)
– in overseas (including Mainland China)	547,280	64,405	Level 1	Note (d)
– Listed investments funds in Hong Kong, at fair value	533	–	Level 1	Note (d)
– Exchange traded funds in Hong Kong	428,781	98,393	Level 1	Note (d)
– Unlisted debt investments				
– in Hong Kong	5,942,706	1,208,515	Level 2	Note (c)
– Unlisted investment funds	2,105,049	456,433	Level 2	Note (a)
Financial assets designated at fair value through profit or loss				
– Unlisted equity investments	608,901	–	Level 2	Note (h)
– Unlisted partnership investments	315,625	–	Level 2	Note (h)
– Unlisted debt investments				
– in overseas (including Mainland China)	14,777	–	Level 2	Note (c)
– Unlisted investment funds	85,631	–	Level 2	Note (a)
– Listed equity investments				
– in overseas (including Mainland China)	1,460,220	–	Level 1	Note (d)
Derivatives financial instruments				
– Swap contracts	35,840	21,054	Level 2	Note (e)
– Equity linked note	31,383	39,548	Level 2	Note (f)
– Forward foreign currency exchange contracts	195,536	–	Level 2	Note (i)
– Options listed in Hong Kong	268	–	Level 1	Note (d)
	13,182,067	2,739,250		

47. Fair value measurements of financial instruments *(continued)*

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis *(continued)*

An analysis of the Group's financial assets measured at fair value as at 31 December 2014 and 31 December 2013 are as follows: *(continued)*

	Fair value as at 31 December 2014 HK$'000	Fair value as at 31 December 2013 HK$'000	Fair value hierarchy	Basic of fair value measurement/valuation techniques and key inputs
Recurring fair value measurements:				
Financial liabilities at fair value through profit or loss				
– Listed equity investments				
– in Hong Kong	292,145	139,812	Level 1	Note (d)
– in overseas	–	4,983	Level 1	Note (d)
– Unlisted bond investments	33,927	–	Level 2	Note (c)
Financial liabilities designated at fair value through profit or loss				
– Structure notes (with the underlying investment related to listed equity investment)	1,545,851	170,553	Level 2	Note (g)
– Structure notes (with the underlying investment related to unlisted equity investments)	705,258	–	Level 2	Note (h)
– Structure notes (with the underlying investment related to unlisted debt investments)	14,777	–	Level 2	Note (j)
Derivative financial instruments				
– Swap contracts	12,023	6,842	Level 2	Note (e)
– Forward foreign currency exchange contracts	205,770	–	Level 2	Note (i)
	2,809,751	322,190		

Notes:

(a) Dealing price of the investment funds derived from the net asset values of the investment funds with reference to observable quoted price of underlying investment portfolio in active markets.

(b) Fair values for unlisted equity investments have been determined based on the market value of related listed equities issued by the same listed companies.

(c) Fair value determined based on discounted cash flow. Future cash flows are estimated based on applying the interest yield curves of different types of bonds as the key parameter.

(d) Quoted price in active markets.

(e) Discounted cash flow. Future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contracted interest rates, discounted at a rate that reflects the credit risk of various counterparties.

47. Fair value measurements of financial instruments *(continued)*

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis *(continued)*

An analysis of the Group's financial assets measured at fair value as at 31 December 2014 and 31 December 2013 are as follows: *(continued)*

Notes: *(continued)*

(f) The fair value of the equity linked note was determined with reference to the quoted price of the underlying listed equity investments.

(g) The fair value was determined with reference to the underlying listed equity investments.

(h) The fair value was determined with reference to the recent transaction price of the investments.

(i) Discounted cash flow. Future cash flows are estimated based on forward exchange rate (from observable forward exchange rates at the end of the reporting period) and contract forwards rates, discounted at a rate that reflects the credit risk of various counterparties.

(j) The fair value of the investment was determined with reference to dealing price of the underlying unlisted debt investment which is based on discounted cash flow that the future cash flows are estimated based on applying the interest yield curves of different types of bonds as the key parameter.

During the current year, there were no transfers of financial instruments between Level 1 and Level 2. The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of that date of the event or change in circumstances that caused the transfer.

As at 31 December 2014 and 31 December 2013, no non-financial assets or liabilities were carried at fair value.

Except as detailed in the following table, the directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values:

	2014		2013	
	Carrying amount HK$'000	Fair value HK$'000	Carrying amount HK$'000	Fair value HK$'000
Held-to-maturity investments debt investments (note i)	186,117	188,541	807,603	818,189
Convertible bonds (note ii)	1,781,445	2,137,768	966,273	1,138,264
Non-convertible bonds (note ii)	4,580,804	4,620,970	–	–

These assets and liabilities are classified under Level 2 in the fair value hierarchy.

47. Fair value measurements of financial instruments *(continued)*

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis *(continued)*

An analysis of the Group's financial assets measured at fair value as at 31 December 2014 and 31 December 2013 are as follows: *(continued)*

Notes:

(i) The fair values are based on discounted cash flow. The future cash flows are estimated based on applying the interest yield curves of different types of bonds as the key parameter. The most significant input is the discount rate of the instruments.

(ii) The fair values are based on the quoted price from the Singapore Exchange Securities Trading Limited and the Hong Kong Stock Exchange.

48. Financial assets and financial liabilities offsetting

The disclosures set out in the tables below include financial assets and financial liabilities that:

- are offset in the Group's consolidated statement of financial position; or
- are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments, irrespective of whether they are offset in the Group's consolidated statement of financial position.

Under the agreement of continuous net settlement made between the Group and Hong Kong Securities Clearing Company Limited ("HKSCC"), Clearing Participant of China Securities Depository and Clearing Corporation Limited ("CSDC") and brokers, the Group has a legally enforceable right to set off the money obligation receivable and payable with HKSCC, CSDC and brokers on the same settlement date and the Group intends to set off on a net basis.

In addition, the Group has a legally enforceable right to set off the accounts receivable and payable with brokerage clients that are due to be settled on the same date and the Group intends to settle these balances on a net basis.

Except for balances which are due to be settled on the same date which are being offset, amounts due from/to HKSCC, CSDC, brokers and brokerage clients that are not to be settled on the same date, financial collateral including cash and securities received by the Group, deposit placed with HKSCC, CSDC and brokers do not meet the criteria for offsetting in the consolidated statement of financial position since the right of set-off of the recognised amounts is only enforceable following an event of default.

48. Financial assets and financial liabilities offsetting *(continued)*

As at 31 December 2014

	Gross amounts of recognised financial assets after impairment HK$'000	Gross amounts of recognised financial liabilities set off in the consolidated statement of financial position HK$'000	Net amounts of financial assets presented in the consolidated statement of financial position HK$'000	Related amounts not set off in the consolidated statement of financial position		Net amount HK$'000
				Financial instruments HK$'000	Collateral received HK$'000	
Financial assets						
Accounts receivable from clients, brokers, dealers and clearing house	6,314,634	(1,819,010)	4,495,624	(42,777)	(74,087)	4,378,760
Deposit placed with clearing house	57,458	–	57,458	(296)	–	57,162
Advances to customers in margin financing	9,619,965	–	9,619,965	(162,288)	(9,457,677)	–
Financial liabilities						
Accounts payable clients, brokers, dealers and clearing house	(17,449,654)	1,819,010	(15,630,644)	205,361	–	(15,425,283)
Financial liabilities at fair value through profit or loss	(292,145)	–	(292,145)	–	292,145	–

48. Financial assets and financial liabilities offsetting *(continued)*

As at 31 December 2013

	Gross amounts of recognised financial assets after impairment HK$'000	Gross amounts of recognised financial liabilities set off in the consolidated statement of financial position HK$'000	Net amounts of financial assets presented in the consolidated statement of financial position HK$'000	Related amounts not set off in the consolidated statement of financial position: Financial instruments HK$'000	Related amounts not set off in the consolidated statement of financial position: Collateral received HK$'000	Net amount HK$'000
Financial assets						
Accounts receivable from clients, brokers, dealers and clearing house	3,146,995	(1,504,073)	1,642,922	–	(135,064)	1,507,858
Deposit placed with clearing house	41,184	–	41,184	(23,419)	–	17,765
Advances to customers in margin financing	7,938,421	–	7,938,421	–	(7,824,699)	113,722
Derivative financial assets	60,602	–	60,602	(4,310)	–	56,292
Financial liabilities						
Accounts payable clients, brokers, dealers and clearing house	(14,911,253)	1,504,073	(13,407,180)	23,419	–	(13,383,761)
Financial liabilities at fair value through profit or loss	(144,795)	–	(144,795)	–	144,795	–
Derivative financial liabilities	(6,842)	–	(6,842)	4,310	–	(2,532)

49. Financial assets sold under repurchase agreements

	2014 HK$'000	2013 HK$'000
Analysed by collateral type:		
Bonds	1,189,696	426,503
Analysed by market:		
Inter-bank market	1,189,696	426,503
Analysed for reporting purposes:		
Current	1,189,696	–
Non-current	–	426,503
	1,189,696	426,503

Sales and repurchase agreements are transactions in which the Group sells a security and simultaneously agrees to repurchase it (or an asset that is substantially the same) at the agreed date and price. The repurchase prices are fixed and the Group is still exposed to substantially all the credit risks, market risks and rewards of those securities sold. These securities are not derecognised from the financial statements but regarded as "collateral" for the liabilities because the Group retains substantially all the risks and rewards of these securities.

As at 31 December 2014, the Group entered into repurchase agreements with a financial institution to sell bond investments recognised as financial assets at fair value through profit or loss with carrying amount of HK$1,543,226,000 (31 December 2013: HK$759,542,000) which subject to the simultaneous agreements to repurchase these investments at the agreed date and price.

As at 31 December 2014, the consideration received for these repurchase agreement under current portion totalling HK$698,103,000 (31 December 2013: non-current portion of HK$426,503,000) were reported as "loans and other borrowings" as set out in note 35 in consolidated financial statements.

50. Financial assets held under resale agreements

	2014 HK$'000	2013 HK$'000
Analysed by collateral type:		
Bonds	24,765	–
Analysed by market:		
Inter-bank market	24,765	–
Analysed for reporting purposes:		
Current	24,765	–

The financial assets (collateral by bonds) held under resale agreements are those resale agreements which the external investors entered into with the Group with a commitment to purchase the specified debt securities at a future date with an agreed price. The maturities of these resale agreements are all within one year.

As of 31 December 2014, the fair value of the Bonds was HK$23.2 million (31 December 2013: Nil).

51. Immediate and ultimate holding company

Haitong International Holdings Limited, a company incorporated in Hong Kong, and Haitong Securities Co., Ltd., a company incorporated in the People's Republic of China, are the immediate holding company and ultimate holding company of the Company respectively.

52. Events after the report period

On 28 January 2015, the Group's wholly owned subsidiary Haitong International Finance 2015 Limited, which was incorporated in January 2015, issued guaranteed bonds in principal amount of US$700 million at a discount of 98.593% which is listed on the Hong Kong Exchanges and Clearing Limited and guaranteed by the Company. The bond carries a fixed annual interest rate of 4.2% with a maturity period of 5 years. The principal will be full repayable on the maturity date at 29 July 2020.

On 2 March 2015, approval from shareholders of Japaninvest and the sanction of the court in the United Kingdom for the proposed acquisition as set out in note 19 is obtained and the Director of the Company expected Japaninvest would become a wholly-owned company of the Group on 31 March 2015.

53. Reclassification

Certain comparative figures have been reclassified or restated to conform to the current year presentation.

54. Approval of the consolidated financial statements

The consolidated financial statements were approved by the Board of Directors on 11 March 2015.

Ten Years Financial Summary

	31/12/2014 HK$'000	31/12/2013 HK$'000	31/12/2012 HK$'000	31/12/2011 HK$'000	1/7/2009-31/12/2010 HK$'000	1/1/2008-30/6/2009 HK$'000	31/12/2007 HK$'000	31/12/2006 HK$'000	31/12/2005 HK$'000	31/12/2004 HK$'000
RESULTS										
REVENUE	2,713,291	1,646,814	1,177,055	1,003,945	1,459,935	1,084,604	1,465,213	726,913	390,781	356,776
OPERATING PROFIT	1,182,536	583,319	337,656	179,058	396,827	202,058	582,362	197,689	68,663	77,919
Share of profit of investments accounted for using the equity method	33,212	15,157	–	–	1,718	6,324	198	252	335	1,456
PROFIT BEFORE TAX	1,215,748	598,476	337,656	179,058	398,545	208,382	582,560	197,941	68,998	79,375
Income tax expense	(197,479)	(68,311)	(43,034)	(25,973)	(53,386)	(20,054)	(92,329)	(22,971)	(6,040)	(9,095)
PROFIT FOR THE YEAR/PERIOD	1,018,269	530,165	294,622	153,085	345,159	188,328	490,231	174,970	62,958	70,280
ATTRIBUTABLE TO:										
Owners of the Company	1,018,269	529,152	293,450	153,204	345,795	188,974	484,847	172,325	62,958	70,280
Non-controlling Interests	–	1,013	1,172	(119)	(636)	(646)	5,384	2,645	–	–
	1,018,269	530,165	294,622	153,085	345,159	188,328	490,231	174,970	62,958	70,280
ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS:										
TOTAL ASSETS	48,159,973	29,438,104	14,628,101	10,962,126	11,412,151	8,904,160	7,771,610	4,405,092	3,152,524	2,793,151
TOTAL LIABILITIES	(39,563,471)	(24,517,852)	(11,368,256)	(7,900,899)	(9,234,813)	(6,973,302)	(5,906,460)	(3,221,400)	(2,148,493)	(1,806,194)
NON-CONTROLLING INTERESTS	–	–	(5,811)	(6,639)	(6,758)	(5,394)	(8,660)	(4,476)	–	–
SHAREHOLDERS' FUNDS	8,596,502	4,920,252	3,254,034	3,054,588	2,170,580	1,925,464	1,856,490	1,179,216	1,004,031	986,957

Financial Calendar

Announcement of the annual results of 2014
Wednesday, 11 March 2015

For ascertaining shareholders' right to attend and vote at the annual general meeting
Book close dates
Thursday, 4 June to Monday, 8 June 2015
(both dates inclusive)

Latest time to lodge transfers
4:30 p.m. on Wednesday, 3 June 2015

Record date
Monday, 8 June 2015

Annual General Meeting
Monday, 8 June 2015

For ascertaining shareholders' entitlement to the proposed final dividend
Book close dates
Friday, 12 June to Tuesday, 16 June 2015
(both dates inclusive)

Latest time to lodge transfers
4:30 p.m. on Thursday, 11 June 2015

Record date
Tuesday, 16 June 2015

Final dividend payment date
Tuesday, 7 July 2015

Corporate Information

General Information

Board of Directors

Executive Directors

LI Jianguo	*Deputy Chairman*
LIN Yong	*Deputy Chairman and Managing Director*
POON Mo Yiu	
HUI Yee Wilson	

Non-executive Directors

JI Yuguang	*Chairman*
CHENG Chi Ming Brian	
WANG Meijuan	
William CHAN	

Independent Non-executive Directors

TSUI Hing Chuen William
LAU Wai Piu
LIN Ching Yee Daniel
WEI Kuo-chiang

Company Secretary
LAU Yik Chi

Internal Auditor
LAU Chi Keung

External Auditor
Deloitte Touche Tohmatsu

Legal Adviser in Hong Kong
Woo, Kwan, Lee & Lo

Legal Adviser on Bermuda Law
Conyers Dill & Pearman

Place of Incorporation
Bermuda

Registered Office
Clarendon House
2 Church Street, Hamilton HM 11
Bermuda

Principal Place of Business
22nd Floor, Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong

Principal Share Registrar and Transfer Office
Codan Services Limited
Clarendon House
2 Church Street, Hamilton HM 11
Bermuda

Hong Kong Branch Share Registrar and Transfer Office
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

Website
www.htisec.com

Principal Bankers
Standard Chartered Bank (Hong Kong) Limited
The Hongkong and Shanghai Banking Corporation Limited
Bank of China (Hong Kong) Limited
Hang Seng Bank Limited
The Bank of East Asia, Limited
China Construction Bank (Asia) Corporation Limited
Industrial and Commercial Bank of China (Asia) Limited
CITIC Bank International Limited
Chong Hing Bank Limited
Fubon Bank (Hong Kong) Limited
Public Bank (Hong Kong) Limited
Oversea-Chinese Banking Corporation Limited, Hong Kong Branch
Wing Hang Bank, Limited
DBS Bank (Hong Kong) Limited
Dah Sing Bank, Limited
Bank of Communications Co., Ltd., Hong Kong Branch

Board Committees

Audit Committee

LIN Ching Yee Daniel	*Chairman*
WANG Meijuan	
TSUI Hing Chuen William	
LAU Wai Piu	

Executive Committee

LIN Yong	*Chairman*
POON Mo Yiu	
HUI Yee Wilson	
ZHANG Xinjun	
SUN Jianfeng	
SUN Tong	
LO Wai Ho	
ZHANG Yibin	
SHI Ping	
KONG Weipeng	

Nomination Committee

JI Yuguang	*Chairman*
TSUI Hing Chuen William	
LAU Wai Piu	

Remuneration Committee

TSUI Hing Chuen William	*Chairman*
JI Yuguang	
CHENG Chi Ming Brian	
LAU Wai Piu	
WEI Kuo-chiang	

Strategic Development Committee

JI Yuguang	*Chairman*
LI Jianguo	
LIN Yong	
CHENG Chi Ming Brian	
William CHAN	

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海通國際
HAITONG

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