新鴻基有限公司
SUN HUNG KAI & CO. LIMITED

(Stock Code: 86)

Annual Report 2014

CONTENTS

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Lee Seng Huang
(Group Executive Chairman)
William Leung Wing Cheung
Joseph Tong Tang
Peter Anthony Curry

Non-Executive Directors

Ahmed Mohammed Aqil Qassim Alqassim
Ho Chi Kit
(Roy Kuan as his alternate)
Leung Pak To
(Liu Zheng as his alternate)

Independent Non-Executive Directors

David Craig Bartlett
Alan Stephen Jones
Jacqueline Alee Leung
Peter Wong Man Kong

EXECUTIVE COMMITTEE

Lee Seng Huang *(Chairman)*
William Leung Wing Cheung
Joseph Tong Tang
Peter Anthony Curry

NOMINATION COMMITTEE

Lee Seng Huang *(Chairman)*
David Craig Bartlett
Alan Stephen Jones
Jacqueline Alee Leung
Peter Wong Man Kong
Ho Chi Kit
(Roy Kuan as his alternate)

REMUNERATION COMMITTEE

Peter Wong Man Kong *(Chairman)*
David Craig Bartlett
Alan Stephen Jones
Jacqueline Alee Leung
Ho Chi Kit
(Roy Kuan as his alternate)

AUDIT COMMITTEE

Alan Stephen Jones *(Chairman)*
David Craig Bartlett
Jacqueline Alee Leung
Peter Wong Man Kong
Ho Chi Kit
(Roy Kuan as his alternate)

RISK MANAGEMENT COMMITTEE

Lee Seng Huang *(Chairman)*
Joseph Tong Tang
(Alternate Chairman)
William Leung Wing Cheung
Peter Anthony Curry
Ho Chi Kit
(Roy Kuan as his alternate)

COMPANY SECRETARY

Hester Wong Lam Chun

INVESTOR RELATIONS

investor.relations@shkco.com

AUDITOR

Deloitte Touche Tohmatsu

SOLICITORS

Clifford Chance
Davis Polk & Wardwell
King & Wood Mallesons
Linklaters
P. C. Woo & Co.

BANKERS

Standard Chartered Bank (Hong Kong) Limited
The Bank of East Asia, Limited
Oversea-Chinese Banking Corporation Limited, Hong Kong Branch
China Construction Bank (Asia) Corporation Limited
The Hongkong and Shanghai Banking Corporation Limited
Industrial and Commercial Bank of China (Asia) Limited
DBS Bank (Hong Kong) Limited
China CITIC Bank International Limited
The Bank of New York Mellon
Fubon Bank (Hong Kong) Limited
Public Bank (Hong Kong) Limited
Bank of China (Hong Kong) Limited
Chong Hing Bank Limited
OCBC Wing Hang Bank Limited
Dah Sing Bank, Limited

REGISTRAR

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

REGISTERED OFFICE

42/F, The Lee Gardens
33 Hysan Avenue
Causeway Bay
Hong Kong

WEBSITES

www.shkco.com
www.shkf.com
www.shkfg.com
www.shkdirect.com
www.shkprivate.com
www.shkfinance.com.hk
www.shkforex.com
www.uaf.com.hk
www.uaf.com.cn

Corporate Profile

Sun Hung Kai & Co. Limited (the "Company", together with its subsidiaries, also known as the "Group") is one of the leading financial institutions in Hong Kong with its foundation dating back to 1969. Listed on the Hong Kong Stock Exchange in 1983 (Stock Code: 86), the Company, through its subsidiaries, including Sun Hung Kai Financial Limited ("Sun Hung Kai Financial") and United Asia Finance Limited ("UAF"), offers customised financial solutions for retail, corporate and institutional clients.

The Group has five core business segments, which are

- Wealth Management and Brokerage
- Capital Markets
- Structured Finance
- Consumer Finance and
- Principal Investments

It has an extensive branch and office network of more than 200 locations in Hong Kong, Macau and Mainland China. As of 31 December 2014, the Group has more than HK$14.9 billion in shareholders' equity.

For over 45 years, we have always put our customers first. Our dedicated professional staff, with years of experience and an enviable track record in the financial industry, always strive to provide investment and financial services to meet our customers' needs.

In recent years the Group has formed alliances with significant local, Mainland China and international companies, to expand our business and provide diversified products to our wide range of customers.

The success of the Group is based not only on its sound strategic business model but also on its five Core Values: Excellence, Integrity, Innovation, Prudence and Professionalism – each plays a crucial role in ensuring the Group's continued growth.

As we grow our business, we never lose sight of our role as a responsible corporate citizen. Our subsidiaries Sun Hung Kai Financial and UAF have been named a Caring Company by the Hong Kong Council of Social Service recognising their commitment to care for the community, employees and the environment. We have also set up Sun Hung Kai Financial Foundation ("Foundation") to formalise our community involvement. The Foundation focuses primarily on the environment, healthcare, arts and culture. We have also launched "Going Green" drives, including Toner-save, Power-save and Paper-save programmes and expect to do even more in the coming years as part of our Corporate Social Responsibility ("CSR") commitment.

Corporate Milestones

1969

Sun Hung Kai & Co. was formed by Mr Fung King Hey, Mr Kwok Tak Seng and Mr Lee Shau Kee. In 1973, Sun Hung Kai Securities Limited ("SHKS") was incorporated.

1983

Sun Hung Kai & Co. Limited (the "Company") was formed and listed on the Hong Kong Stock Exchange.

1991

Sun Hung Kai Investment Services Limited ("SHKIS") became one of the first underwriters and approved overseas agents in the Shanghai and Shenzhen Stock Exchanges.

1993

SHKIS was approved as a B-share seat holder of the Shanghai and Shenzhen Stock Exchanges.

1996

Allied Properties (HK) Limited ("APL"), via its wholly-owned subsidiary, acquired the Fung family's equity interest in the Company.

1997

SHKIS was approved as a Foreign Share Broker and Lead Underwriter by the China Securities Regulatory Commission.

2000

SHKOnline.com (now known as "SHK Direct") was launched and was among the first batch of brokers offering straight-through Internet-based order processing.

2002

The Company diversified its operations by establishing wealth management and alternative investment businesses.

2004

Sun Hung Kai International Bank [Brunei] Limited was officially opened, and the equity interest of APL in the Company increased to approximately 74.99% (currently stands at approximately 54.73%).

2006

The Company entered the consumer finance area by acquiring UAF Holdings Limited, and built its Mainland China strategy through a JV with Zhe Jiang Province Yongan Futures Broker Company Limited (now known as "Yongan Futures Co., Ltd").

2007

The Company entered a strategic partnership with Dubai Investment Group through a placement of 166 million shares.

United Asia Finance Limited ("UAF") opened its first Mainland China branch in Shenzhen.

2010

The Company relocated its business units to The Lee Gardens in Causeway Bay. The Company formed strategic alliances with CVC Capital Partners and Macquarie FX Investments Pty Limited, a subsidiary of Macquarie Bank Limited.

2011

SHK Private, a signature account of the Company, was established to provide customised wealth management services to high-net-worth clients.

SHKS was renamed as Sun Hung Kai Financial Limited ("SHKF") effective 1 December 2011 to align the corporate name with its Sun Hung Kai Financial brand.

2014

The Company and UAF made several investment and strategic initiatives to develop peer-to-peer financial services in Mainland China and beyond.

UAF launched its credit guarantee business in Mainland China.

Financial Highlights

KEY DATA

(HK$ Million)	2014	2013	Change
Revenue	**5,251.2**	4,575.5	15%
Operating earnings	**1,773.5**	1,625.9	9%
Profit attributable to owners of the Company	**1,328.4**	1,051.6	26%
Per Share Data			
Earnings per share (HK cents)	**61.7**	49.4	
Dividend per share (HK cents)	**26.0**	22.0	
Book value per share (HK$)	**6.6**	6.3	
Financial Ratios			
Return on assets	**5.5%**	5.3%	
Return on shareholders' equity	**8.9%**	7.8%	
Net gearing	**38.1%**	36.1%	

REVENUE ANALYSIS

(HK$ Million)	2014	2013	Change
Revenue	**5,251.2**	4,575.5	15%
Breakdown by Geography			
– Hong Kong	***3,394.3***	*3,166.1*	7%
– Mainland China	***1,803.4***	*1,329.7*	36%
– Others	***53.5***	*79.7*	-33%
Breakdown by Type			
– Interest income	***4,425.4***	*3,786.6*	17%
– Brokerage, commission and service income	***769.2***	*741.8*	4%
– Fees received from funds management	***15.1***	*15.7*	-4%
– Others	***41.5***	*31.4*	32%

PROFIT OR LOSS ANALYSIS

(HK$ Million)	2014	2013	Change
Revenue	**5,251.2**	4,575.5	15%
Operating expenses	**(2,224.3)**	(1,959.2)	14%
As % of revenue ("cost to income")	***42%***	*43%*	
– Brokerage and commission expenses	***(283.0)***	*(260.0)*	9%
– Advertising and promotion expenses	***(134.3)***	*(125.3)*	7%
– Direct cost and operating expenses	***(60.5)***	*(80.0)*	-24%
– Administrative expenses	***(1,730.1)***	*(1,470.4)*	18%
– Other expenses	***(16.4)***	*(23.5)*	-30%
Finance costs	**(455.1)**	(400.5)	14%
Operating Earnings before Bad and Doubtful Debts	**2,571.8**	**2,215.8**	16%
Bad and doubtful debts	**(798.3)**	(589.9)	35%
Operating Earnings	**1,773.5**	**1,625.9**	9%
Other income	**208.8**	103.8	307%
Other non operating expenses	**–**	(31.6)	
Net exchange gain (loss)	**17.7**	(75.8)	
Net profit on financial assets and liabilities	**114.6**	79.3	
Associates	**5.6**	11.8	
Joint ventures	**37.2**	6.8	
Profit Before Taxation	**2,157.4**	**1,720.2**	25%
Taxation	**(359.2)**	(260.3)	38%
Non-controlling interests	**(469.8)**	(408.3)	15%
Profit Attributable to Owners of the Company	**1,328.4**	**1,051.6**	26%

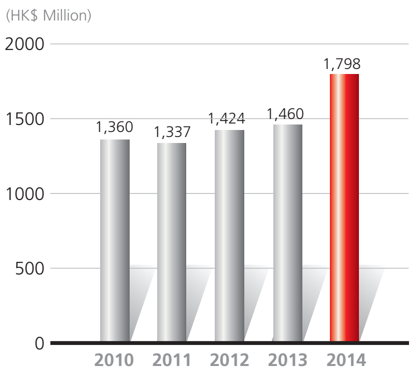
STATEMENT OF FINANCIAL POSITION HIGHLIGHTS

(HK$ Million)	2014	2013	Change
Total loans and advances to customers:	**18,520.8**	16,318.8	13%
– Consumer finance loans	**11,391.7**	10,043.5	13%
– Margin loans	**3,783.1**	3,918.7	-3%
– Term loans	**3,346.0**	2,356.6	42%
Total borrowings	**10,738.4**	8,582.5	25%
– Current	**3,905.2**	2,801.6	39%
– Long term	**6,833.2**	5,780.9	18%
Bank deposits, cash and cash equivalents	**5,044.6**	3,738.5	35%
Total assets	**32,760.8**	27,804.1	18%
Shareholders' equity	**14,927.0**	13,402.1	11%

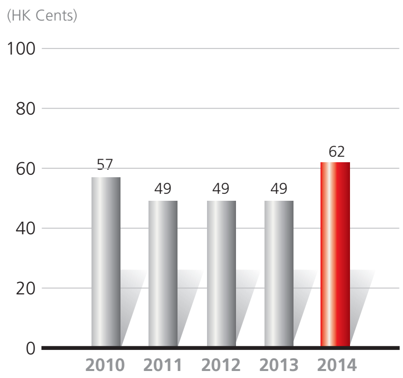
SHARE INFORMATION

	2014	2013
Number of shares in issue at year end (million)	**2,253.6**	2,123.6
Weighted average number of shares (million)	**2,152.5**	2,127.7
Earnings per share (HK cents)	**61.7**	49.4
Dividend per share (HK cents)	**26.0**	22.0
– Final	**14.0**	12.0
– Interim	**10.0**	10.0
– Special	**2.0**	–
Share price (HK$)		
– High	**6.99**	5.80
– Low	**4.22**	4.00
– Close	**5.92**	4.32
Market capitalization (HK$ million)	**13,341.3**	9,174.0

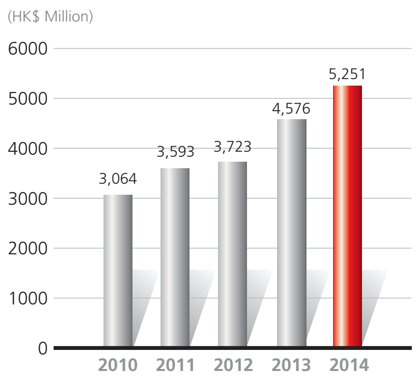
Profit after Taxation



Basic Earnings per Share



Revenue



FIVE-YEAR FINANCIAL SUMMARY

	For the year ended 31 December				
	2010 HK$ Million (Notes a & b)	2011 HK$ Million	2012 HK$ Million	2013 HK$ Million	**2014** **HK$ Million**
RESULTS					
Revenue	3,064.1	3,593.2	3,723.4	4,575.5	**5,251.2**
Profit attributable to owners of the Company	1,087.0	1,032.4	1,036.4	1,051.6	**1,328.4**
Retained profits carried forward (after proposed final dividend)	3,200.2	3,757.2	4,261.7	4,671.2	**5,229.7**

	At 31 December				
	2010 HK$ Million (Note b)	2011 HK$ Million	2012 HK$ Million	2013 HK$ Million	**2014** **HK$ Million**
ASSETS AND LIABILITIES					
Current assets	13,016.1	14,230.6	16,288.7	17,550.7	**21,746.8**
Total assets	20,151.3	22,494.4	25,255.6	27,804.1	**32,760.8**
Current liabilities	4,047.6	4,115.2	4,701.1	4,942.1	**7,047.2**
Total liabilities	6,923.2	8,091.4	9,290.3	10,984.8	**14,093.5**

Notes:

(a) The comparative figure of revenue in 2010 has been restated to conform to the reclassification of net profit (loss) on financial assets and liabilities from revenue to a separate item in the consolidated statement of profit or loss taken place in 2011.

(b) The comparative figures of profit attributable to owners of the Company, retained profits carried forward, current liabilities and total liabilities in 2010 have been restated as a result of the adoption of the amendment to HKAS 12 "Deferred Tax: Recovery of Underlying Assets" and the reclassification of accrued interest expenses under trade and other payables to respective financial liabilities in 2011.

Letter from the Chairman

Dear Shareholders,

2014 was not only our 45th anniversary, it was also an eventful year with new developments both in our Mainland China expansion and Internet finance strategy, and a year of solid growth despite challenges in the global financial landscape.

Sun Hung Kai & Co. Limited (the "Company", with its subsidiaries, the "Group") recorded a profit before tax of HK$2,157.4 million in 2014 (2013: HK$1,720.2 million). Profit attributable to owners of the Company amounted to HK$1,328.4 million (2013: HK$1,051.6 million), and earnings per share was HK61.7 cents (2013: HK49.4 cents). The Board of Directors of the Company (the "Board" or the "Directors") has recommended a final dividend of HK14 cents per share (2013: HK12 cents per share). Together with the interim dividend of HK10 cents per share and the special dividend of HK2 cents per share to commemorate the Group's 45th anniversary, the total dividend for the year will be HK26 cents (2013: HK22 cents), equivalent to a payout ratio of 42.8% of our profit attributable to owners of the Company.

In 2014, the Company and its subsidiaries executed a series of key initiatives. We entered into an investment and long-term strategic cooperation agreement with Dianrong.com to develop peer-to-peer (P2P) financial services in Mainland China and beyond. It is our intention to work with Dianrong.com's P2P lending business to accelerate the Group's online-to-offline (O2O) strategy roll-out in Mainland China and potentially other regions.

United Asia Finance Limited ("UAF"), the Company's Consumer Finance business, also entered a new phase of development by adopting a capital-light model. By setting up a marketing and credit guarantee business, we can augment the traditional business model and promote UAF's business with reduced geographical constraints. UAF also now works with Souyidai.com (a unit of Sohu.com Inc.) to provide loan products to P2P platforms and other financial institutions. Alliances with 58.com Inc. and Youche.com Inc. were established too. We will continue to assess and explore online lending opportunities.

UAF has expanded its branch network in Mainland China with the opening of its 139th branch. On 31 December 2014, UAF operated a total of 189 branches across 17 cities and provinces including Hong Kong and a number of major Mainland China cities, compared with 154 branches in 13 cities and provinces at the end of 2013. In 2014, UAF's total loan book exceeded HK$11 billion, representing an increase of 13% from 2013, and it is continuing to grow at an encouraging rate.

As for the Sun Hung Kai Financial business, our progress in the transformation to a leading wealth management company continued. Wealth management product commissions are on track to surpass our traditional brokerage income.

To further accelerate the growth of this business, we have been seeking a suitable Chinese strategic partner for the Group, to leverage its operating platform and gain greater access to customers in Mainland China. On 2 February 2015, we announced that Everbright Securities Company Limited ("Everbright Securities") is acquiring 70% of Sun Hung Kai Financial Group Limited ("SHKFGL"), which in turn owns Sun Hung Kai Financial Limited ("Sun Hung Kai Financial"). The transaction will deepen the ongoing strategic cooperation. The Everbright group has operations in banking, insurance, brokerage and funds management with over 60 million clients and about 1,200 branches and outlets in Mainland China. With this partnership, Sun Hung Kai Financial will be well placed for the fast-liberalising financial market in Mainland China. We remain steadfastly committed to Sun Hung Kai Financial, our 30% holding allows us to participate in the growing wealth management segment. This new structure is set to create substantial value for all stakeholders including our staff, clients and shareholders. The gain from the transaction will be booked in 2015.

The Group was recognised with an array of awards from leading financial publications. We received second consecutive Gold Award in *The Asset's* Excellence in Management and Corporate Governance Awards and Sun Hung Kai Financial won *Asiamoney's* "Best Local Brokerage" over the past 25 years in the Poll of Polls award. These awards are testament to good corporate governance, social and environmental responsibility, and focussed investor relations; as well as providing our clients with the best-in-class wealth management. We have also been named a 10 Years Plus Caring Company by the Hong Kong Council of Social Service, an acknowledgement of the Group's continuous support and contribution as a responsible corporate citizen of Hong Kong.

We will continue to grow our Structured Finance business with a focus on the funding needs of mid-sized companies. This strategy will complement the lending businesses of UAF. For Principal Investments, we will continue to invest alongside the Group's expertise and will be seeking opportunities to enhance shareholders' value. These businesses will benefit from the much-strengthened balance sheet following the SHKFGL transaction.

On behalf of the Board, I would like to thank our shareholders, business partners and clients for their trust and support. I would also like to extend my appreciation to our dedicated employees, both past and present, for their professionalism and contribution to the Group's success; over the last 45 years and into the future.

Lee Seng Huang
Group Executive Chairman

Hong Kong, 19 March 2015

MARKET REVIEW

Mainland China's economic growth eased during 2014 as the country continued its reform for more sustainable long term development. In 2014, Mainland China's gross domestic product (GDP) grew 7.4%, slightly below the 7.5% target. To support economic stability, the People's Bank of China unveiled various easing measures in the last quarter of 2014, including a reduction of interest rates on 22 November. The central government also accelerated the approval of infrastructure projects and the promotion of six major consumption areas. Meanwhile, the country's inflation rate rose 2%, short of the full year government target of 3.5%, giving policy makers more flexibility to fine-tune fiscal and monetary measures in 2015.

Hong Kong's GDP expanded 2.7% in real terms in the third quarter of 2014 on a year-on-year basis, compared with the 1.8% increase in the second quarter of 2014. Consumer prices were 4.4% higher than in 2013 and the corresponding increase after netting out the effects of the government's one-off relief measures was 3.5%. Seasonally adjusted unemployment rate was stable, at 3.3% in October to December 2014, reflecting tightness in the labour market.

The Hang Seng Index (HSI) closed the year at 23,605 points, up 1.3% from the 2013 close. The index significantly underperformed both the Shanghai Stock Exchange Composite Index and the Standard & Poor's 500 in 2014. The average daily turnover of the Main Board of the Stock Exchange of Hong Kong Limited in 2014 was HK$68.8 billion, 11% higher than its turnover in 2013. In addition, the RMB depreciated 2.4% against the US dollar in 2014, reversing the trend of gradual appreciation during 2013. Despite this, IPO activities in Hong Kong remained vibrant in 2014 with 122 new listings (including seven companies which moved their listings from the GEM to the Main Board), raising a total of HK$227.7 billion, up nearly 35% compared with 2013.

The Shanghai-Hong Kong Stock Connect was launched on 17 November 2014. As of the end of 2014, the average daily turnover for northbound trading was RMB5,584 million, in comparison with HK$929 million for southbound trading. The Shanghai-Hong Kong Stock Connect has opened up a new channel for investors in Mainland China and Hong Kong to trade eligible shares listed on each other's market. As widely reported, a Shenzhen-Hong Kong link will be the next stop for the Stock Connect "through train", so further mutual market access is expected.

RESULT ANALYSIS

The Group's strategy is to:

- prudently grow our loan businesses whilst maintaining a balance of yield relative to risk;

- grow fee income from the Sun Hung Kai Financial businesses through new segments and products whilst emphasising products with a lower correlation to market volatility, such as wealth management products; and

- continue to improve our balance sheet structure and efficiency.

During the year 2014, the Group performed in line with our overall goals. Our businesses expanded with revenue and operating earnings before bad and doubtful debts experiencing healthy double-digit increases, driven particularly by the growth in interest income on our loan books, as well as an overall lower cost-to-income ratio.

Group revenue increased by 15% and with the strongest growth area being revenue from Mainland China, which increased by 36% with the expanded reach of UAF and its 34% loan growth.

(HK$ Million)	2014	2013	Change
Revenue	**5,251.2**	**4,575.5**	**15%**
Operating Expenses	(2,224.3)	(1,959.2)	14%
As % of revenue ("cost to income")	*42.4%*	*42.8%*	
Finance costs	(455.1)	(400.5)	14%
Operating Earnings Before Bad and Doubtful Debts	**2,571.8**	**2,215.8**	**16%**
Bad and doubtful debts	(798.3)	(589.9)	35%
Operating Earnings	**1,773.5**	**1,625.9**	**9%**
Other income	208.8	103.8	307%
Other non operating expenses	–	(31.6)	
Net exchange gain (loss)	17.7	(75.8)	
Net profit on financial assets and liabilities	114.6	79.3	
Associates	5.6	11.8	
Joint ventures	37.2	6.8	
Profit Before Taxation	**2,157.4**	**1,720.2**	**25%**
Taxation	(359.2)	(260.3)	38%
Non-controlling interests	(469.8)	(408.3)	15%
Profit attributable to owners of the Company	**1,328.4**	**1,051.6**	**26%**

Total loans and advances to customers reached HK$18.5 billion as at 31 December 2014, an increase of 13% over 2013. Interest income increased by 17%.

(HK$ Million)	As at 31.12.2014	As at 31.12.2013	YoY Change
Loan Balances			
Consumer Finance loans	**11,391.7**	10,043.5	13%
Margin loans (Wealth Management and Brokerage segment)	**3,783.1**	3,918.7	-3%
Term loans (Structured Finance segment)	**3,346.0**	2,356.6	42%
Total	**18,520.8**	16,318.8	13%
	2014	2013	
Interest Income			
Consumer Finance	**3,742.5**	3,121.1	20%
Wealth Management and Brokerage	**307.5**	277.7	11%
Structured Finance	**353.4**	342.3	3%
Others	**22.0**	45.5	-52%
Total	**4,425.4**	3,786.6	17%

Total bad and doubtful debt expenses increased from HK$589.9 million to HK$798.3 million. The margin finance and structured finance loan books had an insignificant amount of bad debts and the Hong Kong consumer finance loan book benefited from an overall benign environment locally with sustained low unemployment. The increase in bad debts mainly stemmed from the loan business in Mainland China as the economic growth there slowed. The strong increase in the loan growth in Mainland China also resulted in a proportionately higher increase in the impairment allowance. However, given the context of the overall healthy total returns achieved on the Mainland China loan book, the risk-reward is favourable and long-term growth prospects remain. Bad debts are expected to remain a challenge with the slower economic growth. Nevertheless, looking beyond the cycle, the government's objective to achieve steady and more sustainable growth will be positive for the operating environment in the longer term.

The Group's Principal Investments segment achieved satisfactory results in 2014 and was the main contributor to profits from financial assets and liabilities. A number of the Group's earlier strategies to focus on the technology sector as well as investing alongside our core expertise are gradually paying off.

Other income of HK$208.8 million was recorded, mainly from the revaluation of investment properties as well as the sale of Sun Hung Kai Financial's former Macau branch office premises, which was surplus to business requirements.

To present the Group's earnings drivers more clearly, management has revised the segment information provided in this report. The Structured Finance business, previously grouped under Capital Markets, is now presented as a separate segment. The Derivatives Strategies Group has been re-classified from the Capital Markets segment to the Wealth Management and Brokerage segment. In addition, the allocation basis for costs incurred under Principal Investments has been amended to present a more transparent measurement of different segments' profitability.

POST-BALANCE SHEET DATE EVENT

On 1 February 2015, the Company entered into a sale and purchase agreement to sell 70% equity interest in SHKFGL to Everbright Securities for an initial consideration of HK$4,095 million. The transaction should close in 2015. The estimated profit on the disposal is HK$2,864 million and SHKFGL will become a 30% owned associate upon completion of the transaction. Details of the transaction were disclosed in the Company's circular dated 27 February 2015.

BUSINESS REVIEW
WEALTH MANAGEMENT & BROKERAGE

Wealth Management and Brokerage segment covers securities, structured products, futures, options, commodities, foreign exchange, discretionary portfolio management services, mutual funds and insurance. A platform under SHK Direct, "SHKF eMo!", is also available for customers who prefer to conduct trades on a "DIY" basis.

Sun Hung Kai Financial's total client assets under advice/ custody or management amount to over HK$84.7 billion as of 31 December 2014.

The Company's margin loan book was about HK$3.8 billion at the end of 2014.

(HK$ Million)	2014	2013	Change
Revenue	**1,010.8**	**936.3**	**8%**
– Interest Income	307.5	277.7	11%
– Brokerage/commission revenue	622.3	579.8	7%
– Other fee based income	81.0	78.8	3%
Operating costs	(808.5)	(752.7)	7%
Cost to income (% Revenue)	*80.0%*	*80.4%*	
Bad and doubtful debts	(17.2)	(26.2)	-34%
Finance costs^	(90.2)	(69.7)	29%
Operating Earnings	**94.9**	**87.7**	**8%**
Other income	0.9	2.0	
Exchange loss	(0.1)	(2.8)	
Net profit (loss) on financial assets and liabilities	(1.4)	22.5	
Joint ventures	3.9	3.6	
Pre-tax Contribution	**98.2**	**113.0**	**-13%**

^ Include internal

In 2014, we continued to move towards our goal of transforming Sun Hung Kai Financial to a full service wealth management firm. Commissions from wealth management products contributed 44% of total commissions of the segment and increased by 17% year on year. Total commission income of the segment increased by 7% over 2013. Increasingly, customers demand a more balanced and diversified selection of investment products. Over the past few years, we have developed solid capabilities across product research, sales support and customer education materials. For instance, in the range-bound 2014 market, market neutral offerings including structured products and bonds were in high demand by our customers.

Commission from brokerage products was consistent with the 2013 result. However, the momentum was positive towards the end of the year as market turnover picked up.

Total margin loans amounted to HK$3,783.1 million as at 31 December 2014, compared with HK$3,918.7 million as at the end of 2013. Total interest income increased by 11% with higher returns as the proportion of the loan book accounted for by lower-yielding customers declined. Margin financing for IPOs also increased.

Looking ahead, management is optimistic that the combination of Sun Hung Kai Financial and Everbright Securities will result in significant synergy. Whilst staying on course to become a full service wealth management firm, the Group should see strengthened business prospects amid deepening integration of the Hong Kong and Mainland China financial markets.

CAPITAL MARKETS

The Capital Markets segment services the Group's corporate and institutional clients. It encompasses corporate finance, equity capital markets, corporate sales and the institutional equities business.

The Capital Markets segment encompasses Sun Hung Kai Financial's Institutional Equities, Corporate Sales, Equity Capital Markets and Corporate Finance units.

(HK$ Million)	2014	2013	Change
Revenue	**44.6**	**82.8**	**-46%**
– Interest income	–	24.3	
– Brokerage/commission revenue	40.9	33.2	23%
– Other fee based income	3.7	25.3	-85%
Operating costs	(40.4)	(75.6)	-47%
Cost to income (% Revenue)	*90.6%*	*91.3%*	
Finance costs^	(0.2)	(6.6)	-97%
Operating Earnings	**4.0**	**0.6**	**567%**
Other income	0.3	2.6	
Exchange gain (loss)	(0.1)	0.3	
Net profit on financial assets and liabilities	7.4	5.9	
Pre-tax Contribution	**11.6**	**9.4**	**23%**

^ Include internal

There was no material business in the Corporate Finance during the year. The main contributor to revenue in 2014 was the Corporate Sales unit.

In the Equity Capital Markets unit, we participated in two IPOs as co-lead manager and underwriter, and in two placements as sole lead and joint lead placing agent. The aggregate amount raised was over HK$5 billion.

In January 2015, our corporate finance licence was re-activated and Sun Hung Kai Financial will be repositioning this business and will tap on new opportunities created through the partnership with Everbright Securities.

STRUCTURED FINANCE

Structured Finance segment provides corporate customer with innovative funding solutions including pre IPO financing, bridging loans, funding for merger and acquisitions, privatisations and share pledges.

(HK$ Million)	2014	2013	Change
Revenue	**375.8**	**365.4**	**3%**
– Interest income	353.4	342.3	3%
– Other fee based income	22.4	23.1	-3%
Operating costs	(65.9)	(64.0)	3%
Cost to income (% Revenue)	*17.5%*	*17.5%*	
Finance costs^	(165.3)	(163.6)	1%
Bad and doubtful debts	–	3.6	
Operating Earnings	**144.6**	**141.4**	**2%**
Other income	0.5	1.5	
Exchange loss	–	(25.7)	
Net profit (loss) on financial assets and liabilities	(42.4)	18.1	
Pre-tax Contribution	**102.7**	**135.3**	**–24%**

^ Include internal

The Group provides innovative funding solutions to corporate customers through its Structured Finance unit, which has been one of the key growth areas for the Group. Our strong knowledge of this niche but profitable business has enabled us to achieve attractive returns.

Over the past five years, the structured loan portfolio increased at a compound annual growth rate of 44%. In 2014, the loan balance increased by 42% to HK$3,346 million. As most of the increase in the loan book occurred in the last two months of 2014, the growth has not been fully reflected in the segment's revenue, which increased slightly by 3% for the year. Given increased market competition coupled with a different mix of loan nature, the yield achieved was slightly lower than the relevant yield in 2013.

A net loss on financial instruments in the amount of HK$42.4 million from the mark-to-market loss from the equity-linked component of one of our loans on completion of the associated IPO was recorded, reversing a gain which was booked previously in 2013.

As at 31 December 2014, the loan portfolio included borrowers operating in the following sectors: investments (68%); property development (21%); electric vehicles manufacturing (9%); and resources (2%). As we target to provide short and medium-term financing solutions to our clients, 56% of our loans are due on demand or within one year, and 44% from one to five years.

We plan to expand our Structured Finance business to a new high in 2015. As liquidity conditions for medium-sized enterprises have remained relatively tight in the market, the demand for funding solutions should continue to be buoyant.

CONSUMER FINANCE

United Asia Finance Limited ("UAF") is a 58% owned subsidiary focusing on unsecured personal loans and mortgage loans.

UAF started operations in Mainland China in 2007 and its aggregate loan balance in the country now accounts for 42% of UAF's total. UAF has built a branch network of 189 outlets across Hong Kong and 16 major cities in Mainland China.

UAF's total loan book is about HK$11 billion, 13% higher than at the end of 2013.

(HK$ Million)	2014	2013	Change
Revenue	**3,763.6**	**3,136.8**	**20%**
Operating costs	(1,347.1)	(1,102.7)	22%
Cost to income (% Revenue)	*35.8%*	*35.2%*	
Finance cost^	(263.8)	(218.2)	21%
Operating Earnings Before Bad and Doubtful Debts	**2,152.7**	**1,815.9**	**19%**
Bad and doubtful debts	(787.2)	(567.3)	39%
Operating Earnings	**1,365.5**	**1,248.6**	**9%**
Other income	6.5	5.0	
Exchange gain (loss)	35.7	(30.1)	
Pre-tax Contribution	**1,407.7**	**1,223.5**	**15%**

^ Include internal

The Group conducts its consumer finance business through UAF, a 58% indirectly owned subsidiary. UAF has an extensive network of 189 branches that covers Hong Kong and 16 cities in Mainland China. It offers loan products to consumers and small businesses. The gross loan balance as of the end of 2014 surpassed HK$12 billion. UAF's profit after tax attributable to shareholders reached HK$1,130.0 million (2013: HK$980.3 million), generating a 15.3% annual return on its average shareholders' funds of HK$7,393.7 million during the year.

UAF delivered a very satisfactory set of results for 2014 with robust growth in revenue and profit. Revenue rose by 20% and pre-tax contribution grew by 15% to HK$1,407.7 million. Despite the rapid expansion in Mainland China, UAF managed to largely maintain its operating efficiency with a cost-to-income ratio of 35.8% during the year, similar to the ratio in 2013. An exchange gain of HK$35.7 million was recorded during the year compared with a loss of HK$30.1 million in 2013. The gain arose largely from the exchange differences from the translation of UAF's RMB borrowings into Hong Kong dollars as the RMB depreciated against the Hong Kong dollar during 2014.

The consolidated gross loan balance (before provision for impairment allowance) advanced to HK$12.1 billion, a 14% annual increase against the balance at the end of 2013, driven by a 34% growth in the Mainland China loan portfolio as a result of UAF's expanded presence there as well as higher average loan balances from faster growth in small business loans. In Hong Kong, the loan portfolio balance remained stable with a 3% increment against the balance at the end of 2013.

Key Operating Data	**2014**	2013	Change
Net loan balance (HK$ Million)	**11,391.7**	10,043.5	13%
Gross loan balance (HK$ Million)	**12,148.3**	10,642.7	14%
– Hong Kong	**7,081.6**	6,859.8	3%
– Mainland China	**5,066.7**	3,782.9	34%
Total return on loans (Revenue/Gross loan balance)	**31.0%**	29.5%	
– Hong Kong	**27.8%**	26.4%	
– Mainland China	**35.5%**	35.0%	
Net charge-off ratio (On gross loan balance)	**5.1%**	4.1%	
– Hong Kong	**3.8%**	3.7%	
– Mainland China	**7.0%**	4.8%	
Average gross balance per loan (HK$)	**67,770**	61,382	10%
– Hong Kong (HK$)	**64,875**	64,546	1%
– Mainland China (RMB)	**57,835**	44,009	31%

Bad and Doubtful Debts and Impairment Allowances

(HK$ Million)	**2014**	2013
a. Amount written off	**(738.9)**	(519.3)
b. Recoveries	**114.2**	87.5
c. Charge to impairment allowance	**(162.5)**	(135.5)
Total charges for bad and doubtful debts	**(787.2)**	(567.3)
Impairment allowance at year end	**756.6**	599.2
Gross loan balance	**12,148.3**	10,642.7
Net charge off (a+b) as % of gross loan balance	**5.1%**	4.1%
Impairment allowance as % of gross loan balance	**6.2%**	5.6%

Ageing analysis for loans and advances to consumer finance customers that were past due but not impaired:

	2014		2013	
	HK$ Million	Note	HK$ Million	Note
Less than 31 days past due	**805.2**	7.1%	600.0	6.0%
31 – 60 days	**278.3**	2.4%	124.9	1.2%
61 – 90 days	**101.6**	0.9%	55.5	0.6%
91 – 180 days	**232.8**	2.1%	114.0	1.1%
Over 180 days	**36.9**	0.3%	24.7	0.3%
Total	**1,454.8**	12.8%	919.1	9.2%

Note: amount as % of net loan balance

Total bad and doubtful debt expenses increased to HK$787.2 million (2013: HK$567.3 million) during the year. These included bad debts written off (net of recovery) as well as charges arising from the impairment allowance (calculated on the basis of recent charge-off rates and current loan growth amounts).

During the year, the net charge-off ratio (the charge-off amount net of recoveries as a percentage of year end gross loan balance) increased to 5.1% (2013: 4.1%). The increase was driven by the Mainland China business whilst the Hong Kong business was steady, benefiting from low unemployment rates.

The general slowdown in the Mainland China economy has taken its toll on businesses in general. The net charge-off ratio in Mainland China was 7% in 2014; whilst that was higher than the 4.8% in 2013, it remained in a reasonable range given the high total return on the Mainland China loan portfolio. The Mainland China loan business continued to contribute impressive revenue and pre-tax contribution growth of 36% and 20% respectively over the year as the scale of the loan business achieved a level of economies for generating sustained growth in profit contribution. With UAF's considerable experience in managing growth throughout different business cycles, we will continue to take a balanced approach to growth. We remain confident about the potential and prospects of the market beyond short-term cyclical fluctuations.

Branch Network

City/Province	Number of new branches opened during 2014	Number of branches as at 31 December 2014
Hong Kong	1	50
Shenzhen	–	43
Shenyang	1	9
Chongqing	5	12
Tianjin	3	7
Chengdu	3	11
Yunnan	3	10
Dalian	–	9
Beijing	–	6
Wuhan	5	9
Shanghai	3	7
Fuzhou	2	5
Harbin	3	5
Nanning	2	2
Qingdao	2	2
Jinan	1	1
Guangzhou	1	1
Total	**35**	**189**

UAF added 34 new branches to its network in Mainland China in 2014 and by year end it had a total of 139 branches in Mainland China. Money lending businesses in Nanning, Qingdao and Jinan were launched during 2014. New products including secured and unsecured car loans were introduced to broaden its customer base and target a new cluster of borrowers.

One important development during the year was the establishment of a loan marketing and guarantee business in Mainland China and alliance with China Everbright Bank. The first marketing branch was set up in Guangzhou in October 2014 and business volume was satisfactory. Under this model, UAF originates loans through 亞洲第一信息諮詢(深圳)有限公司 (First Asian Financial Consultancy (Shenzhen) Limited) and another wholly-owned subsidiary, 新鴻基融資擔保(瀋陽)有限公司 (SHK Financing Guarantee (Shenyang) Limited), and provides credit guarantee for the loans to enable customers to borrow from China Everbright Bank or other platforms at preferential rates. This model allows UAF to further expand its customer reach beyond its licensed areas for the small loan business in a capital-light model on similar profitability. Given this positive experience, a gradual roll-out of a marketing network across Mainland China is being planned.

UAF also set up its capability to work with Internet company partners providing Internet financing platforms and other financial institutions using the guarantee model. Collaboration agreements with Souyidai (Beijing) Network Technology Limited (a company affiliated with Sohu.com Inc) ("Souyidai.com") and 上海點榮金融信息服務有限責任公司 ("Dianrong.com") were signed during the year. Under these collaboration agreements, UAF can market its loan products on the Internet platforms established by Souyidai.com and Dianrong.com. The guaranteed loans are then matched with investors through their platforms.

Building on the solid foundation of UAF's small loan business, we also embarked on various strategies to seek further growth opportunities through Internet finance channels. In July 2014, UAF entered into a long-term strategic cooperation with 58.com Inc. to develop Internet financial services in Mainland China. In December 2014, another alliance was made with Youche.com Inc., a leading second-hand car sales company in Beijing, with an objective to developing businesses relating to second-hand car financing, continuing UAF's new product roll-out.

In Hong Kong, competition in the consumer finance market remains strong. Notwithstanding this, UAF continues to reap a satisfactory return on its Hong Kong business as a result of a supportive domestic economy underpinned by strong private consumption and a low unemployment rate. New advertising campaigns with the theme "online-to-offline" (O2O) were launched to appeal to the increasing preference of customers to transact over the Internet marketplace.

Looking ahead, we expect uncertainty in the economic outlook for Mainland China with the recent downgrading of the growth projection for 2015. However, as the focus of the economy shifts to more consumption-led growth, management is optimistic about the prospects of the consumer finance market there. With UAF's expertise, knowledge and expanded marketing channels through various cooperation alignments with established Internet portals, UAF shall strive to capitalise on new opportunities and deal with the underlying challenges of the dynamic operating environment.

PRINCIPAL INVESTMENTS

Principal Investments segment carries two major categories of activity: Portfolio Investments and Group Management and Support (GMS). The investment portfolio consists of the Management Trading Book, Long-term Investment Portfolio and Commercial Real Estate Portfolio, which are professionally managed. GMS provides supervisory and administrative functions for all business segments, including management supervisory, controls, treasury and support.

The Group's capital has been invested in a portfolio of investments. The aim is to achieve above-market returns; capitalise on our expertise from our business operations; and create synergy with the rest of the Group.

The segment also includes the Group Management and Support (GMS) function that provides supervisory and administrative services to the other segments of the Group, including management supervision, controls, treasury and support. The business segments are serviced and appropriately charged by GMS so that their performance and returns can be measured on a commercial basis. These allocations are reflected in the operating earnings of this segment.

Operating earnings amounted to HK$164.5 million and contribution to pre-tax profit increased by 125% to HK$537.2 million, driven mainly by gains in the Management Trading Book and property portfolio.

(HK$ Million)	2014	2013	Change
Operating Earnings	**164.5**	**147.6**	**11%**
Other income	200.6	92.7	
Other non operating expenses	–	(31.6)	
Exchange loss	(17.8)	(17.5)	
Net profit on financial assets and liabilities	151.0	32.8	
Associates	5.6	11.8	
Joint Ventures	33.3	3.2	
Pre-tax Contribution	**537.2**	**239.0**	**125%**

The segment's investment portfolio had a carrying value of HK$1,400 million at the end of 2014:

1. The Management Trading Book recorded a profit of HK$171.5 million, or a 16.6% over an average balance of HK$1,033.3 million. This gain is satisfactory considering that the Hong Kong market was flat for the year. The portfolio consists of a range of listed and unlisted financial instruments that are managed towards returns in a context of controlled risks. The gains were recorded both on our own managed investment portfolio as well as our external professionally managed funds.

   For the internally managed portfolio, we adopted a bottom-up stock picking investment process and investment decisions were based on valuation, sector view as well as strategic suitability for the rest of the Group. For 2014, portfolio gains were mainly driven by our early positioning in Chinese equities, especially those in the financial sector. Satisfactory gains were also recorded in externally managed funds, particularly those in the healthcare and technology sectors for which we had held a positive view over the past few years. We also sought direct investments in companies which would bring strategic value to the Group. In the second half of the year, the Group made a strategic investment in Dianrong.com, one of the most advanced P2P lending platforms in Mainland China.

2. The segment's Long-term Investment Portfolio totalled HK$293.7 million at the end of 2014. The portfolio consisted of associates, joint ventures and available-for-sale investments with sound potential and/or added strategic value to the Group. Currently, the majority of the portfolio is invested in financial services firms alongside our wealth management and brokerage and consumer finance segments where we can also add value with our expertise. During the year, a joint venture investment company in Mainland China recorded a substantial mark-to-market gain from its holdings. Total share of profits from our associated companies and joint ventures amounted to HK$38.9 million (2013: HK$15.0 million). This is equivalent to a 17.7% return on the average carrying value.

3. Commercial Real Estate portfolio – The carrying value as at the end of 2014 was HK$812.4 million. A total pre-tax return of HK$203.6 million was generated, including HK$20 million in rental income; HK$43.7 million from fair value gain; and a realised return of HK$139.9 million from the sale of a branch premises of Sun Hung Kai Financial in Macau as included in "other income". The assets in the portfolio included office space in Admiralty, Hong Kong, and Shanghai. The return on the average value during the year was 26%.

Looking ahead, we are cautiously optimistic for 2015 but believe there is likely to be increased volatility across asset classes. On the one hand, we expect the US economy to continue to strengthen while the quantitative easing policies of different countries should limit the risk of a global slowdown. Mainland China's increasing transparency and reforms should enhance overall corporate governance in the longer term. However, we are mindful of the factors that will increase near-term volatility, including 1) the possibility of US interest rates rise in the second half of 2015; 2) the Eurozone's economic slowdown and political issues; and 3) negative headline news on Mainland China's slowing economy and anti-corruption drive.

With these factors in mind, we shall remain consistent with our investment approach from the previous years to prudently look for profitable and strategic investment and business opportunities, and realise our investments when the time is ripe.

OUTLOOK

The sale of 70% equity interest in SHKFGL to Everbright Securities will result in a gain of approximately HK$2,864 million for the Group in 2015. Upon completion, SHKFGL will become a 30% associate of the Group. Going forward, the Group's consolidated revenue and operating earnings will be driven by Structured Finance, Consumer Finance and Principal Investments segments. Nevertheless, management will continue to be fully supportive of the Sun Hung Kai Financial business as it explores new opportunities with Everbright Securities and the wider Everbright Group.

Looking ahead, whilst the economic slowdown in Mainland China may continue to have some impact on the credit quality of the Mainland China part of the Group's consumer finance loan book, management remains optimistic of UAF's market opportunity there together with our expertise and experience of managing this specialised business through different business cycles. The Group's financial position will also be much strengthened by the sale proceeds from the SHKFGL transaction. This will enable us to further expand our Consumer Finance, Structured Finance and Principal Investment businesses.

FINANCIAL REVIEW

Financial Resources, Liquidity and Capital Structure

Pursuant to a placing and top up subscription announced on 12 and 22 September 2014, the Company issued 160 million ordinary shares at a subscription price of HK$6.3 per share (the "Issue of Shares"), versus the closing price of HK$6.89 immediately preceding the date of the placing, to not less than six Hong Kong and international institutional investors. The Issue of Shares enabled the Company to further expand its business and operations and also increased the liquidity of the shares of the Company after the participation of more institutional investors. The aggregate gross and net proceeds from the issue were HK$1,008 million and approximately HK$996.5 million (representing a net price of approximately HK$6.23 per share). The proceeds were utilized to grow the Group's term loan book, as well as for general working capital purposes.

As at 31 December 2014, equity attributable to owners of the Company amounted to HK$14,927.0 million, representing an increase of HK$1,524.9 million or approximately 11.4% from 31 December 2013. During the year, the trustee of the SHK Employee Ownership Scheme ("EOS") acquired 1.2 million shares in the Company through purchases on market for shares awarded under the scheme. The Company also repurchased 30.0 million shares for a total consideration (including expenses) of HK$169.7 million. Details regarding share capital are set out in Note 38 to the consolidated financial statements.

The Group maintained a strong cash position. The short-term bank deposits, bank balances and cash amounted to HK$5,044.6 million at 31 December 2014 (at 31 December 2013: HK$3,738.5 million).

Meanwhile, the Group's total borrowings comprising bank and other borrowings, and notes, amounted to HK$10,738.4 million at 31 December 2014 (at 31 December 2013: HK$8,582.5 million). Of this amount, HK$3,905.2 million is repayable within one year and the balance of HK$6,833.2 million is repayable after one year (at 31 December 2013: HK$2,801.6 million and HK$5,780.9 million respectively).

As at 31 December 2014, the Group's notes comprised US dollar-denominated notes equivalent to HK$3,079.9 million and RMB-denominated notes equivalent to HK$628.6 million, which pay interest at fixed coupon rates. The Group's bank and other borrowings (which pay interest at floating interest rates) were in Hong Kong dollars, US dollars and RMB as at 31 December 2014. There are no known seasonal factors in the Group's borrowing profiles.

The Group's gearing ratio calculated on the basis of net debt to equity attributable to owners of the Company was approximately 38.1% as at 31 December 2014 (at 31 December 2013: approximately 36.1%). Net debt represents the total of bank and other borrowings, and notes less bank deposits, cash and cash equivalents.

The Group maintained foreign currency positions to cater for its present and potential investment and operating activities. Any exchange risks are closely monitored by the Group and held within approved limits.

Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

During the year, the Group acquired a 40% interest in PT UAF Jaminan Kredit, a joint venture, at a consideration of HK$42.3 million. The joint venture is incorporated in Indonesia and its principal activity is to provide credit guarantees. Excluding the above acquisition, there were no material acquisitions or disposals of subsidiaries, associates or joint ventures during the year.

Segment Information

Detailed segment information in respect of the revenue and profit or loss is shown in Note 6 to the consolidated financial statements.

Charges on Group Assets

Listed shares held by the Group with an aggregate value of HK$69.3 million were pledged in relation to various bank loans and overdraft facilities. Properties of the Group with a total book value of HK$799.0 million were pledged by subsidiaries to banks for facilities granted to them with a total outstanding loan balance of HK$75.2 million as at 31 December 2014.

Contingent Liabilities

Details regarding the contingent liabilities are set out in Note 42 to the consolidated financial statements.

HUMAN RESOURCES AND TRAINING

As at 31 December 2014, the Group's headcount stood at 7,197 (including investment/sales consultants), representing an approximate increase of 24.6% compared with 31 December 2013. This was due primarily to the expansion of UAF's business in Mainland China, which included the opening of 34 new branches during the year. Staff costs (including Directors' emoluments), contributions to retirement benefit schemes and expenses recognised for the EOS amounted to approximately HK$1,095.2 million (2013: HK$913.5 million).

The Group operates different compensation schemes to reflect different job roles within the organisation. For sales staff and investment/sales consultants, packages may consist of a base pay and commission/bonus/performance-based incentives or alternatively, may consist of commission/incentives. For non-sales staff, the compensation comprises either a base salary with bonus/share-based/performance-based incentives or base salary, as appropriate.

Under the EOS, selected employees or directors of the Group (the "Selected Grantees") were awarded shares of the Company. Following management's recommendation, a total of 1,698,000 shares were granted to the Selected Grantees during the year subject to various terms including, amongst other things, the vesting scale whereby awarded shares will vest and become unrestricted in various vesting periods. As at 31 December 2014, the outstanding awarded shares under the EOS (excluding shares awarded, but subsequently forfeited) amounted to 3,400,000 out of which 934,000 shares were awarded to Directors.

In alignment with the Group's Vision and Mission, its Core Values are integral to the selection, assessment, recognition, remuneration and training of its people. The Group is committed to fostering a culture of continuous learning and accelerating the professional development of its people through a mix of on-the-job training, coaching and learning interventions. The Group regards the well-being of its people as being of the utmost importance and provides a wide variety of wellness programmes.

CORPORATE SOCIAL RESPONSIBILITY

Community Involvement and Environmental Protection

As we grow our business, we never lose sight of our role as a responsible corporate citizen. Our member companies, SHKF and UAF, have been named as Caring Companies by the Hong Kong Council of Social Service for 13 and 10 consecutive years respectively in recognition of their commitment to caring for the community, the employees and the environment.

In 2014, SHKF staff volunteers joined volunteering activities with the Tung Wah Group of Hospitals to increase children's awareness of environmental protection. The company also sponsored staff members to participate in the UNICEF Charity Run 2014 to raise funds and promote healthy living. SHKF sponsored the Hong Kong Academy for Performing Arts to support its development, and its retainment of the best and brightest students with financial needs through scholarships. A donation was also made to the Hong Chi Association to support the organisation's work in assisting people with intellectual disabilities to develop their full potential.

We have also set up Sun Hung Kai Financial Foundation ("Foundation") to formalise our community involvement. Founded in March 2010, the Foundation's aims are to encourage a culture of giving and to inspire societal improvement in Hong Kong through supporting innovative ideas and projects in art and culture, education and medicine. We have made donations of over HK$1 million to support notable charities such as Yan Oi Tong, ORBIS, the Hong Kong Ballet, UNICEF and the Community Chest.

On the environmental protection front, progress has been made on the greening of our operations, with the launch of "Going Green" drives including Toner-save, Power-save and Paper-save programmes. "Go Green" initiatives have also been launched to encourage customers to shift to e-statements. For the fifth consecutive year, SHKF was delighted to sponsor the Earth Partner programme organised by Friends of the Earth to drive environmental protection. We expect more environmental programmes to be rolled out in the coming years as part of our Corporate Social Responsibility (CSR) commitment.

MANAGEMENT OF RISKS

Strong Risk Management Awareness

The Group adopts a comprehensive risk management framework. Risk management policies and procedures are regularly reviewed and updated to react to changes in market conditions and the Group's business strategy. The Risk Management Committee, a standing committee reporting to the Board of Directors, supervises risk-related policies necessary for monitoring and controlling major risks, arising from the Group's business activities, changing external risks and the regulatory environment.

Financial Risk Management

Financial risk management is designed to manage market risk, credit risk and liquidity risk.

Market risk concerns that the value of an investment will change due to movements in market factors and which can be further divided into equity risk, interest rate risk and foreign exchange risk.

Credit risk is the risk of losses arising from clients or counterparties failing to make payments as contracted.

Liquidity risk concerns that a given security or asset cannot be traded readily in the market to prevent a loss or make the required profit.

Financial risk management is discussed in greater detail in Note 46 to the consolidated financial statements.

Operational Risk Management

Operational risk is concerned with possible losses caused by inadequate or failed internal processes, people, systems or external events. The Group extends operational risk to cover potential losses arising from legal and compliance breaches. Operational risk is mitigated and controlled through establishing robust internal controls, setting out clear lines of responsibility, proper segregation of duties and effective internal reporting and contingency planning. It is our corporate culture that the business and operating line management are fully aware of, and responsible for, managing the operational risks of their business units on a day-to-day basis. Independent monitoring and reviews are conducted by various control functions including but not limited to Compliance and Internal Audit. The Compliance and Internal Audit of the Group reports regularly to the Group's senior management and the Audit Committee of the Board.

Reputational Risk Management

Reputational risk is related to the trustworthiness of a business. Loss of trust could result in the decline of the customer base, revenue erosion, costly litigation, destruction of shareholder value and damage to the Group's reputation as a whole. The Group manages reputational risk through sound corporate governance practices. Group employees and sales personnel are provided with comprehensive training and their work guided by operating procedures manuals that are regularly updated. The responsibilities and duties of staff are properly segregated. The internal control functions report directly to the Group's senior management.

EXECUTIVE DIRECTORS

Lee Seng Huang, aged 40, was appointed as an Executive Director and has been the Group's Executive Chairman of the Company since 1 January 2007. Mr. Lee was educated at the University of Sydney in Australia and has wide ranging financial services and real estate investment experience in the Asian region. He is currently the executive chairman of Mulpha International Berhad (a Malaysian listed conglomerate with operations in Malaysia, Australia and the United Kingdom) as well as Mulpha Australia Limited ("Mulpha Australia"), and the non-executive chairman of Aveo Group, a leading pure retirement group listed on the Australian Securities Exchange (the "ASX"). He is also a non-executive director of Mudajaya Group Berhad, a company listed on the Bursa Malaysia Securities Berhad. Mr. Lee is a trustee of Lee and Lee Trust, a discretionary trust owning a controlling interest in Allied Group Limited ("AGL"), a holding company of the Company through its interest in Allied Properties (H.K.) Limited ("APL"). Both AGL and APL are companies listed on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange"). Mr. Lee is also a director of United Asia Finance Limited ("UAF"), a subsidiary of the Company.

William Leung Wing Cheung, *BBS, JP*, aged 60, was appointed an Executive Director of the Company on 26 March 2012. He is currently the Group Deputy Chief Executive Officer of the Company and the Chief Executive Officer of Sun Hung Kai Financial Limited ("SHKF") and has over 30 years of experience in the banking and financial services industry. He joined Hang Seng Bank Limited ("HS Bank"), a company listed on the Hong Kong Stock Exchange, in 1994 as assistant general manager and head of credit card centre until his resignation in August 2011 with HS Bank, at which time he held the position of executive director and the head of personal banking. Prior to joining HS Bank, he had worked with American Express International Inc., Standard Chartered Bank in Hong Kong, Visa International and MasterCard International in Sydney. He was also a non-executive director of HSBC China Dragon Fund (a fund listed on the Hong Kong Stock Exchange) until his resignation in August 2011. Mr. Leung was educated at the Hong Kong Baptist College and obtained a Diploma of Arts in English Language and Literature in 1978. He was appointed Justice of the Peace in July 2005 and honoured with a Bronze Bauhinia Star by the Hong Kong Special Administrative Region Government in July 2009. Mr. Leung also holds directorships in various subsidiaries of the Company.

Joseph Tong Tang, aged 55, was appointed an Executive Director of the Company on 4 December 2003 and was the Group Chief Operating Officer of the Company from 1 December 2004 to 31 December 2006. Mr. Tong is currently the Chief Executive Officer of the Capital Markets and Institutional Brokerage. He has over 30 years of experience in the financial services industry, and previously held senior positions with a number of international banks and financial institutions, including ABN AMRO Bank, CCIC Finance Limited, Bain & Co. Securities Limited and Bali International Finance Limited. Mr. Tong has a Bachelor's Degree in Social Sciences from the University of Hong Kong and a Master's Degree in Business Administration from the Chinese University of Hong Kong, and is a fellow member of the Association of Chartered Certified Accountants. Mr. Tong is also an independent director of Jih Sun Financial Holding Co., Ltd (and two of its subsidiaries), the shares of which are listed on the Gre Tai Securities Market (GTSM) in Taiwan and an independent non-executive director of Carry Wealth Holdings Limited, a company listed on the Hong Kong Stock Exchange. Mr. Tong also holds directorships in various subsidiaries of the Company.

Peter Anthony Curry, aged 62, was appointed an Executive Director of the Company on 1 January 2011. He joined the Company as the Group Chief Financial Officer in November 2010. He graduated from the University of New South Wales with a Bachelor Degree of Commerce in 1974 and a Bachelor Degree of Laws in 1976. He became a chartered accountant and a barrister (non-practising) in Australia in 1978. He was elected as a fellow of The Institute of Directors in Australia in 1989. In 2002, he completed the PS 146 Compliance Program organised by Securities Institute in Australia. Mr. Curry has over 40 years of business experience. He joined Peat Marwick Mitchell (now known as KPMG) in Australia in 1974 upon graduation and worked as Tax Partner in 1983. Since that time he has worked in different listed and unlisted companies in Australia as executive director/managing director specialising in natural resources, corporate finance, mergers and acquisitions etc. Since 1995, Mr. Curry has been a director and shareholder in a corporate advisory firm which holds an Australian Financial Services licence. He has been involved in a range of public and private capital raisings, initial public offering related services and providing corporate and financial advisory services in relation to a range of business transactions including a wide range of mining projects. Mr. Curry is currently an alternate director to Mr. Lee Seng Hui (a non-executive director of APAC Resources Limited, a company listed on the Hong Kong Stock Exchange). Mr. Curry also holds directorships in various subsidiaries of the Company.

NON-EXECUTIVE DIRECTORS

Ahmed Mohammed Aqil Qassim Alqassim, aged 33, was appointed a Non-Executive Director of the Company on 20 March 2014. He holds an MBA from the University of Victoria, Canada. Mr. Alqassim is currently the chief executive officer of Dubai Group LLC (the "Dubai Group"). As at the date of this report, the Dubai Group, through its subsidiaries, is interested in 166,000,000 shares of the Company. Mr. Alqassim has an extensive experience working for leading local and international investment companies. Prior to joining the Dubai Group, he was director, investment banking at Emirates NBD Capital, where he led the equity capital markets team and mergers and acquisitions department of the bank. Previously, he had been head of strategic accounts at General Electric and assistant vice president of structured finance originations at Mubadala GE Capital. Mr. Alqassim is currently a non-executive director of Shuaa Capital PSC, a public company listed on the Dubai Financial Market, EFG-Hermes Holding Company SAE, a company listed on Egypt Stock Exchange and Bank Muscat SAOG, a company listed on Oman Stock Exchange.

Ho Chi Kit, aged 52, was appointed a Non-Executive Director of the Company on 13 July 2010 and was subsequently re-designated as an Alternate Director to Mr. Roy Kuan from 1 January 2011 to 22 August 2013. With effect from 22 August 2013, Mr. Ho was re-designated as a Non-Executive Director of the Company. He is a partner of CVC Asia Pacific Ltd ("CVC AP"), the adviser to the investment funds which ultimately own Asia Financial Services Company Limited ("AFSC"). As at the date of this report, AFSC holds 341,600,000 shares of the Company. Mr. Ho holds a B.S. (Honours) in Computer Science from the University of Manitoba and an MBA from the University of British Columbia. He is also a chartered financial analyst. Mr. Ho has been with CVC AP since 1999 and was responsible for CVC Capital Partners' investment activities in Hong Kong and Mainland China. Prior to CVC AP, Mr. Ho was an investment director of Citicorp Everbright China Fund where he actively led the fund's investments in China. Prior to that, he was the associate investment director of Citicorp Capital Asia Limited and assisted in building a regional investment portfolio for Citicorp in Asia. Mr. Ho is currently the vice chairman of Zhuhai Zhongfu Enterprise Co., Ltd., a company listed on the Shenzhen Stock Exchange, and a non-executive director of C.banner International Holdings Limited, a company listed on the Hong Kong Stock Exchange. He is also a director of SHKF and UAF, both are subsidiaries of the Company.

Roy Kuan, aged 48, was appointed an Alternate Director to Mr. Ho Chi Kit on 13 July 2010 and was subsequently re-designated as a Non-Executive Director of the Company from 1 January 2011 to 22 August 2013. With effect from 22 August 2013, Mr. Kuan was re-designated as an Alternate Director to Mr. Ho Chi Kit. He is a managing partner of CVC AP (the adviser to the investment funds which ultimately own AFSC) and a director of CVC Capital Partners SICAV-FIS S.A.. As at the date of this report, AFSC holds 341,600,000 shares of the Company. Mr. Kuan has worked at CVC AP and its predecessor firms since 1996. Mr. Kuan holds a BA from Georgetown University, US, and an MBA from the Wharton School University of Pennsylvania, US. Since 1 April 2010, Mr. Kuan is a commissioner of PT Matahari Department Stores Tbk in Indonesia.

Leung Pak To, aged 60, was appointed a Non-Executive Director of the Company on 13 July 2010. He has over 30 years of experience in investment banking, in particular, the field of corporate finance involving capital raising, mergers and acquisitions, corporate restructuring and reorganisation, investments and other general finance advisory activities in Hong Kong and Mainland China. Mr. Leung is currently the chairman of Greater China of and a managing partner of CVC AP (the adviser to the investment funds which ultimately own AFSC). As at the date of this report, AFSC holds 341,600,000 shares of the Company. Mr. Leung is a non-executive director of Imagi International Holdings Limited and an independent non-executive director of Shanghai Industrial Holdings Limited, both are listed on the Hong Kong Stock Exchange. During June 2001 to July 2006, Mr. Leung was chairman of Citigroup Global Markets in Asia. Prior to Citigroup, he was chief executive and vice chairman of BNP Paribas Peregrine Ltd. Mr. Leung holds an MBA and an undergraduate degree from the University of Toronto in Canada.

Liu Zheng, aged 32, was appointed an Alternate Director to Mr. Leung Pak To on 22 August 2013. He is a director of CVC AP (the adviser to the investment funds which ultimately own AFSC). As at the date of this report, AFSC holds 341,600,000 shares of the Company. Mr. Liu has been with CVC AP since 2007. Prior to joining CVC AP, he was with Citigroup Global Markets in Hong Kong. Mr. Liu holds a Bachelor of Business Administration degree in Accounting and Finance from The University of Hong Kong. He is also an alternate director to Mr. Ho Chi Kit as a director of SHKF and UAF, both are subsidiaries of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

David Craig Bartlett, aged 49, was appointed an Independent Non-Executive Director of the Company on 26 November 1999. Mr. Bartlett graduated with honours in law from Exeter University in the United Kingdom in 1988 and subsequently qualified as a solicitor in England & Wales, the Republic of Ireland and the Hong Kong Special Administrative Region. A former partner of the international law firm Clyde & Co., he regularly acted for and advised the Company and its subsidiaries before leaving private practice for a career in industry. Now based primarily in Europe, Mr. Bartlett is also an independent non-executive director of each of AGL and APL, the holding companies of the Company, and the shares of which are listed on the Hong Kong Stock Exchange.

Alan Stephen Jones, aged 71, was appointed an Independent Non-Executive Director of the Company on 3 January 2006. Mr. Jones, a chartered accountant, has extensive experience in management, administration, accounting, property development, carpark management, finance and trading, and has been involved in successful mergers and acquisitions of a number of public companies in Australia and internationally. He is also an independent non-executive director of each of AGL and APL, the holding companies of the Company, and the shares of which are listed on the Hong Kong Stock Exchange. Mr. Jones is also an independent non-executive director of Mount Gibson Iron Limited and a non-executive chairman of Air Change International Limited, both are listed on the ASX, as well as a non-executive director of Mulpha Australia.

Jacqueline Alee Leung, aged 54, was appointed an Independent Non-Executive Director of the Company on 1 November 2014. Ms. Leung is currently the president and managing director of Leighton Investments Limited and Leighton Textiles Company Limited. She was with Deloitte Touche Tohmatsu from February 2001 to August 2014. Prior to that, she worked at the mergers and acquisitions department of Oppenheimer & Co. Inc. in New York City. Ms. Leung is an active community leader and volunteer and has served as a member of the Vetting Committee for the Allocation of Sites and Start-up Loan for Post-secondary Education Providers under the Education Bureau of the Government of HKSAR since 2010. Over the years, she held various positions in charitable organisations in Hong Kong, such as the fundraising chairman for the Hong Kong Cancer Fund and a director at Po Leung Kuk. Ms. Leung graduated from Brown University and holds a Bachelor of Arts in economics and a Bachelor of Science with honors in engineering.

Peter Wong Man Kong, *BBS, JP*, aged 66, was appointed an Independent Non-Executive Director of the Company on 30 May 2001. Mr. Wong graduated from the University of California at Berkeley, U.S.A. with a Bachelor of Science Degree in Mechanical Engineering (Naval Architecture). He is the chairman of M.K. Corporation Limited, Culture Resources Development Co., Ltd. and North West Development Limited. He is also a non-executive director of Hong Kong Ferry (Holdings) Company Limited, an independent non-executive director of China Travel International Investment Hong Kong Limited, Far East Consortium International Limited, Glorious Sun Enterprises Limited, Chinney Investments, Limited, Sino Hotels (Holdings) Limited, New Times Energy Corporation Limited and MGM China Holdings Limited, all being companies listed on the Hong Kong Stock Exchange. Mr. Wong is serving as a deputy to the 12th National People's Congress of the People's Republic of China.

SENIOR MANAGEMENT

Simon Chow Wing Charn

Group Deputy Chief Executive Officer

Mr. Chow, aged 60, joined the Group in December 2014 as the Group Deputy Chief Executive Officer of the Company. He has more than 25 years' experience in the banking and financial services industry. Prior to joining the Group, Mr. Chow has been with Citibank for 18 years and his last position was the country manager for China consumer bank of Citibank. Before that, Mr. Chow held senior roles with UBS, Lehman Brothers, British Columbia Hydro and Power Authority and PricewaterhouseCoopers. Mr. Chow is a member of the Institute of the Chartered Accountants of Canada. He holds a Bachelor of Science and a Licentiate in Accounting Degree from the University of British Columbia.

Akihiro Nagahara

Managing Director and Chief Executive Officer, United Asia Finance Limited

Mr. Nagahara, aged 74, is the Managing Director and CEO of UAF and a director of various subsidiaries of UAF. He holds a law degree from the National Taiwan University and a Master's Degree from the Graduate School in Law of the National Hitotsubashi University of Japan where he also completed his doctorate courses. He is an acknowledged expert in the consumer finance business in Hong Kong and is credited with the successful establishment of Public Finance Limited (formerly known as JCG Finance Company, Limited). He is also the chairman of The Hong Kong S.A.R. Licensed Money Lenders Association Limited, a position he has held since its establishment in 1999, which is the only industry representative association of licensed money lenders in Hong Kong.

Paul Leung Tung Yip

Chief Financial Officer, Sun Hung Kai Financial Limited

Mr. Leung, aged 59, joined the Group in December 2010. Mr. Leung is the Chief Financial Officer of SHKF and a director of various subsidiaries of the Company. He has worked in senior finance management roles for more than 25 years in investment banks and commercial banks in Hong Kong and Australia. Prior to joining the Group, he was the chief financial officer, Greater China of the Royal Bank of Scotland, Hong Kong Branch and had worked at ABN AMRO Bank N.V., Indosuez W I Carr Securities Limited, Smith New Court (Far East) Limited, Merrill Lynch (Australia) Pty Limited. Mr. Leung graduated from the University of Hong Kong with a Bachelor Degree of Social Sciences, majoring in economics and business management. He completed his chartered accountancy articleship training in London, United Kingdom and is an associate member of the Institute of Chartered Accountants in England and Wales and a fellow member of the Hong Kong Institute of Certified Public Accountants.

Kevin Tai Yiu Kuen

Chief Operating Officer, Wealth Management & Brokerage, Sun Hung Kai Financial Limited

Mr. Tai, aged 48, joined the Group in July 2000. Mr. Tai has held a number of senior positions across various business functions within the Group and is presently the Chief Operating Officer, Wealth Management and Brokerage and a director of SHKF and its various subsidiaries. He has more than 20 years' experience in the financial services industry. Prior to joining the Group, Mr. Tai was head of settlement at CLSA Limited. Before that, Mr. Tai was vice president of regional middle office for global equities at J.P. Morgan Securities (Asia Pacific) Limited.

The Company is committed to maintaining a high standard of corporate governance within a sensible framework, with an emphasis on the principles of integrity, transparency, accountability and equity. The Board of Directors believes that good corporate governance is essential to the success of the Company and to the enhancement of shareholder value.

CORPORATE GOVERNANCE CODE

In the light of the Corporate Governance Code and Corporate Governance Report (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), the Board has reviewed the corporate governance practices of the Company with the adoption of the various enhanced procedures which are detailed in this report. The Company has applied the principles of, and complied with, the applicable code provisions of the CG Code during the year ended 31 December 2014, except for certain deviations as specified with considered reasons for such deviations as explained below. The Board will review the current practices at least annually, and makes appropriate changes if considered necessary.

THE BOARD

The Board currently comprises 11 members, with four Executive Directors, three Non-Executive Directors (the "NEDs") (and two Alternate Directors) and four Independent Non-Executive Directors (the "INEDs"):

Executive Directors:	Lee Seng Huang *(Group Executive Chairman)*
	William Leung Wing Cheung
	Joseph Tong Tang
	Peter Anthony Curry
NEDs	Ahmed Mohammed Aqil Qassim Alqassim
	Ho Chi Kit *(Roy Kuan as his alternate)*
	Leung Pak To *(Liu Zheng as his alternate)*
INEDs	David Craig Bartlett
	Alan Stephen Jones
	Jacqueline Alee Leung
	Peter Wong Man Kong

The brief biographical details of the Directors are set out in the Profiles of Directors and Senior Management on pages 29 to 33.

BOARD PROCESS

During the year, the NEDs (four of whom were independent) provided the Company and its subsidiaries (the "Group") with a wide range of expertise and experience. Their active participation in the Board and committee meetings brought independent judgment on issues relating to the Group's strategy, performance and management process, at the same time taking into account the interests of all shareholders of the Company (the "Shareholders").

Upon the retirement of Mr. Carlisle Caldow Procter as an INED on 4 June 2014, the Board comprised a total of four Executive Directors, three NEDs and three INEDs, which fell below the number of INEDs making up not less than one-third of the Board as required under Rule 3.10A of the Listing Rules. Following the appointment of Ms. Jacqueline Alee Leung as an INED on 1 November 2014 and up to the date of this report, the Board comprises a total of four Executive Directors, three NEDs and four INEDs, representing one-third of its members as INEDs in compliance with Rule 3.10A of the Listing Rules. Up to the date of this report, two out of the four INEDs have the appropriate professional qualifications or accounting or related financial management expertise specified under Rule 3.10 of the Listing Rules. The Board has received from each INED an annual confirmation of his/her independence and considers that all the INEDs are independent in accordance with the guidelines set out in Rule 3.13 of the Listing Rules.

The Board meets regularly to discuss the overall strategy as well as the operation and financial performance of the Group, in addition to meetings for reviewing and approving the Group's annual and interim results and other ad hoc matters which need to be dealt with by the Board. The chief financial officer and other relevant senior executives are invited to attend Board meetings to make presentations and answer the Board's enquiries.

During the year, eight Board meetings were held. The individual attendance records of each Director at the meetings of the Board, Remuneration Committee, Audit Committee and the annual general meeting of the Company ("AGM") during the year ended 31 December 2014 are set out as follows:

	Number of meetings attended/entitled to attend			
Name of Directors	**Board**	**Remuneration Committee**	**Audit Committee**	**AGM**
Executive Directors:				
Lee Seng Huang	8/8			yes
William Leung Wing Cheung	8/8			yes
Joseph Tong Tang	8/8			yes
Peter Anthony Curry	8/8			yes
NEDs:				
Ahmed Mohammed Aqil Qassim Alqassim *(appointed on 20 March 2014)*	3*/6			yes
Ho Chi Kit	2#/8	0#/1	0#/3	yes
Leung Pak To	7^/8			yes
Goh Joo Chuan *(resigned on 20 March 2014)*	0/2			n/a
INEDs:				
Alan Stephen Jones	8/8	1/1	3/3	yes
David Craig Bartlett	7/8	1/1	2/3	yes
Jacqueline Alee Leung *(appointed on 1 November 2014)*	2/2	n/a	1/1	n/a
Peter Wong Man Kong	6/8	1/1	2/3	yes
Carlisle Caldow Procter *(retired on 4 June 2014)*	2/2	1/1	1/1	n/a

Notes:

* *Three board meetings were attended by himself, while another three board meetings were attended by his representative*

\# *Two board meetings were attended by himself, while six board meetings, one remuneration committee meeting and three audit committee meetings were attended by his representative*

^ *seven board meetings were attended by himself, while one board meeting was attended by his alternate*

The Board has reserved for its decision or consideration matters covering mainly the Group's overall strategy, annual operating budget, annual and interim results, approval of Directors' appointment or re-appointment (based on the recommendations made by the Nomination Committee), material contracts and transactions, corporate governance as well as other significant policy and financial matters. The Board has delegated the daily operation and administration responsibilities to the executive management under the instruction/supervision of the Executive Committee which has its specific written terms of reference. The respective functions of the Board and management of the Company have been formalised and set out in writing. The Board reviews these procedures from time to time to ensure that they are consistent with the existing rules and regulations.

Regular Board meetings each year are scheduled in advance to facilitate maximum attendance of Directors. At least 14 days' notice of a Board meeting is normally given to all Directors who are given an opportunity to include matters for discussions in the agenda. The Company Secretary assists the Chairman in preparing the agenda for meetings, and ensures all applicable rules and regulations are complied with. The agenda and the accompanying Board papers are normally sent to all Directors at least three days prior to the proposed Board meeting (and so far as practicable for other Board meetings). Draft minutes of each Board meeting are circulated to all Directors for their comment before being tabled at the following Board meeting for approval. Minutes of meetings are kept by the Company Secretary and are open for inspection at any reasonable time on reasonable notice by any Director.

According to current Board practice, if a substantial shareholder or a Director has a conflict of interest in a matter to be considered by the Board which the Board has determined to be material, the matter cannot be dealt with by a written resolution of the Board but must be dealt with by the Board at a duly convened Board meeting. The Articles of Association of the Company (the "Articles") stipulate that save for the exceptions as provided therein, a Director shall abstain from voting and not be counted in the quorum at meetings of the Board for approving any contract or arrangement in which such Director or any of his associate(s) has a material interest. The Board will also follow rules stipulated in the Listing Rules in this regard.

Every Director is entitled to have access to Board papers and related materials and has access to the advice and services of the Company Secretary. The Board and each Director also have separate and independent access to the Company's senior management. In addition, a written procedure has been established since June 2005 to enable the Directors, in the discharge of their duties, to seek independent professional advice in appropriate circumstances at a reasonable cost to be borne by the Company.

DIRECTORS' CONTINUOUS PROFESSIONAL DEVELOPMENT

Directors will continuously be updated on major developments of the Listing Rules and other applicable regulatory requirements to ensure compliance and upkeep of good corporate governance practices. During the year, the Company has organised a briefing session relating to the "Revised Chapter 14A of the Main Board Rules on Connected Transactions effective 1 July 2014" conducted by Messrs. P. C. Woo & Co. for the Directors.

For continuous professional development, in addition to Directors' attendance at meetings and review of papers and circulars sent by management, Directors participated in the activities including the following:

	Participation in Continuous Professional Development Activities	
Name of Directors	**Reading regulatory updates**	**Attending trainings/briefings/ seminars/conference relevant to Directors' duties**
Executive Directors:		
Lee Seng Huang	✓	✓
William Leung Wing Cheung	✓	✓
Joseph Tong Tang	✓	✓
Peter Anthony Curry	✓	✓
NEDs:		
Ahmed Mohammed Aqil Qassim Alqassim *(appointed on 20 March 2014)*	✓	✓
Ho Chi Kit	✓	✓
Leung Pak To	✓	✓
Roy Kuan *(alternate to Mr. Ho Chi Kit))*	✓	✓
Liu Zheng *(alternate to Mr. Leung Pak To)*	✓	✓
Goh Joh Chuan *(resigned on 20 March 2014)*	✓	✓
INEDs:		
Alan Stephen Jones	✓	✓
David Craig Bartlett	✓	✓
Jacqueline Alee Leung *(appointed on 1 November 2014)*	✓	✓
Peter Wong Man Kong	✓	✓
Carlisle Caldow Procter *(retired on 4 June 2014)*	✓	✓

ROLES OF CHAIRMAN AND CHIEF EXECUTIVE

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Under the current organisational structure of the Company, the functions of a chief executive are performed by the Group Executive Chairman, Mr. Lee Seng Huang, in conjunction with the two Group Deputy Chief Executive Officers, namely Mr. William Leung Wing Cheung and Mr. Simon Chow Wing Charn. The Group Executive Chairman oversees the Group's principal investments, as well as the Group's interest in United Asia Finance Limited whose day-to-day management lies with its designated Managing Director. Mr. William Leung leads the overall business of Sun Hung Kai Financial Limited ("SHKF"). Mr. Simon Chow assists the Group Executive Chairman in driving the performance of other business segments of the Group as well as exploring new areas of growth.

The Board believes that this structure spreads the workload that would otherwise be borne by an individual chief executive, allowing the growing businesses of the Group to be overseen by appropriately qualified and experienced senior executives in those fields. Furthermore, it enhances communications and speeds up the decision-making process across the Company. The Board also considers that this structure will not impair the balance of power and authority between the Board and management of the Company. An appropriate balance can be maintained by the operation of the Board, which holds at least four regular meetings a year to discuss business and operational issues of the Group.

The Group Executive Chairman is responsible for the leadership of the Board, ensuring all key and appropriate issues are discussed by the Board in a timely and constructive manner; all Directors are properly briefed on issues arising at Board meetings, and that the Directors receive in a timely manner, adequate information is accurate, clear, complete and reliable.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

The terms of reference of the Nomination Committee include a nomination procedure specifiying the process and criteria for selection and recommendation of candidates for directorships of the Company.

New Directors, upon appointment, will be given an induction package containing all key applicable regulations and the Listing Rules requirements, as well as guidelines on the responsibilities and obligations to be observed by a Director. The package will also include the latest published financial reports of the Company and the documentation for the corporate governance practices adopted by the Board. Senior management will subsequently conduct such briefings as necessary to give the new Directors more detailed information on the Group's businesses and activities.

All NEDs (including the INEDs) of the Company were appointed for a specific term of two years, and are subject to the relevant provisions of the Articles or any other applicable laws whereby the Directors shall vacate or retire from their office but eligible for re-election. The term of appointment of the NEDs (including the INEDs) has been renewed for further two years commencing from 1 January 2015.

According to the Articles, any Director appointed to fill a casual vacancy shall hold office until the Company's next following general meeting and shall be eligible for re-election. Any Director appointed as an addition to the Board shall hold office only until the next following AGM of the Company and shall be eligible for re-election at that meeting. Further, at each AGM of the Company, one-third of the Directors for the time being (or, if their number is not a multiple of three, then the number nearest to but not less than one-third) shall retire from office by rotation. Every Director shall be subject to retirement by rotation at least once every three years.

BOARD DIVERSITY

The Company recognises and embraces the benefits of having a diverse Board, and sees increasing diversity at Board level as an essential element in maintaining an effective Board to enhance the quality of its performance. The Board has adopted the Board Diversity Policy with an aim to promote broad experience and diversity on the Board.

The objectives of the Board Diversity Policy include:

(i) the Board should possess a balance of skills and experience appropriate for the requirement of the business of the Company. The Directors should have a mix of finance, legal and management qualifications with considerable experience in diversified business;

(ii) selection of candidates for directorship will be based on a broad range of perspectives, including but not limited to gender, age, cultural and educational background; and

(iii) Directors (especially the NEDs) are encouraged to participate in Board meetings to bring an independent judgment, to promote critical review and to bring a wide range of business and financial experience to the Board which contributes to the effective direction of the Company.

Appointments to the Board should be made in the context of complementing and expanding the skills, knowledge and experience of the Board as a whole and candidates will be considered against measureable objectives, taking into account the Company's business and needs.

CORPORATE GOVERNANCE FUNCTIONS

To maintain a high standard of corporate governance within a sensible framework, with an emphasis on the principles of integrity, transparency, accountability and equity, the Company has adopted a Corporate Governance Policy and the terms of reference of the Board with effect from 1 April 2012.

The major duties of the Board in respect of performing the corporate governance functions are:

(i) to develop and review the Company's policies and practices on corporate governance;

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

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

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

(v) to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

In 2014 and up to the date of this report, the Board has performed the corporate governance duties in accordance with its terms of reference.

BOARD COMMITTEES

The Board has established various committees, including the Nomination Committee, Remuneration Committee, Audit Committee, Executive Committee and Risk Management Committee, each of which has its specific written terms of reference. Copies of minutes of all meetings and resolutions of the committees, which are kept by the Company Secretary, are circulated to all Board members, and the committees are required to report back to the Board on their decisions and recommendations where appropriate. The procedures and arrangements for a Board meeting, as mentioned above, have been adopted for the committee meetings so far as practicable.

Nomination Committee

The Nomination Committee has been established since April 2012 and currently consists of one Executive Director, four INEDs and one NED, including Messrs. Lee Seng Huang (Chairman of the Committee), Ho Chi Kit (with Mr. Roy Kuan as his alternate), David Craig Bartlett, Alan Stephen Jones, Peter Wong Man Kong and Ms. Jacqueline Alee Leung. The Nomination Committee is provided with sufficient resources to perform its duties, including, where necessary, to seek independent professional advice, at the Company's expense, to perform its responsibilities.

The duties and authorities of the Nomination Committee are contained in the terms of reference of the Nomination Committee, which are fully complied with the code provision A.5.2 of the CG Code and are available on the websites of The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") and the Company.

The Nomination Committee shall hold meeting when necessary in accordance with its terms of reference and may also deal with matters by way of circulation. In 2014, no Nomination Committee meeting was held while the Committee dealt with matters by way of circulation. In 2014 and up to the date of this report, the Nomination Committee performed work as summarised below:

(i) reviewed the structure, size and diversity of the Board;

(ii) assessed and confirmed the independence of each INED;

(iii) reviewed and recommended to the Board the retiring Directors to stand for re-election by the Shareholders at the 2014 AGM and 2015 AGM; and

(iv) reviewed and recommended to the Board the appointment of a NED and an INED during the year.

Remuneration Committee

The Remuneration Committee has been established since April 1985 and currently consists of four INEDs and one NED, including Messrs. Peter Wong Man Kong (Chairman of the Committee), David Craig Bartlett, Alan Stephen Jones, Ho Chi Kit (with Mr. Roy Kuan as his alternate) and Ms. Jacqueline Alee Leung.

The Remuneration Committee is provided with sufficient resources to perform its duties, including where necessary, to seek independent professional advice, at the Company's expense, to perform its responsibilities.

The duties and authorities of the Remuneration Committee are contained in the terms of reference of the Remuneration Committee which are available on the websites of the Hong Kong Stock Exchange and the Company.

The terms of reference of the Remuneration Committee adopted by the Company are in compliance with the code provision B.1.2 of CG Code except that the Remuneration Committee should make recommendations to the Board on the remuneration packages of the Executive Directors only and not senior management (as opposed to executive directors and senior management under the code provision). The reasons for the above derivations are summarised as below:

(i) the Board believes that the Remuneration Committee is not properly in a position to evaluate the performance of senior management and that this evaluation process is more effectively carried out by the Executive Directors;

(ii) the Executive Directors must be in a position to supervise and control senior management and thus must be able to control their compensation; and

(iii) there is no reason for Executive Directors to pay senior management more than industry standards and thus Shareholders will benefit by reducing costs in the fixing of such compensation packages.

The Remuneration Committee shall meet at least once a year in accordance with its terms of reference. One Remuneration Committee meeting was held in 2014 and the attendance of each member at the meeting is set out in the section headed "Board Process" of this report.

In 2014, the Remuneration Committee performed work as summarized below:

(i) reviewed the policy and structure for the remuneration of Directors;

(ii) reviewed the remuneration packages of the Executive Directors and recommended an increase in the monthly salary of the four Executive Directors commencing from the year 2014 for the Board's approval;

(iii) reviewed and recommended bonuses for the year ended 31December 2013 for the four Executive Directors for the Board's approval; and

(iv) reviewed the remuneration of all Directors (including the INEDs) and consultancy fees of the INEDs.

Each Director is currently entitled to a fee which is to be proposed for the Shareholders' approval at the AGM of the Company. Further remuneration payable to Directors (including any consultancy fees to the INEDs) for their additional responsibilities and services will be determined according to their respective contractual terms under their employment contracts or service contracts as approved by the Board on the recommendation of the Remuneration Committee. Details of the Directors' remuneration are set out in Note 8 to the consolidated financial statements. In addition, the annual remuneration payable to members of the senior management by band is set out in Note 8 to the consolidated financial statements. Details of the remuneration policy of the Group are also set out in the "Human Resources and Training" section in the Management Discussion and Analysis on pages 26 to 27.

After the end of the reporting period, a Remuneration Committee meeting was held to review the policy and structure of the Directors' remuneration; and the remuneration packages of the Directors. The Remuneration Committee recommended to the Board (i) the payment of the discretionary bonuses for the year 2014 and (ii) an increase to the monthly salary commencing from year 2015 to the four Executive Directors as follows:

Mr. Lee Seng Huang

– 2014 bonus of HK$20,000,000 in cash; and

– an increase of 7.5% to the monthly salary.

Mr. William Leung Wing Cheung

– 2014 bonus of HK$2,250,000 in cash and HK$1,500,000 in the form of deferred cash which shall be paid in two equal portions in April 2016 and April 2017 respectively; and

– an increase of 2% to the monthly salary.

Mr. Joseph Tong Tang

– 2014 bonus of HK$1,000,000 in cash and such number of shares of the Company to be awarded under the EOS equivalent to HK$250,000; and

– an increase of 4% to the monthly salary.

Mr. Peter Anthony Curry

– 2014 bonus of HK$1,200,000 in cash and such number of shares of the Company to be awarded under the EOS equivalent to HK$800,000; and

– an increase of 4% to the monthly salary.

The Board subsequently approved these recommendations put forward by the Remuneration Committee.

For the purpose of Rule 13.51B(1) of the Listing Rules, amount for the monthly rental-related expenses which form part of the emoluments of Mr. Lee Seng Huang and are varying in nature have changed. The monthly rental payable by the Company for Mr. Lee Seng Huang increased by HK$25,000 effective from 22 February 2015.

Audit Committee

The Audit Committee has been established since April 1985 and currently consists of four INEDs and one NED. To retain independence and objectivity, the Audit Committee is chaired by an INED who possesses appropriate professional qualifications or accounting or related financial management expertise. The current members of the Audit Committee are Messrs. Alan Stephen Jones (Chairman of the Committee), David Craig Bartlett, Peter Wong Man Kong and Ho Chi Kit (with Mr. Roy Kuan as his alternate) and Ms. Jacqueline Alee Leung. The Audit Committee is provided with sufficient resources to perform its duties and has access to independent professional advice according to the Company's policy when necessary.

The responsibilities and duties of the Audit Committee are contained in the terms of reference of the Audit Committee which are available on the websites of the Hong Kong Stock Exchange and the Company.

The terms of reference of the Audit Committee of the Company are revised from time to time to comply with the code provision C.3.3 of the CG Code, but with deviations from the code provision regarding the Audit Committee's responsibilities to:

(i) implement policy on the engagement of the external auditor to supply non-audit services;

(ii) ensure that management has performed its duty to have an effective internal control system;

(iii) ensure coordination between the internal audit and external auditor; and

(iv) ensure that the internal audit is adequately resourced and has appropriate standing within the Company.

The Board considers that the Audit Committee of the Company should recommend (as opposed to implement under the code provision) the policy on the engaging the external auditor to supply non-audit services for the following reasons:

(i) it is more proper and appropriate for the Board and its committees to develop policy and make appropriate recommendations;

(ii) the proper and appropriate mechanism for implementation of such policy and recommendations is through the Executive Directors and management; and

(iii) the INEDs are not in an effective position to implement policy and follow up the same on a day-to-day basis.

Further, the Board considers that the Audit Committee only possesses the effective ability to scrutinise (as opposed to ensure under the code provision) whether management has performed its duty to have an effective internal control system. The Audit Committee is not equipped to ensure that the same is in place, as this would involve day-to-day supervision and the employment of permanent experts. The Audit Committee is not in a position to ensure coordination between the internal audit and external auditor, but it can promote the same. Similarly, the Audit Committee cannot ensure that the internal audit is adequately resourced and has appropriate standing within the Company but it can check whether it is adequately resourced and has appropriate standing within the Company, and recommend the correction of any identified deficiency.

The Audit Committee shall meet at least three times a year in accordance with its terms of reference. Three Audit Committee meetings were held in 2014 and the attendance of each member at these meetings is set out in the section headed "Board Process" of this report.

Apart from Committee meetings, the Audit Committee would also deal with matters by way of circulation, when necessary. In 2014 and up to the date of this report, the Audit Committee performed the work as summarised below:

(i) considered and approved the terms of engagement and fees proposed by the external auditor regarding the interim review for the six months ended 30 June 2014 and the final audit of the Group for the year ended 31 December 2014;

(ii) reviewed the reports from the external auditor and management representation letters in relation to the final audit of the Group for the years ended 31 December 2013 and 2014;

(iii) reviewed the report from the external auditor and management representation letter in relation to the interim review for the six months ended 30 June 2014;

(iv) reviewed the financial reports for the years ended 31 December 2013 and 2014, and for the six months ended 30 June 2014 and recommended the same for the Board's approval;

(v) reviewed the audit planning memorandum for the year ending 31 December 2015 submitted by the Internal Audit Department; and

(vi) reviewed the lists of audit reports issued by the Internal Audit Department and discussed the risk and internal control issues of the Group.

Executive Committee

The Executive Committee has been established since November 1983 and currently consists of four Executive Directors, being Messrs. Lee Seng Huang (Chairman of the Committee), William Leung Wing Cheung, Joseph Tong Tang and Peter Anthony Curry. The Executive Committee is vested with all the general powers of management and control of the activities of the Group as are vested in the Board, save for those matters which are reserved for the Board's decision and approval pursuant to the written terms of reference of the Executive Committee.

The Executive Committee is mainly responsible for undertaking and supervising the day-to-day management of the Company, and is empowered, subject to the general policies adopted by the Board:

(i) to formulate and implement policies for the business activities, internal control and administration of the Group; and

(ii) to plan and decide on strategies to be adopted for the business activities of the Group.

Risk Management Committee

The Risk Management Committee (the "RMC") consists of four Executive Directors, being Messrs. Lee Seng Huang (Chairman of the Committee), Joseph Tong Tang (Alternate Chairman of the Committee), William Leung Wing Cheung and Peter Anthony Curry, one NED, being Mr. Ho Chi Kit (with Mr. Roy Kuan as his alternate).

The major roles and responsibilities of the RMC are:

(i) to analyse and define risks likely to be encountered by the Group in the various aspects of its operation;

(ii) to ensure through appropriate mechanisms including setting up committee(s) and supervision by divisional/ department heads, adequate review, assessment, recording and monitoring of the risks which may be encountered by the Group and the effectiveness of the Group's system of internal controls, including but without limiting the financial, operational and compliance controls and risk management functions;

(iii) to act as a provider of assurance (in conjunction with the Group's Internal Audit and Compliance departments and the Group's external auditor) to the Board in its annual review of:

(a) the changes in the nature and extent of significant risks likely to be encountered by the Group since the last annual review, and the Group's ability to respond to such changes in its business activities and external environment;

(b) the scope and quality of management's ongoing monitoring of risks and system of internal controls;

(c) the adequacy of the extent, and frequency of the communication relating to results of monitoring to the Board such that both the Board and the Audit Committee are able to develop a cumulative assessment of the state of control undertaken across the Group and the effectiveness in which risks are being managed;

(d) any major incident that poses substantial risk and/ or loss exposure to the Group, whether actual loss is incurred or not; in the event of likely or actual violations of the Code of Conduct or applicable laws, regulations, regulatory guidelines/ codes; significant internal policy, operational or technological failures; and any other significant events that may expose the Group to substantial reputational risk;

(e) the effectiveness of the Group's processes relating to financial reporting and Listing Rules compliance; and

(f) all other relevant issues appropriate to risk identification and management and internal control issues.

Special attention is required on the risk factors affecting the finance industry, a Risk Management Committee of SHKF group ("RMC-SHKF") was set up to increase focus on risk monitoring. The RMC-SHKF is filled with three Executive Directors, an alternate Director of a NED and senior management of SHKF group as members and it reports to the RMC.

The RMC would meet if necessary, as directed by the Chairman of the RMC based on the important issues and needs covered by the RMC-SHKF. In 2014, no meetings of the RMC of the Company were held and four meetings of RMC-SHKF were held.

In 2014 and up to the date of this report, the RMC, with RMC-SHKF reporting to it, performed and monitored the followings:

(i) commanded independent internal control reviews by major professional firms to enhance and improve securities business controls;

(ii) reviewed the legal and compliance issues and requirements arising from business activities and regulatory issues;

(iii) determined the feasible market risk monitoring and reporting approaches;

(iv) controlled and reviewed the annual responsibility statement regarding risk, compliance and internal control procedures for the financial year ended 31 December 2014; and

(v) reviewed and regularly updated important risk mitigating measures and controlling parameters e.g. Business Continuity Plan, risk limits.

COMPANY SECRETARY

Ms. Hester Wong Lam Chun is an employee and the Company Secretary of the Company. All Directors have access to the advice and services of the Company Secretary. The Company Secretary reports to the Chairman on board governance matters, and is responsible for ensuring that Board procedures are followed and for facilitating communications among Directors as well as with the Shareholders and management.

Ms. Wong is a fellow member of The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries. During 2014, Ms. Wong undertook over 15 hours of relevant professional training to update her skills and knowledge.

CODES FOR SECURITIES TRANSACTIONS BY DIRECTORS AND RELEVANT EMPLOYEES

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as its code of conduct regarding securities transactions by the Directors. All Directors have confirmed, following specified enquiries being made by the Company, that they have complied with the required standard as set out in the Model Code.

The Company has also adopted the Model Code as the Code for Securities Transactions by Relevant Employees, to regulate dealings in the securities of the Company by certain employees of the Company or any of its subsidiaries who are considered to be likely to possess inside information in relation to the Company or its securities.

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Directors acknowledge their responsibility, with the support of the Finance Department, for preparing the financial statements of the Group. In preparing the financial statements for the year ended 31 December 2014, the accounting principles generally accepted in Hong Kong have been adopted and the requirements of the Hong Kong Financial Reporting Standards (which also include Hong Kong Accounting Standards and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance have been complied with. The Directors believe that they have selected suitable accounting policies and applied them consistently, made judgments and estimates that are prudent and reasonable, and ensure the financial statements are prepared on a "going concern" basis.

The reporting responsibilities of the Company's external auditor, Messrs. Deloitte Touche Tohmatsu ("Deloitte"), are set out in the Independent Auditor's Report on pages 70 and 71.

External Auditor's Remuneration

During the year and up to the date of this report, the remuneration paid to the Company's external auditor, Deloitte, is set out as follows:

Services rendered for the Group	**Fees paid (HK$ Million)**
Audit services	6.5
Non-audit services (taxation and other professional services)	1.8
Total	8.3

INTERNAL CONTROL

The Board is responsible to ensure that the Group maintains sound and effective internal controls to safeguard the Group's corporate interests.

The Group's internal control framework is to provide reasonable but not absolute assurance against material misstatement or loss; to manage prudently but not completely eliminate the risk of system failure. Systems and procedures are put in place to identify, manage and control the risks of different businesses and activities. Risk control limits are established according to the appropriate authorisation hierarchy. More detailed discussions of different types of risks and how they are managed could be seen in the "Management of Risks" section in the Management Discussion and Analysis; and in Note 46 to the consolidated financial statements — Financial Risk Management.

In addition to safeguarding the Group's corporate interests, the internal control framework is to maintain proper accounting records and to comply with relevant laws and regulations. The Group has independent control functions e.g. Internal Audit and Compliance. Together with the RMC (see RMC of the "Board Committees" section of the earlier part of this report), they play an important role in assuring the Board and management that a sound internal control system is being implemented, maintained, and relevant regulatory requirements are complied with.

Internal Audit is an independent function reporting to the Group Chief Financial Officer. It provides an independent and objective assurance and internal consultancy service to safeguard the Group's operations. It effects a systematic and disciplined approach to evaluate and improve the Group's process on risk management, control and governance. The audit plans are risk-based to ensure a methodical coverage of the Group's operations and resources are focused on high risk areas. Ad hoc reviews are conducted on areas of concern where necessary. Internal Audit reports are issued to the Chairman, the Audit Committee, relevant senior management and division/ department heads.

Compliance assists management to maintain effective policies, guidelines and procedures to comply with regulatory rules and requirements. It carries out regular and ad-hoc reviews to monitor the Group's regulated activities. Compliance is an independent function reporting to the Chief Executive Officer of SHKF. The Head of Compliance acts as the Group's designated Money Laundering Reporting Officer.

Each year, a Group-wide self-assessment is conducted on the effectiveness of internal control framework covering all major areas such as front-office, compliance, finance and operations with the purposes of assessing and documenting key risks to enable control improvement. The assessment is performed by the divisions and co-ordinated by the Chief Financial Officer of SHKF (the "CFO"), reporting directly to the Group Chief Financial Officer. The results and findings are reported to the RMC, Audit Committee and the Board. Other monitoring and review on risk exposures to formulate risk management policies is also co-ordinated by the CFO.

Management reviews are conducted on new products, processes and systems to ensure that policies and procedures are updated in accordance with new and changing risk-related environment.

The Group engages external consultants on ad-hoc basis to perform independent reviews covering significant parts of the Group's operations.

The Board, through the Audit Committee, reviewed the adequacy of resources, training programmes, budget, qualifications and experience of the accounting and financial reporting staff in accordance with the Listing Rules' requirements. The RMC, Audit Committee and the Board reviewed the effectiveness of the internal control systems of the Group and fulfilled the requirement of the CG Code regarding internal control systems in general.

COMMUNICATION WITH SHAREHOLDERS

The Board recognises the importance of strong communication with the Shareholders. Information in relation to the Group is disseminated to the Shareholders in a timely manner through a number of formal channels, which include interim and annual reports, announcements and circulars. Such published documents, together with the latest corporate information and news, are also made available on the Company's website.

The Company's general meetings are valuable forums for the Board to communicate directly with the Shareholders. Code provision E.1.2 of the CG Code stipulates that the chairman of the board should attend the annual general meeting and also invite the chairmen of the audit, remuneration, nomination and any other committees (as appropriate) to attend. In their absence, he should invite another member of the committee or failing this his/her duly appointed delegate, to attend. These persons should be available to answer questions at the annual general meeting.

Code provision A.6.7 of the CG Code stipulates that independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. The chairman of any independent board committee formed as necessary or pursuant to the Listing Rules (or if no such chairman is appointed, at least a member of the independent board committee) should also be available to answer questions at any general meeting of the Shareholders to approve a connected transaction or any other transaction that is subject to independent shareholders' approval.

The 2014 AGM was held on 4 June 2014. All Directors attended and the attendance record of the Directors at the 2014 AGM is set out in the section headed "Board Process" of this report.

Separate resolutions are proposed at the general meetings for each substantial issue, including the re-election of retiring Directors.

Notice of meetings to the Shareholders is to be sent in the case of the AGM at least 20 clear business days before the meeting and to be sent at least 10 clear business days in case of all other general meetings. An explanation of the detailed procedures of conducting a poll is provided to the Shareholders at the commencement of the meeting. The Chairman answers questions from the Shareholders regarding voting by way of a poll. The poll results of the resolutions are thereafter published in the manner prescribed under the requirements of the Listing Rules.

Shareholder(s) representing at least 5% of the total voting rights of all the Shareholders having a right to vote at general meetings of the Company can request to convene an extraordinary general meeting according to article 67 of the Articles and section 566 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong). The business proposed to be transacted at the meeting must be stated in the related requisition, and which must be signed and deposited at the registered office of the Company. Besides, the Shareholders may make a proposal at a the Shareholders' meeting by submitting it in written form to the Board at the registered office of the Company in the form of a proposed resolution, which shall be clearly and concisely set out the proposal for discussion and be relevant to the Company's business scope.

The Board adopted a shareholders' communication policy in March 2012. Shareholders may make reasonable requests to the Company for information regarding the Company which has been made publicly available. Such requests should be directed to the Company Secretary at the Company's registered office. If a Shareholder wishes to make an enquiry to the Board, it must be served at the Registered Office for the attention of the Company Secretary. In addition, the Shareholders can contact Tricor Secretaries Limited, the share registrar of the Company, for any questions about their shareholdings.

CONSTITUTIONAL DOCUMENTS

The consolidated version of the Company's Memorandum and Articles of Association is available on the websites of the Hong Kong Stock Exchange and the Company.

With the commencement of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) from 3 March 2014, the Memorandum of Association of the Company is abolished and conditions of the Memorandum of Association are deemed to be regarded as provisions of the Articles, except that any such condition setting out authorised share capital and the par value of shares are regarded as deleted.

In order to align the existing Articles (the "Existing Articles") with the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) which came into effect on 3 March 2014, the Directors have proposed the adoption of a new set of Articles to replace the Existing Articles, and will seek the Shareholders' approval for the same by way of special resolutions at the 2015 AGM of the Company.

CORPORATE GOVERNANCE ENHANCEMENT

The Board has adopted a set of Corporate Governance documentation and shall update and revise as and when necessary in light of changes in circumstances and changes in regulatory requirements in Hong Kong. In 2014, it was updated in line with the new Companies Ordinance.

Enhancing corporate governance is not simply a matter of applying and complying with the CG Code of the Hong Kong Stock Exchange, but about promoting and developing an ethical and healthy corporate culture. We will continue to review, and where appropriate, improve our current practices on the basis of our experience, regulatory changes and developments. Any views and suggestions from our shareholders to promote and improve our transparency are also welcome.

On behalf of the Board

Lee Seng Huang
Group Executive Chairman

Hong Kong, 19 March 2015

The directors of the Company (the "Directors") are pleased to present the 2014 annual report ("Annual Report") and the audited consolidated financial statements of the Company and its subsidiaries (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 principal subsidiaries, associates and joint ventures are set out in Notes 23, 24 and 25 to the consolidated financial statements respectively. Details and respective analysis of the main business segments of the Group during the year are set out in Note 6 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2014 are set out in the Consolidated Statement of Profit or Loss. An interim dividend of HK10 cents per share and a special dividend of HK2 cents per share were paid to shareholders on 18 September 2014. The Directors recommended the declaration of a final dividend of HK14 cents per share to shareholders of the Company whose names appear on the register of members of the Company on 12 June 2015, making a total dividend for the year 2014 of HK26 cents per share. Subject to approval by shareholders at the forthcoming annual general meeting, dividend warrants are expected to be despatched on or around 3 July 2015.

PROPERTY AND EQUIPMENT

Movements in property and equipment during 2014 are detailed in Note 19 to the consolidated financial statements.

CHARITABLE DONATIONS

The total donations made by the Group for charitable purposes during the year amounted to approximately HK$2.2 million.

SHARE CAPITAL

Details of the movements in share capital of the Company during the year are set out in Note 38 to the consolidated financial statements.

RESERVES

Details of the movements in reserves during the year are set out in the Consolidated Statement of Changes in Equity and Note 40 to the consolidated financial statements.

DIRECTORS

The Board of Directors during the year and up to the date of this report comprises:

Executive Directors

Lee Seng Huang *(Group Executive Chairman)*
William Leung Wing Cheung
Joseph Tong Tang
Peter Anthony Curry

Non-Executive Directors

Ahmed Mohammed Aqil Qassim Alqassim *(appointed on 20 March 2014)*
Ho Chi Kit *(Roy Kuan as his alternate)*
Leung Pak To *(Liu Zheng as his alternate)*
Goh Joo Chuan *(resigned on 20 March 2014)*

Independent Non-Executive Directors ("INEDs")

David Craig Bartlett
Alan Stephen Jones
Jacqueline Alee Leung *(appointed on 1 November 2014)*
Peter Wong Man Kong
Carlisle Caldow Procter *(retired on 4 June 2014)*

In accordance with article 94 of the Company's Articles of Association (the "Articles"), a new Director appointed to fill a casual vacancy shall hold office only until the next following general meeting and a new Director appointed as an addition to the Board shall hold office only until the next following Annual General Meeting of the Company ("AGM"). Besides, one-third of the Directors for the time being shall be subject to retirement by rotation, and eligible for re-election, at each AGM in accordance with article 103 of the Articles.

Accordingly, pursuant to article 94 of the Articles, Ms. Jacqueline Alee Leung shall hold office until the forthcoming AGM and, being eligible, offer herself for re-election. And pursuant to article 103 of the Articles, Messrs. Lee Seng Huang, Joseph Tong Tang, David Craig Bartlett and Peter Wong Man Kong, Directors being the longest in office since their last election, will retire at the forthcoming AGM, and being eligible, offer themselves for re-election at the AGM.

DIRECTORS' INTERESTS

As at 31 December 2014, the interests of Directors in the shares of the Company, underlying shares and debentures of the Company and 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 under Section 352 of the SFO were as follows:

(a) Interests in the shares of the Company (the "Shares") and the underlying Shares

Name of Directors	Capacity	Number of Shares and underlying Shares	Approximate % of the total number of issued Shares
Lee Seng Huang	Interests of controlled corporation *(Note 1)*	1,575,178,575 *(Note 2)*	69.89%
William Leung Wing Cheung	Beneficiary of trust	485,000 *(Note 3(a))*	0.02%
	Beneficial owner	91,000 *(Note 3(b))*	0.004%
Joseph Tong Tang	Beneficiary of trust	169,000 *(Note 4(a))*	0.007%
	Beneficial owner	340,000 *(Note 4(b))*	0.01%
Peter Anthony Curry	Beneficiary of trust	280,000 *(Note 5(a))*	0.01%
	Beneficial owner	391,141 *(Note 5(b))*	0.01%

Notes:

1. Mr. Lee Seng Huang, a Director, together with Mr. Lee Seng Hui and Ms. Lee Su Hwei are the trustees of Lee and Lee Trust, being a discretionary trust. Lee and Lee Trust together with Mr. Lee Seng Hui indirectly owned approximately 70.21% of the total number of shares of Allied Group Limited ("AGL") and was therefore deemed to have interests in the Shares in which AGL was interested.

2. This refers to the deemed interests in (i) 1,233,578,575 Shares held by Allied Properties (H.K.) Limited ("APL"); and (ii) 341,600,000 Shares which were held by Asia Financial Services Company Limited ("AFSC") and charged to a subsidiary of the Company.

3. (a) These include the deemed interests in:

   (i) 182,000 unvested Shares out of the total of 273,000 Shares granted to Mr. William Leung Wing Cheung ("Mr. Leung") on 3 May 2013 under the SHK Employee Ownership Scheme (the "EOS") and was subsequently accepted. Such awarded Shares are subject to a vesting scale in tranches whereby one-third thereof (i.e. 91,000 Shares) was vested and became unrestricted from 15 April 2014; another one-third thereof shall be vested and become unrestricted from 15 April 2015; and the remaining one-third thereof shall be vested and become unrestricted from 15 April 2016; and

(ii) 303,000 unvested Shares granted to Mr. Leung on 16 April 2014 under the EOS and was subsequently accepted. Such awarded Shares are subject to a vesting scale in tranches whereby one-third thereof (i.e.101,000 Shares) shall be vested and become unrestricted from 15 April 2015; another one-third thereof shall be vested and become unrestricted from 15 April 2016; and the remaining one-third thereof shall be vested and become unrestricted from 15 April 2017.

(b) This represents the Shares granted to Mr. Leung under the EOS that were vested, became unrestricted and the title of which was transferred to him.

4. (a) These include the deemed interests in:

(i) 100,000 unvested Shares out of the total of 300,000 Shares granted to Mr. Joseph Tong Tang ("Mr. Tong") on 7 December 2012 under the EOS and was subsequently accepted. Such awarded Shares are subject to a vesting scale in tranches whereby one-third thereof (i.e. 100,000 Shares) was vested and became unrestricted from 1 November 2013; another one-third thereof was vested and became unrestricted from 1 November 2014; and the remaining one-third thereof shall be vested and become unrestricted from 1 November 2015;

(ii) 12,000 unvested Shares out of the total of 18,000 Shares granted to Mr. Tong on 3 May 2013 under the EOS and was subsequently accepted. Such awarded Shares are subject to a vesting scale in tranches whereby one-third thereof (i.e. 6,000 Shares) was vested and became unrestricted from 15 April 2014; another one-third thereof shall be vested and become unrestricted from 15 April 2015; and the remaining one-third thereof shall be vested and become unrestricted from 15 April 2016; and

(iii) 57,000 unvested Shares granted to Mr. Tong on 16 April 2014 under the EOS and was subsequently accepted. Such awarded Shares are subject to a vesting scale in tranches whereby one-third thereof (i.e. 19,000 Shares) shall be vested and become unrestricted from 15 April 2015; another one-third thereof shall be vested and become unrestricted from 15 April 2016; and the remaining one-third thereof shall be vested and become unrestricted from 15 April 2017.

(b) This represents the Shares granted to Mr. Tong under the EOS that were vested, became unrestricted and the title of which was transferred to him.

5. (a) These include the deemed interests in:

(i) 114,000 unvested Shares out of the total of 342,000 Shares granted to Mr. Peter Anthony Curry ("Mr. Curry") on 13 April 2012 under the EOS and was subsequently accepted. Such awarded Shares are subject to a vesting scale in tranches whereby one-third thereof (i.e. 114,000 Shares) was vested and became unrestricted from 15 April 2013; another one-third thereof was vested and became unrestricted from 15 April 2014; and the remaining one-third thereof shall be vested and become unrestricted from 15 April 2015;

(ii) 88,000 unvested Shares out of the total of 132,000 Shares granted to Mr. Curry on 3 May 2013 under the EOS and was subsequently accepted. Such awarded Shares are subject to a vesting scale in tranches whereby one-third thereof (i.e. 44,000 Shares) was vested and became unrestricted from 15 April 2014; another one-third thereof shall be vested and become unrestricted from 15 April 2015; and the remaining one-third thereof shall be vested and become unrestricted from 15 April 2016; and

(iii) 78,000 unvested Shares granted to Mr. Curry on 16 April 2014 under the EOS and was subsequently accepted. Such awarded Shares are subject to a vesting scale in tranches whereby one-third thereof (i.e. 26,000 Shares) shall be vested and become unrestricted from 15 April 2015; another one-third thereof shall be vested and become unrestricted from 15 April 2016; and the remaining one-third thereof shall be vested and become unrestricted from 15 April 2017.

(b) This includes 389,000 Shares granted to Mr. Curry under the EOS that were vested, became unrestricted and the title of which was transferred to him. The balance represents the Shares received by Mr. Curry by the allotment of scrip Shares pursuant to the scrip dividend scheme of the Company.

(b) Interests in the shares and underlying shares of associated corporations

Name of Directors	Associated corporations	Capacity	Number of shares and underlying shares	Approximate % of the total number of the relevant shares
Lee Seng Huang *(Note 1)*	AGL	Trustee (other than a bare trustee) *(Note 2)*	128,703,662	70.19%
	APL	Interests of controlled corporation *(Note 3)*	6,384,281,730 *(Note 4)*	93.85%
	SHK Hong Kong Industries Limited ("SHK HK Ind")	Interests of controlled corporation *(Note 5)*	3,082,889,606 *(Note 6)*	74.97%
Joseph Tong Tang	APL	Beneficial owner	20,158 *(Note 7)*	0.0002%

Notes:

1. Mr. Lee Seng Huang, by virtue of his interests in AGL and APL, was deemed to be interested in the shares of the subsidiaries of AGL (including SHK HK Ind, a listed subsidiary of AGL) and APL, which are associated corporations of the Company as defined under the SFO.

   A waiver application was submitted to The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") for exemption from disclosure of Mr. Lee's deemed interests in the shares of such associated corporations of the Company in this report, and the waiver was granted by the Hong Kong Stock Exchange on 9 February 2015.

2. Mr. Lee Seng Huang is one of the trustees of Lee and Lee Trust, being a discretionary trust which indirectly owned 128,703,662 shares of AGL.

3. This refers to the same interests held directly or indirectly by AGL in APL.

4. These include interests in (i) 5,428,275,521 shares of APL; and (ii) listed physically settled warrants of APL giving rise to an interest in 956,006,209 underlying shares of APL. The warrants of APL entitle the holders thereof to subscribe at any time during the period from 13 June 2011 to 13 June 2016 (both days inclusive) for fully paid shares of APL at an initial subscription price of HK$2 per share (subject to adjustments) (the "APL Warrants").

5. This refers to the same interests held indirectly by AGL in SHK HK Ind.

6. This refers to the interest in 3,082,889,606 shares of SHK HK Ind.

7. This refers to the interest in APL Warrants giving rise to 20,158 underlying shares of APL.

All interests stated above represent long positions. As at 31 December 2014, none of the Directors held any short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations.

Save as disclosed above, as at 31 December 2014, neither the Directors nor the chief executive of the Company had any 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) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Rules Governing the Listing of Securities on Hong Kong Stock Exchange (the "Listing Rules").

SHK EMPLOYEE OWNERSHIP SCHEME

On 18 December 2007 (the "Adoption Date"), the Company adopted the EOS to recognise the contributions by any employee or director of the Group (the "Selected Grantees") and to provide them with long-term incentives in order to retain them for the continual operation and development of the Group and to attract suitable personnel for further development of the Group.

A committee comprising senior management of the Company has been formed, with the power and authority delegated by the Board, to administer the EOS. An independent trustee (the "Trustee") has been appointed for the administration of the EOS. Under the EOS, Selected Grantees are to be awarded Shares which have been purchased by the Trustee at the cost of the Company and be held in trust for the Selected Grantees until the end of each vesting period. Upon management's recommendation, the number of Shares awarded to the Selected Grantees (other than a Director) shall be determined, with the vesting dates for various tranches, by the committee. Any Shares awarded under the EOS to a Selected Grantee who is a Director shall be subject to the Board's approval following a recommendation from the Remuneration Committee of the Board.

Subject to the terms thereof, the EOS shall be valid and effective for an initial term of five years commencing on 18 December 2007 and automatically extended for another three subsequent terms of five years each unless otherwise terminated. The maximum number of Shares which can be awarded under the EOS and to a Selected Grantee throughout its duration are limited to 5 per cent (i.e. 83,989,452 Shares) and 1 per cent (i.e. 16,797,890 Shares) of the total number of Shares in issue as at the Adoption Date.

During the year, a total of 1,698,000 Shares (2013: 1,958,000 Shares) were awarded to the Selected Grantees subject to various terms including, amongst other things, vesting scales whereby awarded Shares will vest and become unrestricted in various vesting period. A total of 1,332,000 Shares (2013: 1,424,000 Shares) were vested during the year.

Since its adoption, a total of 14,113,000 Shares have been awarded up to the date of this report, representing about 0.84 per cent of the total number of Shares in issue as at the Adoption Date. As at 31 December 2014, the outstanding awarded Shares under the EOS (excluding Shares awarded, but subsequently forfeited) amounted to 3,400,000 Shares, out of which 934,000 Shares were awarded to the Directors.

ARRANGEMENT FOR THE ACQUISITION OF SHARES OR DEBENTURES

Other than the EOS, at no time during the year was the Company, its holding company or any of their subsidiaries, a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS

As at 31 December 2014, the following shareholders had interests in the Shares and underlying Shares as recorded in the register required to be kept under Section 336 of the SFO (the "SFO Register"):

Name of Shareholders	Capacity	Number of Shares and underlying Shares	Approximate % of the total number of issued Shares
APL	Interests of controlled corporation *(Note 1)*	1,575,178,575 *(Note 2)*	69.89%
AGL	Interests of controlled corporation *(Note 3)*	1,575,178,575 *(Note 4)*	69.89%
Lee and Lee Trust	Interests of controlled corporation *(Note 5)*	1,575,178,575 *(Note 4)*	69.89%
Dubai Ventures L.L.C ("Dubai Ventures")	Beneficial owner	166,000,000 *(Note 6)*	7.36%
Dubai Ventures Group (L.L.C) ("DVG")	Interests of controlled corporation *(Note 7)*	166,000,000 *(Note 8)*	7.36%
Dubai Group (L.L.C) ("Dubai Group")	Interests of controlled corporation *(Note 9)*	166,000,000 *(Note 8)*	7.36%
Dubai Holding Investments Group LLC ("DHIG")	Interests of controlled corporation *(Note 10)*	166,000,000 *(Note 8)*	7.36%
Dubai Holding (L.L.C) ("Dubai Holding")	Interests of controlled corporation *(Note 11)*	166,000,000 *(Note 8)*	7.36%
Dubai Group Limited ("DGL")	Interests of controlled corporation *(Note 12)*	166,000,000 *(Note 8)*	7.36%
HSBC Trustee (C.I.) Limited ("HSBC Trustee")	Trustee (other than a bare trustee) *(Note 13)*	166,000,000 *(Note 8)*	7.36%
HH Mohammed Bin Rashid Al Maktoum	Interests of controlled corporation *(Note 14)*	166,000,000 *(Note 8)*	7.36%

Name of Shareholders	Capacity	Number of Shares and underlying Shares	Approximate % of the total number of issued Shares
AFSC	Beneficial owner	341,600,000 *(Note 15)*	15.15%
Asia Financial Services Holdings Limited ("AFSH")	Interests of controlled corporation *(Note 16)*	341,600,000 *(Note 17)*	15.15%
Asia Financial Services Group Limited ("AFSG")	Interests of controlled corporation *(Note 18)*	341,600,000 *(Note 17)*	15.15%
Asia Financial Services Group Holdings Limited ("AFSGH")	Interests of controlled corporation *(Note 19)*	341,600,000 *(Note 17)*	15.15%
CVC Capital Partners Asia Pacific III L. P. ("CVC LP")	Interests of controlled corporation *(Note 20)*	341,600,000 *(Note 17)*	15.15%
CVC Capital Partners Asia III Limited ("CVC Capital III")	Interests of controlled corporation *(Note 21)*	341,600,000 *(Note 17)*	15.15%
CVC Capital Partners Advisory Company Limited ("CVC Capital Partners Advisory")	Interests of controlled corporation *(Note 22)*	341,600,000 *(Note 17)*	15.15%
CVC Capital Partners Finance Limited ("CVC Capital Partners Finance")	Interests of controlled corporation *(Note 23)*	341,600,000 *(Note 17)*	15.15%
CVC Group Holdings L.P. ("CVC Group Holdings")	Interests of controlled corporation *(Note 24)*	341,600,000 *(Note 17)*	15.15%
CVC Portfolio Holdings Limited ("CVC Portfolio")	Interests of controlled corporation *(Note 25)*	341,600,000 *(Note 17)*	15.15%
CVC MMXII Limited ("CVC MMXII")	Interests of controlled corporation *(Note 26)*	341,600,000 *(Note 17)*	15.15%
CVC Capital Partners 2013 PCC (acting in respect of its protected cell, CVC Capital Partners Cell C PC) ("CVC Capital Partners 2013")	Interests of controlled corporation *(Note 27)*	341,600,000 *(Note 17)*	15.15%
CVC Capital Partners SICAV-FIS S.A. ("CVC Capital Partners SA")	Interests of controlled corporation *(Note 28)*	341,600,000 *(Note 17)*	15.15%
Sun Hung Kai Structured Finance Limited ("SHKSF")	Security interest holder	341,600,000 *(Note 29)*	15.15%
Sun Hung Kai Financial Limited ("SHKF")	Interests of controlled corporation *(Note 30)*	341,600,000 *(Note 31)*	15.15%

Name of Shareholders	Capacity	Number of Shares and underlying Shares	Approximate % of the total number of issued Shares
Sun Hung Kai Financial Group Limited ("SHKFG")	Interests of controlled corporation *(Note 32)*	341,600,000 *(Note 31)*	15.15%
Sun Hung Kai & Co. Limited (the "Company")	Interests of controlled corporation *(Note 33)*	341,600,000 *(Note 31)*	15.15%
Ontario Teachers' Pension Plan Board	Beneficial owner	138,035,002 *(Note 34)*	6.12%

Notes:

1. The interests were held by (i) AP Emerald Limited ("AP Emerald"), a wholly-owned subsidiary of AP Jade Limited which in turn is a wholly-owned subsidiary of APL; and (ii) SHKSF, an indirect non wholly-owned subsidiary of APL. APL was therefore deemed to have interests in the Shares in which AP Emerald and SHKSF were interested.

2. These include (i) an interest in 1,233,578,575 Shares held by APL through AP Emerald; and (ii) security interest in 341,600,000 Shares which were held by AFSC and charged to SHKSF as security.

3. AGL owned approximately 74.99% of the total number of shares of APL and was therefore deemed to have an interest in the Shares in which APL was interested.

4. This refers to the same deemed interests in 1,575,178,575 Shares held by APL.

5. Mr. Lee Seng Hui, Ms. Lee Su Hwei and Mr. Lee Seng Huang (a Director) are the trustees of Lee and Lee Trust, being a discretionary trust. They together owned approximately 70.21% of the total number of shares of AGL (inclusive of Mr. Lee Seng Hui's personal interest) and were therefore deemed to have an interest in the Shares in which AGL was interested.

6. This represents an interest in 166,000,000 Shares.

7. DVG owned 99% interest in Dubai Ventures and was therefore deemed to have an interest in the Shares which Dubai Ventures was interested.

8. This refers to the same interests in 166,000,000 Shares held by Dubai Ventures.

9. Dubai Group owned 99% interest in DVG and was therefore deemed to have an interest in the Shares in which DVG was interested.

10. DHIG owned 51% interest in Dubai Group and was therefore deemed to have an interest in the Shares in which Dubai Group was interested.

11. Dubai Holding owned 99.66% interest in DHIG and was therefore deemed to have an interest in the Shares in which DHIG was interested.

12. DGL, through its wholly-owned subsidiary, owned 49% interest in Dubai Group and was therefore deemed to have an interest in the Shares in which Dubai Group was interested.

13. HSBC Trustee owned 100% interest in DGL and was therefore deemed to have an interest in the Shares in which DGL was interested.

14. HH Mohammed Bin Rashid Al Maktoum owned 97.40% interest in Dubai Holding and was therefore deemed to have an interest in the Shares in which Dubai Holding was interested.

15. This represents an interest in 341,600,000 Shares.

16. AFSH held 100% interest in AFSC and was therefore deemed to have an interest in the Shares in which AFSC was interested.

17. This refers to the same interests in 341,600,000 Shares held by AFSC.

18. AFSG owned 99.1% interest in AFSH and was therefore deemed to have an interest in the Shares in which AFSH was interested.

19. AFSGH held 100% interest in AFSG and was therefore deemed to have an interest in the Shares in which AFSG was interested.

20. CVC LP owned 88% interest in AFSGH and was therefore deemed to have an interest in the Shares in which AFSGH was interested.

21. CVC Capital III, as the general partner of CVC LP, exclusively managed and controlled CVC LP and was therefore deemed to have an interest in the Shares in which CVC LP was interested.

22. CVC Capital Partners Advisory held 100% interest in CVC Capital III and was therefore deemed to have an interest in the Shares in which CVC Capital III was interested.

23. CVC Capital Partners Finance held 100% interest in CVC Capital Partners Advisory and was therefore deemed to have an interest in the Shares in which CVC Capital Partners Advisory was interested.

24. CVC Group Holdings held 100% interest in CVC Capital Partners Finance and was therefore deemed to have an interest in the Shares in which CVC Capital Partners Finance was interested.

25. CVC Portfolio (i) held 89.4% interest in CVC Group Limited ("CVC Group" which was the sole limited partner of CVC Group Holdings) and was therefore deemed to have an interest in the Shares in which CVC Group Holdings was interested, and (ii) as the general partner of CVC Group Holdings, exclusively managed and controlled CVC Group Holdings and was therefore deemed to have an interest in the Shares in which CVC Group Holdings was interested.

26. CVC MMXII held 100% interest in CVC Portfolio and was therefore deemed to have an interest in the Shares in which CVC Portfolio was interested.

27. CVC Capital Partners 2013 held 100% interest in CVC MMXII and was therefore deemed to have an interest in the Shares in which CVC MMXII was interested.

28. CVC Capital Partners SA held 100% interest in CVC Capital Partners 2013 and was therefore deemed to have an interest in the Shares in which CVC Capital Partners 2013 was interested.

29. This represents a security interest in 341,600,000 Shares, which were pledged by AFSC to SHKSF as security.

30. SHKF held 100% interest in SHKSF and was therefore deemed to have an interest in the Shares in which SHKSF was interested.

31. This refers to the same security interest in 341,600,000 Shares held as holder of securities by SHKSF.

32. SHKFG held 100% interest in SHKF and was therefore deemed to have an interest in the Shares in which SHKF was interested.

33. The Company held 100% interest in SHKFG and was therefore deemed to have an interest in the Shares in which SHKFG was interested.

34. This represents an interest in 138,035,002 Shares.

All interests stated above represent long positions. As at 31 December 2014, no short positions were recorded in the SFO Register of the Company.

Save as disclosed above, as at 31 December 2014, the Directors are not aware of any other persons who have interests or short positions in the Shares or underlying Shares which would require to be disclosed to the Company pursuant to Part XV of the SFO.

CONTINUING CONNECTED TRANSACTIONS

(1) Insurance Brokerage Services Agreements for two years from 2013 to 2014

As disclosed in the announcement of the Company dated 29 January 2013 and in its annual report for the year 2013, Sun Hung Kai Insurance Consultants Limited ("SHK Insurance"), an indirect wholly-owned subsidiary of the Company, entered into an insurance brokerage services agreement with each of AGL, APL, Tian An China Investments Company Limited ("TACI", an associated company of APL) and Yu Ming Investment Management Limited ("YMIM", an indirect wholly-owned subsidiary of AGL) on 29 January 2013 (collectively the "Insurance Brokerage Services Agreements") whereby SHK Insurance would provide packaged insurance brokerage services to each of the AGL Group, the APL Group, the TACI Group (as defined in the said announcement) and YMIM for two years from 1 January 2013 to 31 December 2014 by assisting them in procuring insurance policies to be taken out with third party insurers (the "Insurance Services") in accordance with the terms of the Insurance Brokerage Services Agreements. The maximum aggregate amount payable by the AGL Group, the APL Group, the TACI Group and YMIM under the Insurance Brokerage Services Agreements for the two years ended 31 December 2014 shall be:

	2013 **HK$ Million**	2014 HK$ Million
AGL Group	**1.0**	1.2
APL Group	**1.6**	2.0
TACI Group	**1.751**	2.028
YMIM	**0.146**	0.175

The total amount paid by the AGL Group, the APL Group, the TACI Group and YMIM to SHK Insurance for the year ended 31 December 2014 under the Insurance Brokerage Services Agreements were approximately HK$0.882 million, HK$1.999 million, HK$1.279 million and HK$0.108 million respectively.

(2) Loan Agreement for a term from 4 April 2013 to 31 March 2015

As disclosed in the announcement of the Company dated 31 December 2013, and in its annual report for the year 2013, a loan agreement dated 5 April 2013 (the "Loan Agreement"), as supplemented by the supplemental loan agreement dated 23 September 2013 (the "Supplemental Loan Agreement"), was entered into between Sun Hung Kai International Bank [Brunei] Limited ("SHKIB"), an indirect wholly-owned subsidiary of the Company, as the lender and Tanami Gold NL ("Tanami") as the borrower which has become an associate of APL since 30 December 2013, whereby SHKIB made available to Tanami an unsecured revolving cash advance facility in the amount upto A$15 million with the repayment date extended from 30 June 2014 to 31 March 2015 at an interest rate of 6% per annum (the "Loan Facility"). The maximum aggregate amount set for the transaction contemplated under the Loan Agreement and the Supplemental Loan Agreement for the period from 5 April 2013 to 31 December 2013, the year ended 31 December 2014 and the period from 1 January 2015 to 31 March 2015 shall be A$16.4 million, A$16.8 million and A$15.5 million respectively.

The principal amount of the Loan Facility granted by SHKIB, the annual interest and the facility fees paid by Tanami for the year ended 31 December 2014 was approximately A$11.056 million. The loan has been partially repaid and the principal outstanding sum as at the date of this report was A$11 million.

(3) Sharing of Management Services Agreement for three years from 2014 to 2016

As disclosed in the announcement of the Company dated 28 January 2014, a Renewed Sharing of Management Services Agreement was entered into between the Company and AGL on 28 January 2014 (the "Renewed Management Services Agreement") to extend the term of the Sharing of Management Services Agreement dated 31 January 2011 for a period of three years from 1 January 2014 to 31 December 2016, in relation to the provision of management, consultancy, strategic and business advice services by the senior management and the selected staff of AGL (the "Management Staff") to the Group, and the reimbursement of costs payable to AGL. Pursuant to the Renewed Management Services Agreement, the aggregate amount payable to AGL for the three financial years ending 31 December 2016 shall not exceed HK$5.37 million, HK$6.03 million and HK$6.78 million respectively. The total amount paid to AGL for the year ended 31 December 2014 was HK$5.37 million.

(4) Leasing Agreements with subsidiaries of TACI

As disclosed in the joint announcements of the Company and TACI dated 29 January 2014, 23 May 2014, 31 October 2014 and 19 December 2014 respectively, subsidiaries of the Company have leased the following five premises from subsidiaries of TACI (unless otherwise specifically defined herein, capitalised terms used below shall have the same meaning as those defined in the said joint announcements):

4.1 Unit 04, 32nd Floor, Dalian Tian An International Building, No. 88 Zhongshan Road, Zhongshan District, Dalian, Liaoning Province, PRC ("Premises I")

Dalian Tian An (a wholly-owned subsidiary of TACI) as lessor and Dalian UAF (a non wholly-owned subsidiary of the Company) as lessee have entered into a leasing agreement on 26 May 2011 in relation to the leasing of Premises I (for usage as office premises) for a term from 1 August 2011 to 31 July 2014 with monthly rental of RMB19,004.64 and monthly management fee of RMB4,998.48.

Dalian Tian An and Dalian UAF have renewed the leases of Premises I for a term from 1 August 2014 to 30 June 2016 by entering into a leasing agreement on 23 May 2014, with same monthly rental and monthly management fee.

4.2 Unit 05, 32nd Floor, Dalian Tian An International Building, No. 88 Zhongshan Road, Zhongshan District, Dalian, Liaoning Province, PRC ("Premises II")

Dalian Tian An as lessor and Dalian UAF as lessee have entered into a leasing agreement on 20 March 2012 in relation to the leasing of Premises II (for usage as office premises) for a term from 15 May 2012 to 31 July 2014 with monthly rental of RMB26,092.15 and monthly management fee of RMB6,433.68.

Dalian Tian An and Dalian UAF have renewed the leases of Premises II for a term from 1 August 2014 to 30 June 2016 by entering into a leasing agreement on 23 May 2014, with same monthly rental and management fee.

4.3 Unit 1205, 12th Floor, Nanjing Tian An International Building, No. 98 Zhongshan South Road, Nanjing, PRC ("Premises III")

Nanjing Tiandu (a wholly-owned subsidiary of TACI) as lessor and SHK (Nanjing) (a wholly-owned subsidiary of the Company) as lessee have entered into a leasing agreement on 20 April 2013 in relation to the leasing of Premises III (for usage as office premises) for a term from 1 May 2013 to 30 April 2014 with monthly rental of RMB11,392.00, monthly management fee of RMB1,008.4 and monthly public water and electricity charge of RMB288.1.

Nanjing Tiandu as lessor and SHK (Shanghai) (a wholly-owned subsidiary of the Company) as lessee have entered into a leasing agreement on 23 May 2014 in relation to the leasing of Premises III for a term from 1 May 2014 to 30 June 2015 with monthly rental of RMB11,392.00, monthly management fee of RMB1,584.50 and monthly public water and electricity charge of RMB432.20. Nanjing Tiandu and SHK (Shanghai) subsequently entered into a supplemental agreement on 31 October 2014 to terminate the lease of Premises III with effect from 1 November 2014.

4.4 Unit 01B, 21st Floor, Dalian Tian An International Building, No. 88 Zhongshan Road, Zhongshan District, Dalian, Liaoning Province, PRC ("Premises IV")

Dalian Tian An as lessor and SHK (Dalian) (a branch set up under a wholly-owned subsidiary of the Company) as lessee have entered into a leasing agreement on 18 June 2013 in relation to the leasing of Premises IV (for usage as office premises) for a term from 1 July 2013 to 30 June 2014 with monthly rental of RMB7,472.31 and monthly management fee of RMB1,684.56.

Dalian Tian An and SHK (Dalian) renewed the leases of Premises IV for a term from 1 July 2014 to 30 June 2015 by entering into a leasing agreement on 23 May 2014, with same monthly rental and monthly management fee. Dalian Tian An and SHK (Dalian) subsequently entered into a supplemental agreement on 19 December 2014 to terminate the lease of Premises IV with effect from 1 January 2015.

4.5 Units 01-06, 52nd Floor, Dalian Tian An International Building, No. 88 Zhongshan Road, Zhongshan District, Dalian, Liaoning Province, PRC ("Premises V")

Dalian Tian An as lessor and Dalian UAF as lessee have entered into a leasing agreement on 29 January 2014 in relation to the leasing of Premises V (for usage as office premises) for a term from 1 January 2014 to 30 June 2016 with total rental over the lease term of RMB6.37 million and monthly management fee of RMB32,842.56.

The maximum aggregate amount set for the transactions in respect of the leasing of the above-mentioned five premises for the year ended 31 December 2014 shall be RMB3.917 million.

The total amount paid to TACI Group in respect of the above-mentioned five premises for the year ended 31 December 2014 was approximately RMB3.917 million.

(5) Leasing arrangement in respect of Allied Kajima Building

5.1 Master Lease Agreement for two years from 1 January 2014 to 31 December 2015

As disclosed in the announcement of the Company dated 14 February 2014, the Company entered into the master lease agreement as the lessee with Art View Properties Limited ("Art View"), a joint venture of APL, as the lessor on 14 February 2014 (the "Master Lease Agreement") whereby any member of the Group may continue, amend or renew the existing leases or enter into new leases, sub-leases and licenses in relation to Allied Kajima Building with Art View from time to time as are necessary for the future business needs of the Group during the period from 1 January 2014 to 31 December 2015 in accordance with the terms of the Master Lease Agreement.

The maximum aggregate amount set for the transaction contemplated under the Master Lease Agreement for the two financial years ended 31 December 2015 shall be HK$16.09 million and HK$21.92 million respectively.

The total amount paid to Art View under the Master Lease Agreement for the year ended 31 December 2014 was approximately HK$14.7 million.

5.2 Sub-tenancy Agreement for a term from 1 January 2014 to 31 March 2015

As disclosed in the announcement of the Company dated 14 February 2014, UAF (a non wholly-owned subsidiary of the Company) has entered into a sub-tenancy agreement on 14 February 2014 with AGL, pursuant to which a portion of the 24th Floor of Allied Kajima Building was sub-leased by AGL to UAF for a term from 1 January 2014 to 31 March 2015 (the "Sub-tenancy Agreement").

The total amount payable under the Sub-tenancy Agreement for the year ended 31 December 2014 and the period from 1 January 2015 until 31 March 2015 shall be HK$0.239 million and HK$0.06 million respectively.

The total amount paid to AGL under the Sub-tenancy Agreement for the year ended 31 December 2014 was HK$0.239 million.

Given that APL is a substantial shareholder of the Company; and AGL, TACI, YMIM, Tanami, Dalian Tian An, Nanjing Tiandu and Art View are all associates of APL under the definition of the Listing Rules, each of AGL, APL, TACI, YMIM, Tanami, Dalian Tian An, Nanjing Tiandu and Art View is regarded as a connected person of the Company under the Listing Rules. As such, the entering into of the Insurance Brokerage Services Agreements, the Loan Agreement (as supplemented by the Supplemental Loan Agreement), the Renewed Management Services Agreement, the leasing agreements (in respect of Premises I, Premises II, Premises III, Premises IV and Premises V), the Master Lease Agreement and the Sub-tenancy Agreement, constituted continuing connected transactions for the Company (the "Continuing Connected Transactions") under Chapter 14A of the Listing Rules. In accordance with the requirements of Rules 14A.49 and 14A.71 of the Listing Rules, details of the said Continuing Connected Transactions are included in this report.

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 in accordance with Rule 14A.56. A copy of the auditor's letter has been provided by the Company to the Hong Kong Stock Exchange.

Pursuant to Rule 14A.55 of the Listing Rules, the INEDs, being Mr. David Craig Bartlett, Mr. Alan Stephen Jones, Ms. Jacqueline Alee Leung and Mr. Peter Wong Man Kong, reviewed the above Continuing Connected Transactions and confirmed that they were entered into:

(i) in the ordinary and usual course of business of the Group;

(ii) on normal commercial terms or better; and

(iii) according to the respective agreements governing them on terms that were fair and reasonable and in the interests of the shareholders of the Company as a whole.

In the opinion of the Board of Directors, the Continuing Connected Transactions were entered into in the manners stated above.

(6) Insurance Brokerage Services Agreements for two years from 2015 to 2016

Subsequent to the year-end date, SHK Insurance entered into an insurance brokerage services agreement with each of AGL, APL, TACI and YMIM on 23 January 2015 (collectively the "New Insurance Brokerage Services Agreements") for the provision of Insurance Services for the two years from 1 January 2015 and expiring on 31 December 2016 in accordance with the terms of the New Insurance Brokerage Services Agreements.

Given that each of AGL, APL, TACI and YMIM is regarded as a connected person of the Company as established above, the entering into of the New Insurance Brokerage Services Agreements constituted continuing connected transactions for the Company under Chapter 14A of the Listing Rules as disclosed in the announcement of the Company dated 23 January 2015. In accordance with the requirements of Rules 14A.49 and 14A.71 of the Listing Rules, details of the said continuing connected transactions will be included in the next annual report covering the year ending 31 December 2015.

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Group are set out in Note 33 to the consolidated financial statements.

SUBSIDIARIES

Particulars regarding the principal subsidiaries are set out in Note 23 to the consolidated financial statements.

INTEREST CAPITALISED

No interest was capitalised by the Group during the year.

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 34 to 50.

DIRECTORS' SERVICE CONTRACTS

None of the Directors proposed for re-election at the forthcoming AGM has an unexpired service contract with the Group which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

TERMS OF OFFICE FOR THE NON-EXECUTIVE DIRECTORS

All the Non-Executive Directors (including the INEDs) were appointed for a specific term of two years which shall continue until 31 December 2016 but subject to the relevant provisions of the Articles or any applicable laws whereby the Directors shall vacate or retire from their office.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

During the year and up to the date of this report, save as disclosed below, none of the Directors (not being the INEDs) are considered to have interests in the businesses listed below which compete or are likely to compete with the businesses of the Group pursuant to the Listing Rules:

1. Mr. Lee Seng Huang is one of the trustees of Lee and Lee Trust which is a deemed substantial shareholder of each of AGL, APL, SHK HK IND and TACI which, through their subsidiaries, are partly engaged in the businesses as follows:

   – AGL, through certain of its subsidiaries, is partly engaged in the businesses of money lending, property investment, investment and trading in securities and financial instruments;

   – APL, through certain of its subsidiaries, is partly engaged in the businesses of money lending, property investment, investment and trading in securities and financial instruments;

   – SHK HK IND, through certain of its subsidiaries, is partly engaged in the businesses of trading in securities and investment in financial instruments; and

   – TACI, through certain of its subsidiaries, is partly engaged in the businesses of money lending and property investment.

2. Mr. Peter Anthony Curry is an alternate director to Mr. Lee Seng Hui (a non-executive director) of APAC Resources Limited which, through certain of its subsidiaries, is partly involved in trading and investment of listed securities.

3. Mr. Leung Pak To is the chairman and substantial shareholder of Luminary Capital Limited which carries out Type 6 licensed activity (advising on corporate finance) in Hong Kong.

Although the abovementioned Directors have competing interests in other companies by virtue of their respective common directorship or shareholding, they will fulfil their fiduciary duties in order to ensure that they will act in the best interests of the shareholders and the Company as a whole at all times. Hence the Group is capable of carrying on its businesses independently of, and at arm's length from, the businesses of such companies.

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance to which the Company or any of its subsidiary companies was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of its Directors as at the date of this report, the Company has maintained sufficient public float as required under the Listing Rules.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate sales attributable to the Group's five largest customers accounted for less than 30% of the Group's total turnover for the year.

Also, the aggregate purchases attributable to the Group's five largest suppliers taken together were less than 30% of the Group's total purchases for the year.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the year ended 31 December 2014, the Company repurchased a total of 30,007,000 Shares on the Hong Kong Stock Exchange at an aggregate consideration (before expenses) of HK$169,214,230. All the repurchased Shares were subsequently cancelled.

Particulars of the repurchases are as follows:

Month	Number of Shares repurchased	Purchase price Highest	Purchase price Lowest	Aggregate consideration (before expenses)
		(HK$)	*(HK$)*	*(HK$)*
January	777,000	4.29	4.23	3,309,230
March	110,000	4.85	4.80	531,500
April	691,000	5.40	5.34	3,711,620
May	3,964,000	5.52	5.15	21,314,650
June	4,067,000	6.00	5.55	23,434,990
September	15,725,000	5.88	5.50	90,172,870
October	3,873,000	5.94	5.45	22,131,640
November	800,000	5.94	5.65	4,607,730
	30,007,000			169,214,230

The repurchases were made for the benefit of the Company and its shareholders as a whole with a view to enhancing the earnings per Share of the Company.

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's securities during the year ended 31 December 2014.

AUDITOR

The consolidated financial statements have been audited by Messrs. Deloitte Touche Tohmatsu who will retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

Lee Seng Huang
Group Executive Chairman

Hong Kong, 19 March 2015

Deloitte.
德勤

TO THE MEMBERS OF SUN HUNG KAI & CO. LIMITED
(incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of Sun Hung Kai & Co. Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 72 to 168, 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 Hong Kong Companies Ordinance (Cap. 622) (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 80 of schedule 11 to the Hong Kong Companies Ordinance, 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 judgement, 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 the 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 Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong, 19 March 2015

Consolidated Statement of Profit or Loss

For the year ended 31 December 2014

	Notes	**2014 HK$ Million**	2013 HK$ Million
Revenue (turnover)	5	**5,251.2**	4,575.5
Other income	7	**208.8**	103.8
Total income		**5,460.0**	4,679.3
Brokerage and commission expenses		**(283.0)**	(260.0)
Advertising and promotion expenses		**(134.3)**	(125.3)
Direct cost and operating expenses		**(60.5)**	(80.0)
Administrative expenses	10	**(1,730.1)**	(1,470.4)
Net profit on financial assets and liabilities	11	**114.6**	79.3
Net exchange gain (loss)		**17.7**	(75.8)
Bad and doubtful debts	12	**(798.3)**	(589.9)
Finance costs	13	**(455.1)**	(400.5)
Other expenses		**(16.4)**	(55.1)
		2,114.6	1,701.6
Share of results of associates		**5.6**	11.8
Share of results of joint ventures		**37.2**	6.8
Profit before taxation	10	**2,157.4**	1,720.2
Taxation	14	**(359.2)**	(260.3)
Profit for the year		**1,798.2**	1,459.9
Profit attributable to:			
— Owners of the Company		**1,328.4**	1,051.6
— Non-controlling interests		**469.8**	408.3
		1,798.2	1,459.9
Earnings per share	16		
— Basic (HK cents)		**61.7**	49.4
— Diluted (HK cents)		**61.7**	49.4

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2014

	2014 HK$ Million	2013 HK$ Million
Profit for the year	**1,798.2**	1,459.9
Other comprehensive income (expenses) that may be reclassified subsequently to profit or loss		
Available-for-sale investments		
— Net fair value changes during the year	**7.2**	(9.7)
— Reclassification adjustment to profit or loss on disposal	**(3.8)**	(0.1)
— Reclassification upon impairment	**—**	10.0
	3.4	0.2
Exchange differences arising on translating foreign operations	**(162.7)**	157.9
Reclassification adjustment to profit or loss on liquidation of subsidiaries	**0.4**	31.6
Reclassification adjustment to profit or loss on disposal of associates and joint ventures	**—**	(10.3)
Share of other comprehensive income (expenses) of joint ventures	**(38.6)**	38.6
Other comprehensive income (expenses) for the year	**(197.5)**	218.0
Total comprehensive income for the year	**1,600.7**	1,677.9
Total comprehensive income attributable to:		
— Owners of the Company	**1,196.0**	1,203.2
— Non-controlling interests	**404.7**	474.7
	1,600.7	1,677.9

Consolidated Statement of Financial Position

At 31 December 2014

	Notes	**31/12/2014 HK$ Million**	31/12/2013 HK$ Million
Non-current Assets			
Investment properties	17	**864.9**	811.3
Leasehold interests in land	18	**9.3**	9.8
Property and equipment	19	**447.5**	285.1
Intangible assets	20	**982.9**	985.9
Goodwill	21	**2,384.0**	2,384.0
Interest in associates	24	**35.7**	30.1
Interest in joint ventures	25	**198.9**	162.4
Available-for-sale investments	26	**232.6**	262.9
Financial assets at fair value through profit or loss	26	**603.5**	378.3
Statutory deposits		**39.9**	28.6
Deferred tax assets	27	**265.0**	201.6
Amounts due from associates and joint ventures	29	**64.7**	65.9
Loans and advances to consumer finance customers	30	**3,308.4**	3,440.5
Trade and other receivables	31	**1,468.2**	1,131.8
Deposits for acquisition of property and equipment		**108.5**	75.2
		11,014.0	10,253.4
Current Assets			
Financial assets at fair value through profit or loss	26	**924.2**	655.6
Taxation recoverable		**11.8**	6.4
Amounts due from associates and joint ventures	29	**0.2**	7.9
Loans and advances to consumer finance customers	30	**8,083.3**	6,603.0
Trade and other receivables	31	**7,682.7**	6,530.4
Amounts due from the immediate holding company	35	**—**	8.9
Bank deposits	32	**993.4**	755.6
Cash and cash equivalents	32	**4,051.2**	2,982.9
		21,746.8	17,550.7
Current Liabilities			
Financial liabilities at fair value through profit or loss	26	**66.3**	60.8
Bank and other borrowings	33	**3,833.9**	2,435.4
Trade and other payables	34	**2,819.8**	1,866.5
Amounts due to fellow subsidiaries and a holding company	35	**7.5**	25.7
Amounts due to associates	35	**0.1**	0.1
Provisions	36	**62.3**	45.9
Taxation payable		**186.0**	141.5
Notes	37	**71.3**	366.2
		7,047.2	4,942.1
Net Current Assets		**14,699.6**	12,608.6
Total Assets less Current Liabilities		**25,713.6**	22,862.0

Consolidated Statement of Financial Position

At 31 December 2014

	Notes	**31/12/2014 HK$ Million**	31/12/2013 HK$ Million
Capital and Reserves			
Share capital	38	**8,752.3**	424.7
Reserves		**6,174.7**	12,977.4
Equity attributable to owners of the Company		**14,927.0**	13,402.1
Non-controlling interests		**3,740.3**	3,417.2
Total Equity		**18,667.3**	16,819.3
Non-current Liabilities			
Financial liabilities at fair value through profit or loss	26	—	42.9
Deferred tax liabilities	27	**201.5**	207.3
Bank and other borrowings	33	**3,196.0**	2,448.8
Provisions	36	**11.6**	11.6
Notes	37	**3,637.2**	3,332.1
		7,046.3	6,042.7
		25,713.6	22,862.0

The consolidated financial statements on pages 72 to 168 were approved and authorised for issue by the Board of Directors on 19 March 2015 and are signed on its behalf by:

Lee Seng Huang
Director

Peter Anthony Curry
Director

Statement of Financial Position

At 31 December 2014

	Notes	31/12/2014 HK$ Million	31/12/2013 HK$ Million
Non-current Assets			
Property and equipment		**5.0**	0.4
Intangible assets		**1.1**	1.1
Interest in subsidiaries	23	**3,997.0**	3,981.6
Amounts due from subsidiaries	28	**6,836.6**	6,078.9
Amounts due from associates		**59.6**	59.5
		10,899.3	10,121.5
Current Assets			
Amounts due from subsidiaries	28	**495.8**	467.0
Amounts due from associates		—	1.2
Taxation recoverable		—	2.0
Cash and cash equivalents		**0.3**	0.8
		496.1	471.0
Current Liabilities			
Amounts due to subsidiaries	28	**158.0**	170.2
Trade and other payables	34	**9.4**	11.0
Provisions	36	**17.5**	—
Trade payable to a holding company		**1.3**	1.0
Taxation payable		**0.4**	—
		186.6	182.2
Net Current Assets		**309.5**	288.8
Total Assets less Current Liabilities		**11,208.8**	10,410.3
Capital and Reserves			
Share capital	38	**8,731.0**	424.7
Reserves	40	**2,477.8**	9,985.6
Equity attributable to owners of the Company		**11,208.8**	10,410.3

Lee Seng Huang
Director

Peter Anthony Curry
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2014

	Attributable to owners of the Company											
	Share capital HK$ Million	Share premium HK$ Million	Capital redemption reserve HK$ Million	Shares held for Employee Ownership Scheme HK$ Million	Employee share-based com-pensation reserve HK$ Million	Exchange reserve HK$ Million	Revaluation reserve HK$ Million	Capital reserves HK$ Million	Retained earnings HK$ Million	Total HK$ Million	Non-controlling interests HK$ Million	Total equity HK$ Million
At 1 January 2014	424.7	7,253.7	71.5	(19.8)	10.3	215.3	492.7	27.8	4,925.9	13,402.1	3,417.2	16,819.3
Profit for the year	–	–	–	–	–	–	–	–	1,328.4	1,328.4	469.8	1,798.2
Other comprehensive income (expenses) for the year (Note 39)	–	–	–	–	–	(94.1)	(38.3)	–	–	(132.4)	(65.1)	(197.5)
Total comprehensive income (expenses) for the year	–	–	–	–	–	(94.1)	(38.3)	–	1,328.4	1,196.0	404.7	1,600.7
Recognition of equity-settled share-based payments	–	–	–	–	10.0	–	–	–	–	10.0	–	10.0
Purchase of shares held for the SHK Employee Ownership Scheme	–	–	–	(6.1)	–	–	–	–	–	(6.1)	–	(6.1)
Vesting of shares of the SHK Employee Ownership Scheme	–	–	–	5.7	(7.0)	–	–	–	1.3	–	–	–
Final dividend paid	–	–	–	–	–	–	–	–	(254.0)	(254.0)	–	(254.0)
Interim and special dividends paid	–	–	–	–	–	–	–	–	(253.7)	(253.7)	–	(253.7)
Transfers upon the abolition of par value under the new Companies Ordinance (Note 38)	7,325.2	(7,253.7)	(71.5)	–	–	–	–	–	–	–	–	–
Issue of shares	1,002.4	–	–	–	–	–	–	–	–	1,002.4	–	1,002.4
Shares repurchased and cancelled	–	–	–	–	–	–	–	–	(169.7)	(169.7)	–	(169.7)
Transfer retained earnings to capital reserves	–	–	–	–	–	–	–	33.0	(33.0)	–	–	–
Shares of subsidiaries issued to non-controlling interests	–	–	–	–	–	–	–	–	–	–	0.4	0.4
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	(82.0)	(82.0)
At 31 December 2014	8,752.3	–	–	(20.2)	13.3	121.2	454.4	60.8	5,545.2	14,927.0	3,740.3	18,667.3

Consolidated Statement of Changes in Equity

For the year ended 31 December 2014

	Attributable to owners of the Company												
	Share capital HK$ Million	Share premium HK$ Million	Capital redemption reserve HK$ Million	Equity element of warrants HK$ Million	Shares held for Employee Ownership Scheme HK$ Million	Employee share-based com-pensation reserve HK$ Million	Exchange reserve HK$ Million	Revaluation reserve HK$ Million	Capital reserves HK$ Million	Retained earnings HK$ Million	Total HK$ Million	Non-controlling interests HK$ Million	Total equity HK$ Million
At 1 January 2013	432.4	7,250.7	63.7	57.6	(25.2)	8.9	103.1	452.4	0.9	4,518.5	12,863.0	3,102.3	15,965.3
Profit for the year	–	–	–	–	–	–	–	–	–	1,051.6	1,051.6	408.3	1,459.9
Other comprehensive income (expenses) for the year (Note 39)	–	–	–	–	–	–	112.2	40.3	(0.9)	–	151.6	66.4	218.0
Total comprehensive income (expenses) for the year	–	–	–	–	–	–	112.2	40.3	(0.9)	1,051.6	1,203.2	474.7	1,677.9
Recognition of equity-settled share-based payments	–	–	–	–	–	9.5	–	–	–	–	9.5	–	9.5
Purchase of shares held for the SHK Employee Ownership Scheme	–	–	–	–	(2.7)	–	–	–	–	–	(2.7)	–	(2.7)
Vesting of shares of the SHK Employee Ownership Scheme	–	–	–	–	8.1	(8.1)	–	–	–	–	–	–	–
Final dividend paid	–	–	–	–	–	–	–	–	–	(252.2)	(252.2)	–	(252.2)
Interim dividend paid	–	–	–	–	–	–	–	–	–	(212.7)	(212.7)	–	(212.7)
Unclaimed dividend forfeited	–	–	–	–	–	–	–	–	–	0.6	0.6	–	0.6
Shares issued for scrip dividends	0.1	3.0	–	–	–	–	–	–	–	(3.1)	–	–	–
Shares repurchased and cancelled	(7.8)	–	7.8	–	–	–	–	–	–	(206.6)	(206.6)	–	(206.6)
Transfer on expiry of warrants	–	–	–	(57.6)	–	–	–	–	–	57.6	–	–	–
Transfer retained earnings to capital reserves	–	–	–	–	–	–	–	–	27.8	(27.8)	–	–	–
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	(159.8)	(159.8)
At 31 December 2013	424.7	7,253.7	71.5	–	(19.8)	10.3	215.3	492.7	27.8	4,925.9	13,402.1	3,417.2	16,819.3

Consolidated Statement of Cash Flows

For the year ended 31 December 2014

	2014 HK$ Million	2013 HK$ Million
Operating activities		
Profit before taxation	**2,157.4**	1,720.2
Adjustments for:		
— Share of results of associates	**(5.6)**	(11.8)
— Share of results of joint ventures	**(37.2)**	(6.8)
— Dividend income	**(18.8)**	(9.4)
— Interest income	**(4,425.4)**	(3,786.6)
— Profit on disposal of associates	**—**	(30.1)
— Profit on disposal of a joint venture	**—**	(0.5)
— Profit on disposal of available-for-sale investments	**(8.8)**	(0.6)
— Increase in fair value of investment properties	**(43.0)**	(46.5)
— Profit on disposal of land and building	**(139.9)**	—
— Written back of impairment loss for amounts due from associates	**—**	(14.2)
— Written back of impairment loss for interest in associates	**—**	(1.0)
— Expenses recognised for the SHK Employee Ownership Scheme	**10.0**	9.5
— Amortisation of leasehold interests in land	**0.3**	0.3
— Amortisation of intangible assets	**33.3**	37.4
— Depreciation of property and equipment	**68.8**	58.9
— Net (profit) loss on disposal/write-off of equipment and intangible assets	**5.1**	(0.1)
— Impairment loss on intangible assets	**0.4**	—
— Impairment loss on available-for-sale investments	**2.0**	10.0
— Impairment loss on amounts due from a joint venture	**8.5**	—
— Loss on liquidation of subsidiaries	**0.4**	31.6
— Bad and doubtful debts	**798.3**	589.9
— Interest expenses	**447.4**	389.0
— Net fair value gain on financial assets and liabilities	**(66.7)**	(75.5)
— Exchange difference	**(28.1)**	27.4
Operating cash flows before movements in working capital	**(1,241.6)**	(1,108.9)
Change in financial assets at fair value through profit or loss	**(103.1)**	(92.1)
Change in loans and advances to consumer finance customers	**(2,181.5)**	(2,183.9)
Change in trade and other receivables	**(1,599.8)**	(1,455.7)
Change in amounts due from the immediate holding company	**8.9**	(8.9)
Change in financial liabilities at fair value through profit or loss	**(32.2)**	21.9
Change in trade and other payables	**957.8**	527.6
Change in amounts due to fellow subsidiaries and a holding company	**(18.2)**	16.7
Change in provisions	**15.9**	13.9
Cash used in operations	**(4,193.8)**	(4,269.4)
Dividends received from held for trading investments	**8.5**	5.6
Interest received	**4,380.0**	3,773.4
Interest paid	**(352.4)**	(342.2)
Taxation paid	**(414.5)**	(309.7)
Net cash used in operating activities	**(572.2)**	(1,142.3)

Consolidated Statement of Cash Flows

For the year ended 31 December 2014

	2014 HK$ Million	2013 HK$ Million
Investing activities		
Purchase of investment properties	**(4.9)**	—
Proceeds on disposal of land and building	**139.9**	—
Purchase of property and equipment	**(172.0)**	(98.3)
Proceeds on disposal of equipment	**0.5**	0.5
Purchase of intangible assets	**(34.0)**	(20.3)
Liquidation of subsidiaries	**—**	(0.2)
Proceeds on disposal of associates	**43.7**	—
Repayment from (advance to) associates	**1.1**	(0.3)
Dividends received from associates	**—**	24.3
Capital injection to a joint venture	**(42.3)**	(4.8)
Dividends received from joint ventures	**0.8**	3.8
Proceeds on disposal of a joint venture	**—**	6.2
Advance to joint ventures	**(0.7)**	(6.9)
Dividends received from available-for-sale investments	**10.3**	3.8
Purchase of available-for-sale investments	**(3.8)**	(168.8)
Proceeds on disposal of available-for-sale investments	**41.9**	17.4
Purchase of long-term financial assets designated as at fair value through profit or loss	**(395.0)**	(222.0)
Proceeds on long-term financial assets designated as at fair value through profit or loss	**65.4**	15.2
Net payment of statutory deposits	**(11.2)**	(2.1)
Payment of deposits for acquisition of property and equipment	**(69.7)**	(27.1)
Fixed deposits with banks placed	**(258.2)**	(271.3)
Net cash used in investing activities	**(688.2)**	(750.9)
Financing activities		
Net short-term bank and other borrowings repaid	**(777.7)**	(1,936.0)
New long-term bank borrowings raised	**2,970.4**	2,396.1
Repayment of long-term bank loans	**(47.2)**	(8.5)
Proceeds from issue of notes	**449.1**	625.3
Proceeds from issue of long-term financial liabilities designated as at fair value through profit or loss	**—**	134.8
Purchase of notes	**(75.9)**	(187.4)
Redemption of notes	**(356.0)**	—
Short-term loan due to fellow subsidiaries advanced	**600.0**	—
Short-term loan due to fellow subsidiaries repaid	**(600.0)**	—
Proceeds from disposal of notes	**—**	27.9
Proceeds from issue of preference shares	**—**	41.7
Redemption of preference shares	**(41.7)**	—
Purchase of shares for the SHK Employee Ownership Scheme	**(6.1)**	(2.7)
Shares repurchased and cancelled	**(169.7)**	(206.6)
Issue of shares	**1,002.4**	—
Dividends paid	**(507.7)**	(464.9)
Dividends to non-controlling interests	**(82.0)**	(159.8)
Capital contribution by non-controlling interests	**0.4**	—
Net cash from financing activities	**2,358.3**	259.9
Net change in cash and cash equivalents	**1,097.9**	(1,633.3)
Cash and cash equivalents at 1 January	**2,982.9**	4,567.5
Effect of foreign exchange rate changes	**(29.6)**	48.7
Cash and cash equivalents at the end of the year (note 32)	**4,051.2**	2,982.9

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

1. GENERAL

The Company is a public limited company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited. Its parent is AP Emerald Limited. Its ultimate holding company is Allied Group Limited, a public limited company which is listed and incorporated in Hong Kong. The ultimate controlling party of the Company is the trustees of Lee and Lee Trust. The address of the principal place of business of the trustees of Lee and Lee Trust is 24/F, Allied Kajima Building, 138 Gloucester Road, Wanchai, Hong Kong. The address of the registered office of the Company is disclosed in the Corporate Information section of the Annual Report. The principal place of business of the Company is in Hong Kong.

The financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Company.

The principal activity of the Company is to act as an investment holding company and the principal activities of its major subsidiaries are disclosed in Note 23.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group adopted certain Amendments to Standards that are mandatorily effective for the Group's financial year beginning on 1 January 2014. The adoption of these Amendments has had no material effect on the consolidated financial statements of the Group for the current and prior accounting periods.

New HKFRSs and Amendments in issue but not yet effective

The Group has not early applied the following new HKFRSs and amendments that have been issued but are not yet effective, and are relevant to the operations of the Group.

Amendments to HKAS 1	Disclosure Initiative[3]
HKFRS 9	Financial Instruments[5]
HKFRS 15	Revenue from Contracts with Customers[4]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010 — 2012 Cycle[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011 — 2013 Cycle[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012 — 2014 Cycle[3]

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

Except as described below, the management anticipates that the application of the new HKFRSs and amendments will not have material impact to the consolidated financial statements.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(CONTINUED)*

HKFRS 9 — Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition. HKFRS 9 amended in 2013 includes 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" measurement category for certain debt instruments.

Under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 "Financial Instruments: Recognition and Measurement" are subsequently measured at either 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 assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at "fair value through other comprehensive income". All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods. In addition, an entity may make an irrevocable election to present changes in fair value of equity investments in other comprehensive income, with only dividend income recognised in profit or loss.

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 attributable to a financial liability's credit risk are not subsequently reclassified to 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 application of HKFRS 9 may affect the measurement of the Group's financial assets and liabilities. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 9 until the Group undertakes a detailed review.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(CONTINUED)*

HKFRS 15 — Revenue from Contracts with Customers

HKFRS 15 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 with 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 the entity satisfies a performance obligation.

Under HKFRS 15, an entity recognises revenue when a performance obligation is satisfied. Furthermore, extensive disclosures are required by HKFRS 15.

The application of HKFRS 15 may affect the amount 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.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants. In addition, the consolidated financial statements include the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the predecessor Hong Kong Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements 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 to that Ordinance.

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(b) Basis of preparation and consolidation

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at fair value, as explained in the accounting policies set out 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.

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries and the Group's interest in associates and joint ventures. The income and expenses of subsidiaries acquired or disposed of during the year are included in profit or loss and other comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

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 debit balance.

All intra-group transactions, balances, income and expenses within the Group are eliminated on consolidation.

(c) 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 at the acquisition date, except that:

— deferred tax assets or liabilities and liabilities or assets 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 transactions of the acquiree or the replacement of an acquiree's share-based payment transactions with share-based payment transactions of the Group are measured in accordance with HKFRS 2 "Share-based Payment" at the acquisition date; 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)*

(c) 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 assessment, 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 are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if those interests were disposed of.

(d) Goodwill

Goodwill arising on acquisition is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

Goodwill is tested for impairment annually, and whenever there is an indication that the cash-generating unit to which the goodwill relates may be impaired. Goodwill is allocated to cash-generating units for the purpose of impairment testing.

On disposal of a subsidiary, the attributable amount of goodwill capitalised is included in the determination of the profit or loss on disposal.

(e) Interest in subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group has power over an entity, is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect these returns through its power over the entity.

Control is generally accompanied by a shareholding of more than one half of the voting rights. 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(e) Interest in subsidiaries *(continued)*

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. 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, the profit or loss on disposal 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. Where certain assets of the subsidiary are measured at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the accumulated amounts in equity are accounted for as if the Group had directly disposed of the related assets.

Investments in subsidiaries are included in the Company's statement of financial position at cost less impairment. The results of subsidiaries are accounted for by the Company on the basis of dividends received or receivable.

(f) Interests in associates and joint ventures

An associate is a company not being a subsidiary or a joint venture, in which the Group has significant influence but not control, generally accompanying a shareholding between 20% and 50% of the voting rights.

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control and over which none of the participating parties has unilateral control.

The results and assets and liabilities of associates or joint ventures are incorporated in these consolidated financial statements using the equity method. Under the equity method, an investment in an associate or a joint venture is initially recognised 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 in 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(f) Interests in associates and joint ventures *(continued)*

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 to sell) 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.

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. 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 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.

When the Group transacts with an associate or a joint venture of the Group, unrealised profits and losses are eliminated to the extent of the Group's interest in the relevant associate or joint venture.

In the Company's statement of financial position, the interest in an associate or a joint venture is stated at cost less impairment. The results of the associate or joint venture are accounted by the Company on the basis of dividends received or receivable.

(g) Investment properties

The Group's investment properties are properties which are held for long-term rental yields or for capital appreciation or both. Investment properties are initially measured at cost including all transaction costs. Subsequent to initial recognition they are stated at fair value based on an independent professional valuation at the end of each reporting period. Any revaluation increase or decrease arising from the revaluation of investment properties is recognised in profit or loss in the year in which it arises.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from its disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year in which the item is derecognised.

(h) Leasehold interests in land

Leasehold interests in land are classified as operating leases and presented as "leasehold interests in land" in the consolidated statement of financial position when all the risks and rewards incidental to ownership are not substantially transferred to the Group. Leasehold interests in land are amortised in profit or loss on a straight-line basis over the period of the lease or when there is impairment, the impairment is expensed in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(i) Property and equipment

Property and equipment include buildings and leasehold land (classified as finance lease) held by the Group for its own use. All property and equipment are stated at cost, less subsequent depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated using the straight-line method to write off the cost of each asset to its residual value over its estimated useful life as follows:

Property	—	shorter of the estimated useful life and the remaining lease term of land
Furniture and equipment	—	10% to 33% per annum

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

If an item of property included in "property and equipment" becomes an investment property because its use has changed as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item at the date of transfer is recognised in other comprehensive income and accumulated in the revaluation reserve. On the subsequent sale or retirement of the asset, the relevant revaluation reserve will be transferred directly to retained earnings.

For a transfer from an investment property carried at fair value to owner-occupied property, the property's deemed cost for subsequent accounting is its fair value at the date of change in use.

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. Gains and losses on disposals are determined by comparing the disposal proceeds with the carrying amount and are included in profit or loss.

(j) Intangible assets

(i) Exchange participation rights and club membership

They comprise:

— the eligibility right to trade through The Stock Exchange of Hong Kong Limited, Hong Kong Futures Exchange Limited and other exchanges; and

— the eligibility right to use the facilities of various clubs.

The exchange participation rights are considered by the management of the Group as having an indefinite useful life because they are expected to contribute net cash flows indefinitely. The management also considers that the club membership does not have a finite useful life.

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(j) Intangible assets *(continued)*

(ii) Computer software

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised using the straight-line method.

Costs associated with developing or maintaining computer software are recognised as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include software development employee costs and an appropriate portion of relevant overheads.

Computer software development costs recognised as assets are amortised from the dates when the software becomes available for use using the straight-line method.

(iii) Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair value can be measured reliably. Such intangible assets are measured at their fair value at the acquisition date.

Subsequent to initial recognition, intangible assets with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. Useful lives are also examined on an annual basis and adjustments where applicable are made on a prospective basis. Intangible assets with indefinite lives are carried at cost less any impairment losses and are tested for impairment annually by comparing their recoverable amount with their carrying amount.

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

(k) Investments/financial assets

(i) Classification

Financial assets of the Group are classified under the following categories:

"Financial assets at fair value through profit or loss"

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in the held for trading category if acquired principally for the purpose of selling in the short-term. All derivative financial assets are also categorised as held for trading unless they are designated as effective hedging instruments. Financial assets other than financial assets held for trading may be designated as fair value through profit or loss if the assets are managed and their performance is evaluated on a fair value basis, in accordance with the Group's investment strategy, and information about the grouping is provided internally on that basis.

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(k) Investments/financial assets *(continued)*

(i) Classification (continued)

"Available-for-sale investments"

This category comprises financial assets, which are non-derivatives that are either designated as available-for-sale or not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments. They include both listed and unlisted investments.

"Loans and receivables"

This category includes trade and other receivables, bank deposits, cash and cash equivalents, loans and advances to consumer finance customers and amounts due from related parties. They arise when the Group provides money, goods or services directly to clients or brokers with no intention of trading the receivables.

(ii) Recognition and initial measurement

Purchases and sales of investments are recognised on trade date, which is the date that the Group enters into a contract to purchase or sell the asset. Financial assets at fair value through profit or loss are initially recognised at fair value with transaction costs recognised as expenses in profit or loss. Financial assets which are not financial assets at fair value through profit or loss are initially recognised at fair value plus transaction costs.

(iii) Subsequent measurement

"Financial assets at fair value through profit or loss"

Investments under this category are subsequently re-measured to fair value at the end of the reporting period until the assets are derecognised. Unrealised gains and losses arising from changes in the fair value are included in profit or loss in the period in which they occur.

"Available-for-sale investments"

Available-for-sale investments are carried at fair value. Unrealised gains and losses arising from changes in the fair value of investments classified as available-for-sale are recognised in the revaluation reserve.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured at cost less any identified impairment losses at the end of each reporting period subsequent to initial recognition.

"Loans and receivables"

Loans and receivables are carried at amortised cost using the effective interest method, less impairment losses, if any.

(iv) Derecognition

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(k) Investments/financial assets *(continued)*

(iv) Derecognition (continued)

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.

(v) Fair value measurement principles

Fair values of quoted investments are based on quoted prices. For unlisted securities or financial assets without an active market, the Group establishes the fair value by using appropriate valuation techniques including the use of recent arm's length transactions, reference to other investments that are substantially the same, discounted cash flow analysis and option pricing models.

(vi) Impairment

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the securities below their cost is considered in determining whether the securities are impaired. If any such evidence exists for available-for-sale investments, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss) is removed from equity and recognised in profit or loss. Impairment losses recognised in profit or loss on equity investments are not reversed through profit or loss.

Each receivable that is individually significant is reviewed for indication of impairment at the end of each reporting period. Loans and receivables 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.

Individual impairment allowance applies to securities margin financing and term loans which are individually significant or have objective evidence of impairment. In assessing the individual impairment, management estimates the present value of future cash flows which are expected to be received, taking into account the borrower's financial situation and the net realisable value of the underlying collateral or guarantees in favour of the Group. Each impaired asset is assessed on its merits and the impairment allowance is measured as the difference between the loan's carrying amount and the present value of the estimated future cash flows discounted at the loan's original effective interest rate.

Collective impairment allowances cover credit losses inherent in portfolios of loans receivable and other accounts with similar economic and credit risk characteristics where objective evidence for individual impaired items cannot be identified. In assessing the collective impairment, management makes assumptions both to define the way the Group assesses inherent losses and to determine the required input parameters, based on historical loss experience and current economic conditions. Changes in the carrying amount of the allowance account are recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(l) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, bank balances and short-term time deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

(m) Financial liabilities

Financial liabilities for trading purposes are generally classified as "financial liabilities at fair value through profit or loss" which are recognised initially at fair value. A financial liability other than held for trading purpose may be designated as at fair value through profit or loss upon initial recognition if it forms part of a contract containing one or more embedded derivatives and HKAS 39 permits the entire contract to be designated as at fair value through profit or loss. At the end of each reporting period, subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise.

Other financial liabilities including bank and other borrowings, notes, trade and other payables and amounts due to related parties, which are recognised initially at fair value, are subsequently measured at amortised cost, using the effective interest method.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid or payable is recognised in profit or loss.

(n) Share capital

Ordinary shares of the Company are classified as equity.

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised in equity. Repurchased shares that are not subsequently cancelled are classified as treasury shares and presented as a deduction from total equity.

Dividend distribution to the Company's owners is recognised as a liability in the period in which the dividends are approved by the Directors or shareholders as appropriate.

Where the shares of the Company ("Awarded Shares") are purchased under the SHK Employee Ownership Scheme, the consideration paid, including any directly attributable incremental costs, is presented as "Shares held for Employee Ownership 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 earnings.

Other equity instruments issued by the Company are recorded as the proceeds received, net of direct issue costs. Derivatives that are settled by the exchange of a fixed amount of cash or other financial assets for a fixed number of the Company's own equity instruments are classified as equity.

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(o) Provisions and contingent liabilities

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, if it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in profit or loss net of any reimbursement.

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the consolidated financial statements. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

(p) Impairment of non-financial assets

Goodwill and intangible assets that have indefinite useful lives are not subject to amortisation, and are tested at least annually for impairment and reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to depreciation and amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows (cash-generating units) if an impairment test cannot be performed for an individual asset. An impairment loss is recognised immediately as an expense.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) 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 (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(q) Taxation

Taxation comprises current and deferred tax.

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

Deferred tax is provided in full on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary difference can be utilised.

Deferred tax liabilities are recognised for taxable temporary differences arising on interests 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 is calculated at the tax rates that are expected to apply in the period when the liability is settled or the assets realised. 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 recognised in equity, in which case the current and deferred tax is also dealt with in equity.

For the purposes of measuring deferred tax liabilities or deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale.

(r) Foreign currencies

Transactions in currencies other than the functional currency of the respective group entities (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions.

At the end of each reporting period, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at the end of the reporting period.

Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Foreign exchange gains and losses arising on the settlement of monetary items, and on the retranslation of monetary items, are included in net profit or loss for the period, except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

On consolidation, the assets and liabilities of the Group’s foreign operations are translated to Hong Kong dollars at exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the year. Exchange differences arising, if any, are classified as equity and transferred to the Group’s exchange reserve. Such translation differences are recognised as income or expenses in the period in which the operation is disposed of.

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(s) Borrowing costs

Interest expenses directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to prepare for its intended use or sale are capitalised as part of the cost of the asset.

All other borrowing costs are recognised on a time apportionment basis, taking into account the principal and the effective interest rates. They are charged to profit or loss in the year in which they are incurred.

(t) 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 lessor"

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

"The Group as lessee"

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

(u) Employee benefits

The Group operates defined contribution retirement schemes, the assets of which are held in independently administrated funds. The Group's contributions to the defined contribution retirement schemes are expensed as the employees have rendered their services entitling them to the contributions and are reduced by contributions forfeited, if applicable, by those employees who leave the schemes prior to vesting fully in the contributions.

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.

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.

For the Awarded Shares granted under the SHK Employee Ownership Scheme, 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(v) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and sales related tax. Income is recognised in profit or loss on the following basis:

(i) Brokerage commission income is recognised as income on a trade date basis.

(ii) Underwriting commission, sub-underwriting income, placing commission and sub-placing commission are recognised as income in accordance with the terms and conditions of the relevant agreement or deal mandate when the relevant significant acts have been completed.

(iii) Fees for management and advisory services for funds are recognised when the related services are rendered.

(iv) Income from the provision of services is recognised upon the provision of the relevant services or on a time apportionment basis over the terms of service contracts.

(v) Interest income from financial assets is recognised on a time apportionment basis, taking into account the principal amounts outstanding and the effective interest applicable, which is the rate that discounts the estimated future cash flows through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

(vi) Dividend income from investments is recognised when the owners' right to receive payment has been established.

(vii) Realised profits or losses from financial assets at fair value through profit or loss are recognised on a trade date basis whilst the unrealised profits or losses are recognised from valuation at the end of the reporting period.

(viii) Rental income arising on investment properties is accounted for on a straight-line basis over the lease term regardless of when the cash rental payment is received.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

(a) Impairment allowances on loans and receivables

In determining individual impairment allowances, the Group periodically reviews its trade receivables, term loans and margin loans to assess whether impairment allowances exist. In determining whether impairment allowances should be recorded in profit or loss, management estimates the present value of future cash flows which are expected to be received, taking into account the borrower's financial situation and the net realisable value of the underlying collateral or guarantees in favour of the Group.

(b) Impairment allowances on loans and advances to consumer finance customers

The policy for collective impairment allowances for loans and advances to consumer finance customers of the Group is based on the evaluation of collectability and ageing analysis of accounts and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these loans and advances, including the current creditworthiness, and the past collection history of each loan.

(c) Impairment of available-for-sale investments

For listed available-for-sale equity investments, a significant or prolonged decline in fair value below cost is considered to be objective evidence of impairment. Judgement is required when determining whether a decline in fair value has been significant or prolonged. In making this judgement, the historical data on market volatility as well as the price of the specific investment are taken into account.

(d) Estimated impairment of goodwill and intangible assets with indefinite useful lives

The Group conducts tests for impairment of goodwill and intangible assets with indefinite useful lives annually in accordance with the relevant accounting standards. Determining whether the goodwill and the intangible assets are impaired requires an estimation of the fair value less cost to sell or value in use on the basis of data available to the Group. Where future cash flows are less than expected, an impairment loss may arise.

(e) Deferred tax

Estimating the amount for recognition of deferred tax assets arising from tax losses requires a process that involves forecasting future years' taxable income and assessing the Group's ability to utilise tax benefits through future earnings. Where the actual future profits generated are more or less than expected, a recognition or reversal of the deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a recognition or reversal takes place. While the current financial models indicate that the recognised tax losses can be utilised in the future, any changes in assumptions, estimates and tax regulations can affect the recoverability of this deferred tax asset.

(f) Fair value of derivative and financial instruments

The Group selects appropriate valuation techniques for financial instruments not quoted in an active market. Note 26 provides detailed information about the key assumptions used in the determination of the fair value of material financial instruments.

5. REVENUE

	2014 **HK$ Million**	2013 HK$ Million
Brokerage, commission and service income	**769.2**	741.8
Dividends from listed investments	**16.0**	5.6
Dividends from unlisted investments	**2.8**	3.8
Gross rental income from investment properties	**21.4**	20.6
Interest income	**4,425.4**	3,786.6
Fees received from funds management	**15.1**	15.7
Net charges on gold positions	**1.3**	1.4
	5,251.2	4,575.5

During the year, the interest income that was derived from financial assets not at fair value through profit or loss amounted to HK$4,417.2 million (2013: HK$3,760.6 million).

6. SEGMENT INFORMATION

The operating businesses are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Inter-segment sales are charged at prevailing market rates.

The main reportable and operating segments presented in these financial statements are as follows:

(a) Wealth Management and Brokerage:

— provision of financial planning and wealth management services;

— provision of broking services and insurance broking;

— provision of online financial services and online financial information;

— provision of securities margin financing;

— dealing in securities, funds, bullion, commodities, futures and options; and

— provision of asset management including funds marketing and management.

(b) Capital Markets: provision of corporate finance services.

(c) Structured Finance: provision of structured finance.

(d) Consumer Finance: provision of consumer financing.

(e) Principal Investments: portfolio investments and provision of group management and support.

6. SEGMENT INFORMATION *(CONTINUED)*

	2014					
	Wealth Management and Brokerage HK$ Million	Capital Markets HK$ Million	Structured Finance HK$ Million	Consumer Finance HK$ Million	Principal Investments HK$ Million	Total HK$ Million
Brokerage commission revenue	622.3	40.9	—	—	—	663.2
Revenue other than brokerage commission revenue	389.8	16.3	375.8	3,763.6	322.5	4,868.0
Segment revenue	1,012.1	57.2	375.8	3,763.6	322.5	5,531.2
Less: inter-segment revenue	(1.3)	(12.6)	—	—	(266.1)	(280.0)
Segment revenue from external customers	1,010.8	44.6	375.8	3,763.6	56.4	5,251.2
Segment profit or loss	94.3	11.6	102.7	1,407.7	498.3	2,114.6
Share of results of associates	—	—	—	—	5.6	5.6
Share of results of joint ventures	3.9	—	—	—	33.3	37.2
Profit before taxation	98.2	11.6	102.7	1,407.7	537.2	2,157.4
Included in segment profit or loss:						
Interest income	307.5	—	353.4	3,742.5	22.0	4,425.4
Other income	0.9	0.3	0.5	6.5	200.6	208.8
Net profit (loss) on financial assets and liabilities	(1.4)	7.4	(42.4)	—	151.0	114.6
Net exchange gain (loss)	(0.1)	(0.1)	—	35.7	(17.8)	17.7
Bad and doubtful debts	(17.2)	—	—	(787.2)	6.1	(798.3)
Amortisation and depreciation	(10.3)	(0.8)	—	(39.6)	(51.7)	(102.4)
Impairment loss						
— Intangible assets	—	—	—	—	(0.4)	(0.4)
— Available-for-sale investments	—	—	—	(2.0)	—	(2.0)
— Amounts due from a joint venture	(8.5)	—	—	—	—	(8.5)
Net loss on disposal/write-off of equipment and intangible assets	(0.3)	—	—	(0.2)	(4.6)	(5.1)
Finance costs to external suppliers	(7.6)	—	—	(250.8)	(196.7)	(455.1)
Inter-segment finance costs	(82.6)	(0.2)	(165.3)	(13.0)	—	(261.1)
Finance costs before inter-segment elimination	(90.2)	(0.2)	(165.3)	(263.8)	(196.7)	(716.2)

6. SEGMENT INFORMATION *(CONTINUED)*

	2013					
	Wealth Management and Brokerage HK$ Million	Capital Markets HK$ Million	Structured Finance HK$ Million	Consumer Finance HK$ Million	Principal Investments HK$ Million	Total HK$ Million
Brokerage commission revenue	579.8	33.2	—	—	3.1	616.1
Revenue other than brokerage commission revenue	359.4	49.6	365.4	3,136.8	322.9	4,234.1
Segment revenue	939.2	82.8	365.4	3,136.8	326.0	4,850.2
Less: inter-segment revenue	(2.9)	—	—	—	(271.8)	(274.7)
Segment revenue from external customers	936.3	82.8	365.4	3,136.8	54.2	4,575.5
Segment profit or loss	109.4	9.4	135.3	1,223.5	224.0	1,701.6
Share of results of associates	—	—	—	—	11.8	11.8
Share of results of joint ventures	3.6	—	—	—	3.2	6.8
Profit before taxation	113.0	9.4	135.3	1,223.5	239.0	1,720.2
Included in segment profit or loss:						
Interest income	277.7	24.3	342.3	3,121.1	21.2	3,786.6
Other income	2.0	2.6	1.5	5.0	92.7	103.8
Net profit on financial assets and liabilities	22.5	5.9	18.1	—	32.8	79.3
Net exchange gain (loss)	(2.8)	0.3	(25.7)	(30.1)	(17.5)	(75.8)
Bad and doubtful debts	(26.2)	—	3.6	(567.3)	—	(589.9)
Amortisation and depreciation	(10.5)	(0.9)	—	(32.4)	(52.8)	(96.6)
Written back of impairment loss						
— Interest in associates	—	—	—	—	1.0	1.0
— Amounts due from associates	—	—	—	—	14.2	14.2
Impairment loss on available-for-sale investments	—	—	—	—	(10.0)	(10.0)
Net profit (loss) on disposal/write-off of equipment and intangible assets	(0.3)	—	—	(0.1)	0.5	0.1
Finance costs to external suppliers	(6.7)	(6.5)	—	(208.4)	(178.9)	(400.5)
Inter-segment finance costs	(63.0)	(0.1)	(163.6)	(9.8)	(2.2)	(238.7)
Finance costs before inter-segment elimination	(69.7)	(6.6)	(163.6)	(218.2)	(181.1)	(639.2)

6. SEGMENT INFORMATION *(CONTINUED)*

The geographical information of revenue and non-current assets are disclosed as follows:

	2014 HK$ Million	2013 HK$ Million
Revenue from external customers by location of operations		
— Hong Kong	**3,394.3**	3,166.1
— Mainland China	**1,803.4**	1,329.7
— Others	**53.5**	79.7
	5,251.2	4,575.5

	31/12/2014 HK$ Million	31/12/2013 HK$ Million
Non-current assets other than financial assets and deferred tax assets by location of assets		
— Hong Kong	**4,233.8**	4,169.3
— Mainland China	**603.1**	408.3
— Others	**0.1**	2.3
	4,837.0	4,579.9

In the current year, in order to present the Group's earnings driver more clearly, the management has revised the segment information. The Structured Finance business, previously grouped under Capital Markets segment, is now presented as a separate segment. The Derivatives Strategic Group has been reclassified from Capital Markets segment to Wealth Management and Brokerage segment. In addition, the allocation basis for cost incurred under Principal Investment segment was amended to present a more transparent measurement of different segments' profitability. The comparative figures of segment revenue and segment profit or loss were restated to conform to the current year presentation. Below is the effect of the restatement.

6. SEGMENT INFORMATION *(CONTINUED)*

	2013					
	Wealth Management and Brokerage HK$ Million	Capital Markets HK$ Million	Structured Finance HK$ Million	Consumer Finance HK$ Million	Principal Investments HK$ Million	Total HK$ Million
Segment revenue from external customers, as previously stated	920.1	464.4	—	3,136.8	54.2	4,575.5
Separation of Structured Finance business	—	(365.4)	365.4	—	—	—
Reclassification of Derivatives Strategic Group	16.2	(16.2)	—	—	—	—
Segment revenue from external customers, as restated	936.3	82.8	365.4	3,136.8	54.2	4,575.5
Segment profit or loss, as previously stated	195.7	163.2	—	1,223.5	137.8	1,720.2
Separation of Structured Finance business	—	(162.1)	162.1	—	—	—
Reclassification of Derivatives Strategic Group	(13.8)	13.8	—	—	—	—
Change in cost allocation	(68.9)	(5.5)	(26.8)	—	101.2	—
Segment profit or loss, as restated	113.0	9.4	135.3	1,223.5	239.0	1,720.2

7. OTHER INCOME

	2014 HK$ Million	2013 HK$ Million
Net realised profit on disposal of investments		
— Disposal of associates	—	30.1
— Disposal of a joint venture	—	0.5
— Disposal of available-for-sale investments	**8.8**	0.6
Net profit on disposal of equipment	—	0.1
Net profit on disposal of land and building	**139.9**	—
Increase in fair value of investment properties	**43.0**	46.5
Written back of impairment loss for amounts due from associates	—	14.2
Written back of impairment loss for interest in associates	—	1.0
Bad debts recovery	**0.5**	—
Miscellaneous income	**16.6**	10.8
	208.8	103.8

8. EMOLUMENTS OF DIRECTORS AND SENIOR EMPLOYEES

(a) Directors

	2014					
	Director's fees HK$ Million	Consultancy fees HK$ Million	Salaries, housing and other allowances and benefits in kind HK$ Million	Discretionary bonuses HK$ Million	Contributions to retirement benefit scheme HK$ Million	Total HK$ Million
Ahmed Mohammed Aqil Qassim Alqassim	0.01	—	—	—	—	0.01
David Craig Bartlett	0.01	0.19	—	—	—	0.20
Peter Anthony Curry[4]	0.02[1]	—	2.60	1.20[7]	0.13	3.95
Goh Joo Chuan	—	—	—	—	—	—
Ho Chi Kit	—	—	—	—	—	—
Alan Stephen Jones	0.01	0.25	—	—	—	0.26
Roy Kuan	—	—	—	—	—	—
Lee Seng Huang	0.01	—	7.19	20.00	0.24	27.44
Jacqueline Alee Leung	—	0.03	—	—	—	0.03
Leung Pak To	—	—	—	—	—	—
William Leung Wing Cheung[5]	0.02[2]	—	4.21	3.75[8]	0.21	8.19
Liu Zheng	—	—	—	—	—	—
Carlisle Caldow Procter	0.01	0.08	—	—	—	0.09
Joseph Tong Tang[6]	0.02[3]	—	2.58	1.00[9]	0.13	3.73
Peter Wong Man Kong	0.01	0.19	—	—	—	0.20
	0.12	0.74	16.58	25.95	0.71	44.10

1 Including Director's fee of HK$0.01 million for Sun Hung Kai Financial Limited (2013: HK$0.01 million).
2 Including Director's fee of HK$0.01 million for Sun Hung Kai Financial Limited (2013: HK$0.01 million).
3 Including Director's fee of HK$0.01 million for Sun Hung Kai Financial Limited (2013: HK$0.01 million).
4 In March 2015, Awarded Shares with fair value at grant date of HK$0.80 million under the SHK Employee Ownership Scheme is approved to be granted to the director in relation to his performance in 2014. In addition, 185,000 shares were vested during 2014.
5 91,000 shares under the SHK Employee Ownership Scheme were vested during 2014.
6 In March 2015, Awarded Shares with fair value at grant date of HK$0.25 million under the SHK Employee Ownership Scheme is approved to be granted to the director in relation to his performance in 2014. In addition, 160,000 shares were vested during 2014.
7 The amount represents an actual cash bonus of HK$1.20 million for the year 2014 (2013: HK$0.95 million).
8 The amount represents an actual cash bonus of HK$3.75 million for the year 2014 (2013: HK$1.87 million) which include the sum of HK$1.50 million in the form of deferred cash which shall be paid in two equal portions in April 2016 and April 2017 respectively.
9 The amount represents an actual cash bonus of HK$1.00 million for the year 2014 (2013: HK$0.70 million).

Bonuses, which are recommended by the remuneration committee and subsequently approved by the Board, are discretionary and are determined by reference to the Group's and the individuals' performance.

8. EMOLUMENTS OF DIRECTORS AND SENIOR EMPLOYEES *(CONTINUED)*

(a) Directors *(continued)*

For the year ended 31 December 2014, Mr. Leung Pak To waived emolument of HK$0.01 million and Mr. Ho Chi Kit waived emolument of HK$0.02 million, including Director's fee of HK$0.01 million for Sun Hung Kai Financial Limited.

	2013					
	Director's fees HK$ Million	Consultancy fees HK$ Million	Salaries, housing and other allowances and benefits in kind HK$ Million	Discretionary bonuses HK$ Million	Contributions to retirement benefit scheme HK$ Million	Total HK$ Million
David Craig Bartlett	0.01	0.19	—	—	—	0.20
Peter Anthony Curry[1]	0.02	—	2.55	0.95	0.13	3.65
Goh Joo Chuan	0.01	—	—	—	—	0.01
Ho Chi Kit	—	—	—	—	—	—
Alan Stephen Jones	0.01	0.25	—	—	—	0.26
Roy Kuan	—	—	—	—	—	—
Lee Seng Huang	0.01	—	6.99	5.00	0.24	12.24
Leung Pak To	—	—	—	—	—	—
William Leung Wing Cheung[2]	0.02	—	4.12	1.87	0.20	6.21
Liu Zheng	—	—	—	—	—	—
Carlisle Caldow Procter	0.01	0.19	—	—	—	0.20
Joseph Tong Tang[3]	0.02	—	2.53	0.70	0.13	3.38
Peter Wong Man Kong	0.01	0.19	—	—	—	0.20
	0.12	0.82	16.19	8.52	0.70	26.35

1 In March 2014, Awarded Shares with fair value at grant date of HK$0.41 million under the SHK Employee Ownership Scheme is approved to be granted to the director in relation to his performance in 2013. In addition, 153,000 shares were vested during 2013.

2 In March 2014, Awarded Shares with fair value at grant date of HK$1.53 million under the SHK Employee Ownership Scheme is approved to be granted to the director in relation to his performance in 2013.

3 In March 2014, Awarded Shares with fair value at grant date of HK$0.30 million under the SHK Employee Ownership Scheme is approved to be granted to the director in relation to his performance in 2013. In addition, 180,000 shares were vested during 2013.

8. EMOLUMENTS OF DIRECTORS AND SENIOR EMPLOYEES *(CONTINUED)*

(b) Highest paid individuals

The five highest paid individuals of the Group include four Directors (2013: four Directors) of the Company. The emoluments of the remaining one (2013: one) highest paid individual are analysed below:

	2014 HK$ Million	2013 HK$ Million
Salaries, housing and other allowances, and benefits in kind	**6.2**	11.7
Bonuses	**40.1**	22.1
Contributions to retirement benefit scheme	**0.5**	0.5
	46.8	34.3

The above emoluments of the highest paid individual were within the following bands:

Emoluments band (HK$)	**Number of employees**	
	2014	2013
$34,000,001 — $34,500,000	**—**	1
$46,500,001 — $47,000,000	**1**	—

(c) Senior Management

The emoluments of senior management (as described in Profiles of Directors and Senior Management section) were within the following bands:

Emoluments band (HK$)	**Number of employees**	
	2014	2013
$2,000,001 — $2,500,000	**—**	1
$2,500,001 — $3,000,000	**1**	—
$3,000,001 — $3,500,000	**1**	1
$34,000,001 — $34,500,000	**—**	1
$46,500,001 — $47,000,000	**1**	—

During the year, 174,000 shares were granted under the SHK Employee Ownership Scheme to senior management. In addition, a total amount of HK$1.49 million representing 277,000 shares were vested for senior management during the year. The total dividend payments paid to senior management during the year is HK$0.13 million.

9. EMPLOYEE BENEFITS

(a) Retirement Benefit Scheme

The principal retirement benefit schemes operated by the Group related to defined contribution schemes for the Hong Kong and overseas offices' qualifying employees.

The employees of the Company's subsidiaries established in the PRC are members of state-managed retirement benefit schemes operated by the PRC government. These subsidiaries are required to contribute certain percentage of payroll costs to the retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefit schemes is to make the specified contributions.

Expenses recognised in profit or loss for the contributions to retirement benefit schemes for the current year amounted to HK$105.2 million (2013: HK$82.6 million). The amount of forfeited contributions utilised in the course of the year ended 31 December 2014 was HK$1.6 million (2013: HK$1.3 million).

(b) SHK Employee Ownership Scheme ("EOS")

Under the EOS, which was formally adopted on 18 December 2007, selected employees or directors of the Group (the "Selected Grantees") were awarded shares in the Company. Following management's recommendation, shares were granted to the Selected Grantees subject to various terms including, amongst other things, the vesting scale whereby awarded shares will vest and become unrestricted in various vesting periods.

During the year, 1.7 million shares (2013: 2.0 million shares) of the Company were awarded to Selected Grantees under the EOS. The fair value of the services rendered (by reference to the market value of awarded shares at grant dates) as consideration of the shares awarded during the year was HK$8.7 million (2013: HK$10.8 million) which will be amortised to profit or loss during the vesting period. The amount expensed during the year in respect of shares awarded under the EOS was HK$10.0 million (2013: HK$9.5 million).

10. PROFIT BEFORE TAXATION

	2014 **HK$ Million**	2013 HK$ Million
Profit before taxation for the year has been arrived at after charging:		
Administrative expenses *	**(1,730.1)**	(1,470.4)
Amortisation of leasehold interests in land	**(0.3)**	(0.3)
Amortisation of intangible assets acquired in business combination included in direct cost and operating expenses	**(6.3)**	(6.3)
Commission expenses and sales incentives to investment consultants and certain staff included in brokerage and commission expenses	**(141.1)**	(136.4)
Outgoings in respect of rental generating investment properties	**(1.1)**	(1.2)
Net loss on disposal/write-off of equipment and intangible assets included in other expenses	**(5.1)**	—
Impairment loss included in other expenses		
— Intangible assets	**(0.4)**	—
— Available-for-sale investments	**(2.0)**	(10.0)
— Amount due from a joint venture	**(8.5)**	—
Loss on liquidation of subsidiaries	**(0.4)**	(31.6)
Share of taxation of associates and joint ventures included in share of results of associates and joint ventures	**(9.0)**	(1.9)
* Analysis of administrative expenses:		
Staff costs (including Directors' emoluments)	**(980.0)**	(821.4)
Contributions to retirement benefit schemes	**(105.2)**	(82.6)
Expenses recognised for the SHK Employee Ownership Scheme	**(10.0)**	(9.5)
Total staff costs	**(1,095.2)**	(913.5)
Auditors' remuneration	**(7.4)**	(7.0)
Depreciation of property and equipment	**(68.8)**	(58.9)
Amortisation of intangible assets — computer software	**(27.0)**	(31.1)
Operating lease rentals		
— Premises	**(210.5)**	(190.0)
— Equipment	**(13.7)**	(12.6)
Other administrative expenses	**(307.5)**	(257.3)
	(1,730.1)	(1,470.4)

11. NET PROFIT ON FINANCIAL ASSETS AND LIABILITIES

The following is an analysis of the net profit on financial assets and liabilities at fair value through profit or loss:

	2014 HK$ Million	2013 HK$ Million
Net realised and unrealised profit (loss) on derivatives	**(42.9)**	17.8
Net profit on other dealing activities	**1.1**	1.1
Net profit on dealing in leveraged foreign currencies	**0.3**	—
Net realised and unrealised profit (loss) on trading in equity securities	**45.4**	(25.5)
Net realised and unrealised profit on trading in bonds and notes	**12.1**	1.4
Net realised and unrealised profit on financial assets and liabilities designated as at fair value through profit or loss	**98.6**	84.5
	114.6	79.3

12. BAD AND DOUBTFUL DEBTS

	2014 HK$ Million	2013 HK$ Million
Loans and advances to consumer finance customers		
— Impairment loss	**(787.2)**	(567.3)
Trade and other receivables		
— Reversal of impairment loss	**10.8**	10.0
— Impairment loss	**(21.8)**	(32.2)
— Bad debts written off	**(0.1)**	(0.4)
	(11.1)	(22.6)
Bad and doubtful debts recognised in profit or loss	**(798.3)**	(589.9)

The following is the amounts written off in allowance of impairment against the receivables and recoveries credited to allowance of impairment during the year:

	2014 HK$ Million	2013 HK$ Million
Loans and advances to consumer finance customers		
— Amounts written off in allowance of impairment	**(738.9)**	(519.3)
— Recoveries credited to allowance of impairment	**114.2**	87.5
Trade and other receivables		
— Amounts written off in allowance of impairment	**(54.3)**	(137.0)

13. FINANCE COSTS

	2014 HK$ Million	2013 HK$ Million
Interest on the following liabilities wholly repayable within five years		
— Bank loans and overdrafts	**(199.8)**	(155.3)
— Notes	**(238.2)**	(229.5)
— Preference shares issued to non-controlling interests	**(3.7)**	(0.6)
— Short-term loans due to fellow subsidiaries	**(2.6)**	—
— Other borrowings	**(3.1)**	(3.6)
	(447.4)	(389.0)
Other borrowing costs	**(7.7)**	(11.5)
	(455.1)	(400.5)

During the year, all finance costs were derived from financial liabilities not at fair value through profit or loss (2013: HK$394.0 million).

14. TAXATION

	2014 HK$ Million	2013 HK$ Million
Current tax		
— Hong Kong	**(201.3)**	(207.3)
— PRC	**(206.7)**	(152.7)
— Other jurisdictions	**(17.2)**	(0.5)
	(425.2)	(360.5)
Over (under) provision in prior years	**(4.9)**	2.3
	(430.1)	(358.2)
Deferred tax (Note 27)	**70.9**	97.9
	(359.2)	(260.3)

Hong Kong profits tax is calculated at the rate of 16.5% (2013: 16.5%) on the estimated assessable profits for the year. PRC subsidiaries are subject to PRC Enterprise Income Tax at 25% (2013: 25%). Taxation arising in other jurisdictions is calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the countries in the relevant jurisdictions.

14. TAXATION *(CONTINUED)*

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

	2014 **HK$ Million**	2013 HK$ Million
Profit before taxation	**2,157.4**	1,720.2
Less: Share of results of associates	**(5.6)**	(11.8)
Share of results of joint ventures	**(37.2)**	(6.8)
	2,114.6	1,701.6
Tax at the Hong Kong profits tax rate of 16.5% (2013: 16.5%)	**(348.9)**	(280.8)
Over (under) provision in prior years	**(4.9)**	2.3
Tax effect of non-taxable income	**25.9**	26.7
Tax effect of non-deductible expenses	**(14.2)**	(26.6)
Tax effect of unrecognised deductible temporary difference and tax losses	**18.0**	59.7
Countries subject to different tax rates	**(35.1)**	(41.6)
	(359.2)	(260.3)

There was no deferred tax recognised in other comprehensive income during the year (2013: Nil).

15. DIVIDENDS

	2014 **HK$ Million**	2013 HK$ Million
The aggregate amount of dividends paid and proposed:		
— 2014 interim dividend paid of HK10 cents (2013: HK10 cents) per share	**211.4**	212.7
— 2014 special dividend paid of HK2 cents per share	**42.3**	—
— 2014 final dividend of HK14 cents (2013: HK12 cents) per share proposed after the end of the reporting period	**315.5**	254.7
	569.2	467.4
Dividends recognised as distribution during the year:		
— 2013 final dividend of HK12 cents (2012: HK12 cents) per share	**254.0**	255.3
— 2014 interim dividend paid of HK10 cents (2013: HK10 cents) per share	**211.4**	212.7
— 2014 special dividend paid of HK2 cents per share	**42.3**	—
	507.7	468.0

The proposed 2014 final dividend is subject to approval by the shareholders at the forthcoming annual general meeting.

16. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share attributable to owners of the Company is based on the following information:

	2014 HK$ Million	2013 HK$ Million
Earnings		
Earnings for the purpose of basic earnings per share and diluted earnings per share (profit for the year attributable to owners of the Company)	**1,328.4**	1,051.6

	2014 Million Shares	2013 Million Shares
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**2,152.5**	2,127.7
Effect of dilutive potential ordinary shares:		
— Shares held for the SHK Employee Ownership Scheme	**0.1**	—
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**2,152.6**	2,127.7

17. INVESTMENT PROPERTIES

	Group		
	Hong Kong HK$ Million	**PRC** HK$ Million	**Total** HK$ Million
At 1 January 2013	630.0	130.9	760.9
Exchange adjustments	—	3.9	3.9
Increase in fair value recognised in profit or loss	40.0	6.5	46.5
At 31 December 2013	670.0	141.3	811.3
Exchange adjustments	—	(3.7)	(3.7)
Additions	—	33.9	33.9
Transfer to property and equipment	—	(19.6)	(19.6)
Increase in fair value recognised in profit or loss	40.0	3.0	43.0
At 31 December 2014	710.0	154.9	864.9
Unrealised gains or losses for the year included in profit or loss			
— For 2014	40.0	3.0	43.0
— For 2013	40.0	6.5	46.5

17. INVESTMENT PROPERTIES *(CONTINUED)*

All the investment properties were medium-term leases properties at both reporting dates.

The fair value of the Group's investment properties at the reporting date have been arrived on the basis of a valuation carried out by Norton Appraisals Limited, an independent qualified professional valuer, not connected with the Group. The fair value was grouped under Level 3. The Group considers that the current use of the properties is to be the highest and best use. The following table provides further information regarding the valuation.

			Input values	
	Valuation technique	**Unobservable inputs**	**2014**	2013
Hong Kong	Investment method	Term yield	**2.65%**	2.75%
		Reversionary yield	**3.15%**	3.25%
		Monthly market unit rent per gross floor area (sq. ft.)	**HK$54 to HK$67**	HK$53 to HK$66
PRC	Investment method	Term yield	**4.5% to 6.5%**	4.25% to 4.75%
		Reversionary yield	**5% to 6.75%**	4.75% to 5%
		Monthly market unit rent per gross floor area (sq.m.)	**RMB46 to RMB225**	RMB132 to RMB219

The increase in term yield and reversionary yield would result in a decrease in fair value of the investment properties while the increase in market unit rent would result in an increase in fair value of the investment properties. The Group believes that possible changes in the input values would not cause significant change in fair value of the investment properties. There was no change in the valuation technique during the year.

Particulars of the investment properties at 31 December 2014 were as follows:

Location	**Classification**	**Term of lease**
11/F, Tian An Centre, No. 338 Nanjing Road West, Huangpu District, Shanghai, the PRC	Commercial	2044
Room 1901, 19/F, Tian An Centre, No. 338 Nanjing Road West, Huangpu District, Shanghai, the PRC	Commercial	2044
2002 in Western Block, Phase II, Shenzhen Tian An Cyber Park, Futian District, Shenzhen, the PRC	Industrial	2052
20-1, 20-2, 20-3, 20-4, 19-1, 19-2 & 19-3 in Block 2 of No. 101 building, Cuibai Road, Chunhuilu Street, Dadukou District, Chongqing, the PRC	Industrial	2061

17. INVESTMENT PROPERTIES *(CONTINUED)*

Location	Classification	Term of lease
Unit 401B, Block 6, Times Center, No. 160 Zhengyang Road, Chengyang District, Qingdao, the PRC	Commercial	2046
2201, 2201A and 2202, 22/F, Tower I, Admiralty Centre, 18 Harcourt Road, Hong Kong	Commercial	2053
8/F, Tower II, Admiralty Centre, 18 Harcourt Road, Hong Kong	Commercial	2053
11/F, Tower II, Admiralty Centre, 18 Harcourt Road, Hong Kong	Commercial	2053

At the end of the reporting period, investment properties with a total carrying value of HK$799.0 million (31/12/2013: HK$758.0 million) were pledged as security for the Group's banking facilities.

18. LEASEHOLD INTERESTS IN LAND

	Group	
	31/12/2014 HK$ Million	31/12/2013 HK$ Million
Leasehold land outside Hong Kong		
— Medium-term lease	**9.6**	10.1
Analysed for reporting purposes as:		
— Non-current assets	**9.3**	9.8
— Current assets (Note 31)	**0.3**	0.3
	9.6	10.1

The remaining term of the leases ranged from 29 to 46 years.

19. PROPERTY AND EQUIPMENT

	Group		
	Property HK$ Million	**Furniture and equipment** HK$ Million	**Total** HK$ Million
Cost			
At 1 January 2013	117.0	362.8	479.8
Exchange adjustments	3.6	3.7	7.3
Additions	44.1	54.6	98.7
Disposals/write-off	—	(7.2)	(7.2)
At 31 December 2013	164.7	413.9	578.6
Exchange adjustments	(4.3)	(4.0)	(8.3)
Additions	105.7	113.5	219.2
Transfer from investment properties	19.6	—	19.6
Disposals/write-off	(2.9)	(9.8)	(12.7)
At 31 December 2014	282.8	513.6	796.4
Accumulated depreciation and impairment			
At 1 January 2013	16.7	222.6	239.3
Exchange adjustments	0.2	1.9	2.1
Depreciation provided for the year	2.9	56.0	58.9
Eliminated on disposals/write-off	—	(6.8)	(6.8)
At 31 December 2013	19.8	273.7	293.5
Exchange adjustments	(0.2)	(2.0)	(2.2)
Depreciation provided for the year	5.4	63.4	68.8
Eliminated on disposals/write-off	(2.9)	(8.3)	(11.2)
At 31 December 2014	22.1	326.8	348.9
Carrying amount at 31 December 2014	260.7	186.8	447.5
Carrying amount at 31 December 2013	144.9	140.2	285.1

Analysis of the carrying amount of the properties:

	Group	
	31/12/2014 HK$ Million	31/12/2013 HK$ Million
Medium-term lease in Hong Kong	**9.4**	9.7
Medium-term lease outside Hong Kong	**251.3**	135.2
	260.7	144.9

The useful lives of the properties are same as the remaining term of the leases that are ranging from 29 to 46 years.

20. INTANGIBLE ASSETS

	Group							
			Computer software					
	Club membership	Exchange participation rights	Acquired	Internally developed	Trade mark	Customer relationship	Web domain	Total
	HK$ Million	HK$ Million	HK$ Million	HK$ Million	HK$ Million	HK$ Million	HK$ Million	HK$ Million
Cost								
At 1 January 2013	5.0	2.6	120.5	81.2	875.0	1,154.0	78.0	2,316.3
Additions	—	—	6.3	15.6	—	—	—	21.9
At 31 December 2013	5.0	2.6	126.8	96.8	875.0	1,154.0	78.0	2,338.2
Exchange adjustments	—	—	(0.1)	—	—	—	—	(0.1)
Additions	—	—	18.4	16.5	—	—	—	34.9
Disposals/write-off	—	—	(3.3)	(11.6)	—	—	—	(14.9)
At 31 December 2014	5.0	2.6	141.8	101.7	875.0	1,154.0	78.0	2,358.1
Accumulated amortisation and impairment								
At 1 January 2013	1.2	1.1	76.0	20.6	7.0	1,154.0	55.0	1,314.9
Amortisation charged for the year	—	—	17.0	14.1	—	—	6.3	37.4
At 31 December 2013	1.2	1.1	93.0	34.7	7.0	1,154.0	61.3	1,352.3
Amortisation charged for the year	—	—	9.8	17.2	—	—	6.3	33.3
Impairment loss	—	—	0.4	—	—	—	—	0.4
Eliminated on disposals/ write-off	—	—	(2.4)	(8.4)	—	—	—	(10.8)
At 31 December 2014	1.2	1.1	100.8	43.5	7.0	1,154.0	67.6	1,375.2
Carrying amount at 31 December 2014	3.8	1.5	41.0	58.2	868.0	—	10.4	982.9
Carrying amount at 31 December 2013	3.8	1.5	33.8	62.1	868.0	—	16.7	985.9

Other than the club membership, exchange participation rights and the trade mark, which have indefinite useful lives, the intangible assets are amortised on a straight-line basis over the following periods:

Acquired computer software	3 — 5 years
Internally developed computer software	5 — 10 years
Customer relationship	5.4 years
Web domain	10 years

21. GOODWILL

	Group	
	2014 **HK$ Million**	2013 HK$ Million
Cost		
At 1 January and 31 December	**2,384.0**	2,384.0

22. IMPAIRMENT TESTING ON GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES

For impairment testing, goodwill and intangible assets with indefinite useful lives at 31 December 2014 were allocated as follows:

	Goodwill		Trade Mark	
	31/12/2014 **HK$ Million**	31/12/2013 HK$ Million	**31/12/2014** **HK$ Million**	31/12/2013 HK$ Million
United Asia Finance Limited ("UAF") in "Consumer Finance" segment	**2,384.0**	2,384.0	**868.0**	868.0

The recoverable amount of UAF, a cash-generating unit, represents the value in use at 31 December 2014 based on a business valuation report on the UAF group prepared by an independent qualified professional valuer, Norton Appraisals Limited. The valuation used the discounted cash flow approach and is based on a five-year performance projection and certain key assumptions (updated with latest market data) including an average growth rate of 24.4% from 2015 to 2019 (2013: 13.6% from 2014 to 2018), a sustainable growth rate of 2.9% beyond 2019 (2013: 2.9% beyond 2018), and a discount rate of 16.2% (2013: 13.8%). The recoverable amount of UAF was determined to be in excess of its net carrying amount.

The management believes that possible changes in any of the above assumptions would not cause the carrying amount of UAF to exceed its recoverable amount.

23. INTEREST IN SUBSIDIARIES

The consolidated profit or loss allocated to non-controlling interests during the year and the accumulated non-controlling interests in the consolidated statement of financial position as at 31 December 2014 are as follows.

	Profit or loss allocated to non-controlling interests		Accumulated non-controlling interests	
	2014 HK$ Million	2013 HK$ Million	**31/12/2014 HK$ Million**	31/12/2013 HK$ Million
United Asia Finance Limited	**470.4**	407.8	**3,540.9**	3,211.8
上海浦東新區亞聯財小額貸款有限公司	**(2.2)**	(1.9)	**70.5**	74.5
北京亞聯財小額貸款有限公司	**0.8**	1.5	**127.4**	129.8
Other subsidiaries having non-controlling interests	**0.8**	0.9	**1.5**	1.1
	469.8	408.3	**3,740.3**	3,417.2

The following tables provide summarised financial information of subsidiaries that have non-controlling interest. The information is before inter-company eliminations.

	United Asia Finance Limited		上海浦東新區亞聯財小額貸款有限公司		北京亞聯財小額貸款有限公司	
	31/12/2014 HK$ Million	31/12/2013 HK$ Million	**31/12/2014 HK$ Million**	31/12/2013 HK$ Million	**31/12/2014 HK$ Million**	31/12/2013 HK$ Million
Current assets	**4,941.3***	3,622.5*	**243.4**	237.4	**635.8**	647.1
Non-current assets	**8,017.3#**	6,750.1#	**28.1**	16.0	**12.5**	9.0
Current liabilities	**(3,718.5)**	(2,273.3)	**(36.7)**	(5.3)	**(11.1)**	(7.4)
Non-current liabilities	**(3,199.2)**	(2,519.7)	**—**	—	**—**	—

	2014 HK$ Million	2013 HK$ Million	**2014 HK$ Million**	2013 HK$ Million	**2014 HK$ Million**	2013 HK$ Million
Dividend paid to non-controlling interests	**81.2**	158.8	**—**	—	**—**	—
Revenue	**1,745.9**	1,635.8	**78.2**	29.8	**68.2**	62.7
Profit (loss) for the year	**655.6**	621.1	**(7.3)**	(6.3)	**4.3**	7.6
Other comprehensive income (expenses) for the year	**—**	—	**(6.0)**	7.3	**(15.8)**	18.7
Net change in cash and cash equivalents during the year	**522.1**	(530.1)	**(6.4)**	(196.3)	**35.9**	(266.5)

* Including loans and advances to consumer finance customers of HK$2,851.6 million (31/12/2013: HK$2,673.5 million)

Including loans and advances to consumer finance customers of HK$2,053.8 million (31/12/2013: HK$2,102.2 million) and interest in subsidiaries of HK$5,533.2 million (31/12/2013: HK$4,561.3 million)

23. INTEREST IN SUBSIDIARIES *(CONTINUED)*

The analysis of the Company's interest in subsidiaries is as follows:

	Company	
	31/12/2014 HK$ Million	31/12/2013 HK$ Million
Unlisted shares, at cost	**4,034.8**	4,038.1
Less: impairment	**(37.8)**	(56.5)
	3,997.0	3,981.6

Particulars of the Company's principal subsidiaries at 31 December 2014 and 2013 were as follows:

Principal subsidiaries	Place of incorporation and operation	Issued and paid up share capital	Proportion of nominal value of issued capital and voting rights 2014	2013	Principal activities
Boneast Assets Limited*	British Virgin Islands	US$1	**100%**	100%	Investment holding
Dynamic Force Investments Limited	British Virgin Islands	US$1	**100%**	100%	Investment holding
First Asian Holdings Limited	Hong Kong	HK$2	**58%**	58%	Investment holding
Hing Yip Holdings Limited	British Virgin Islands	US$1	**100%**	100%	Property investment
Itso Limited	Hong Kong	HK$2	**100%**	100%	Investment holding, securities trading and financial services
Lexshan Nominees Limited	Hong Kong	HK$2	**100%**	100%	Nominee services
Oakfame Investment Limited	Hong Kong	HK$2	**100%**	100%	Investment holding
Plentiwind Limited	Hong Kong	HK$2	**100%**	100%	Investment holding and trading
Scienter Investments Limited	Hong Kong	HK$20	**100%**	100%	Investment holding and provision of loan finance
Shipshape Investments Limited*	British Virgin Islands	US$1	**100%**	100%	Investment holding
SHK Absolute Return Managers Ltd	Cayman Islands	US$10	**100%**	100%	Investment holding
SHK Alpha Managers Ltd.	Cayman Islands	US$10	**100%**	100%	Funds management
SHK Alternative Managers Limited	Cayman Islands	US$1	**100%**	100%	Funds management
SHK Asset Management Holding Limited	British Virgin Islands	US$1	**100%**	100%	Investment holding
SHK Capital Management Ltd*	Cayman Islands	US$10	**100%**	100%	Investment holding
SHK Dynamic Managers Ltd.	Cayman Islands	US$10	**100%**	100%	Funds management
SHK Finance Limited	Hong Kong	HK$150,000,000	**58%**	58%	Money lending
SHK Financial Data Limited	Hong Kong	HK$100	**51%**	51%	Financial information services

23. INTEREST IN SUBSIDIARIES *(CONTINUED)*

Principal subsidiaries	Place of incorporation and operation	Issued and paid up share capital	Proportion of nominal value of issued capital and voting rights 2014	2013	Principal activities
SHK Fund Management Limited	Hong Kong	HK$106,000,000	**100%**	100%	Funds marketing, investment advising and asset management
SHK Global Managers Limited	British Virgin Islands	US$5,000	**100%**	100%	Funds management
SHK Income Fund Manager	Cayman Islands	US$100	**100%**	100%	Investment holding
SHK Investment Services Limited	Hong Kong	HK$1,000,000	**100%**	100%	Asset holding and leasing
SHK Online (Securities) Limited	Hong Kong	HK$40,000,000	**100%**	100%	Online securities broking and margin financing
SHK Pearl River Delta Investment Company Limited	Hong Kong	HK$75,000,000	**100%**	100%	Investment holding
SHK Private Equity Managers Ltd.	Cayman Islands	US$10	**100%**	100%	Funds management and investment holding
SHK Private Limited	Hong Kong	HK$100,000	**100%**	100%	Business marketing and promotion
SHK Quant Managers Ltd	Cayman Islands	US$10	**100%**	100%	Funds management
SHK Securities Limited	Hong Kong	HK$20	**100%**	100%	Asset holding
SHK Solutions Limited	Hong Kong	HK$2	**100%**	100%	Investment holding
Shun Loong Holdings Limited	Hong Kong	HK$200,000,000	**100%**	100%	Investment holding
Sing Hing Investment Limited	British Virgin Islands	US$1	**100%**	100%	Property investment
Sun Hing Bullion Company Limited	Hong Kong	HK$5,500,000	**100%**	100%	Bullion trading
Sun Hung Kai (China) Investment Management Company Limited	People's Republic of China	RMB50,000,000	**100%**	100%	Corporate marketing and investment consultancy
Sun Hung Kai (Nominees) Limited	Hong Kong	HK$200	**100%**	100%	Nominee services
Sun Hung Kai & Co. (BVI) Limited*	British Virgin Islands	US$1	**100%**	100%	Financing
Sun Hung Kai Bullion Company Limited	Hong Kong	HK$145,000,000	**100%**	100%	Bullion trading and investment holding
Sun Hung Kai Commodities Limited	Hong Kong	HK$83,300,000	**100%**	100%	Commodities broking
Sun Hung Kai Financial Group Limited*	British Virgin Islands	US$50,000	**100%**	100%	Investment holding
Sun Hung Kai Financial Limited	Hong Kong	HK$157,748,221	**100%**	100%	Investment holding
Sun Hung Kai Insurance Consultants Limited	Hong Kong	HK$21,000,000	**100%**	100%	Insurance broking and consultancy services
Sun Hung Kai International Bank [Brunei] Limited	Brunei Darussalam	SGD10,000,000	**100%**	100%	International banking business

23. INTEREST IN SUBSIDIARIES *(CONTINUED)*

Principal subsidiaries	Place of incorporation and operation	Issued and paid up share capital	Proportion of nominal value of issued capital and voting rights 2014	2013	Principal activities
Sun Hung Kai International Commodities Limited	Hong Kong	HK$25,000,000	**100%**	100%	Securities, futures and options trading
Sun Hung Kai International Limited	Hong Kong	HK$22,000,000	**100%**	100%	Corporate finance services
Sun Hung Kai Investment Services (Macau) Limited	Macau	MOP48,900,000	**100%**	100%	Property holding
Sun Hung Kai Investment Services Limited	Hong Kong	HK$930,000,000	**100%**	100%	Investment holding, securities broking and margin financing
Sun Hung Kai Securities (Overseas) Limited	Hong Kong	HK$60,000	**100%**	100%	Investment holding
Sun Hung Kai Securities (Trustees) Limited	Hong Kong	HK$3,000,000	**100%**	100%	Provision of trustee services
Sun Hung Kai Strategic Capital Limited	Hong Kong	HK$2	**100%**	100%	Investment holding, securities trading and financial services
Sun Hung Kai Structured Finance Limited	Hong Kong	HK$137,500,000	**100%**	100%	Securities trading and provision of loan finance
Sun Hung Kai Structured Products Limited	Hong Kong	HK$2	**100%**	100%	Issuing structured notes
Sun Hung Kai Venture Capital Limited	Hong Kong	HK$2	**100%**	100%	Investment holding
Sun Hung Kai Wealth Management Limited	Hong Kong	HK$5,000,000	**100%**	100%	Investment advisory services, financial planning and wealth management
Sun Tai Cheung Finance Company Limited	Hong Kong	HK$25,000,000	**100%**	100%	Financial services
Swan Islands Limited*	British Virgin Islands	US$503,000,001	**100%**	100%	Investment holding
Swanwick Global Limited	British Virgin Islands	US$1	**100%**	—	Investment holding
SWAT Securitisation Fund^	Luxembourg	RMB29,968,900	**100%**	100%	Securitisation fund
Texgulf Limited	Hong Kong	HK$20	**100%**	100%	Property investment
Tung Wo Investment Company, Limited	Hong Kong	HK$10,000	**100%**	100%	Investment holding
UA Finance (BVI) Limited	British Virgin Islands	US$1	**58%**	58%	Financing
UAF Holdings Limited	British Virgin Islands	US$1	**100%**	100%	Investment holding
United Asia Finance Limited	Hong Kong				Consumer financing
— Ordinary shares		HK$1,502,218,418	**58%**	58%	
— Redeemable preference shares (without voting rights)		HK$99,687,500	**—**	58%	

23. INTEREST IN SUBSIDIARIES *(CONTINUED)*

Principal subsidiaries	Place of incorporation and operation	Issued and paid up share capital	Proportion of nominal value of issued capital and voting rights 2014	2013	Principal activities
Wah Cheong Development Company, Limited*	Hong Kong	HK$25,100,000	**100%**	100%	Investment holding
Wineur Secretaries Limited	Hong Kong	HK$2	**100%**	100%	Secretarial services
Yee Li Ko Investment Limited	Hong Kong	HK$58,330,000	**100%**	100%	Property investment
Zeal Goal International Limited	British Virgin Islands	US$1	**100%**	100%	Investment holding
上海浦東新區亞聯財小額貸款有限公司#	People's Republic of China	RMB200,000,000	**41%**	41%	Money lending
大連保税區亞聯財小額貸款有限公司	People's Republic of China	US$60,000,000	**58%**	58%	Money lending
大連亞聯財信息諮詢有限公司	People's Republic of China	RMB1,000,000	**58%**	58%	Financial consultancy
天津亞聯財小額貸款有限公司	People's Republic of China	HK$250,000,000	**58%**	58%	Money lending
北京亞聯財小額貸款有限公司#	People's Republic of China	RMB500,000,000	**47%**	47%	Money lending
成都亞聯財小額貸款有限公司	People's Republic of China	HK$350,000,000	**58%**	58%	Money lending
成都亞聯財經濟信息諮詢有限公司	People's Republic of China	RMB1,000,000	**58%**	58%	Financial consultancy
亞洲第一信息諮詢(深圳)有限公司	People's Republic of China	RMB50,000,000	**58%**	—	Financial consultancy
亞聯財信息諮詢(上海)有限公司#	People's Republic of China	RMB1,000,000	**41%**	—	Financial consultancy
亞聯財信息諮詢(深圳)有限公司	People's Republic of China	RMB25,000,000	**58%**	58%	Financial consultancy
武漢亞聯財小額貸款有限公司	People's Republic of China	RMB500,000,000	**58%**	58%	Money lending
青島市城陽區亞聯財小額貸款有限公司	People's Republic of China	RMB300,000,000	**58%**	58%	Money lending
青島亞聯財信息諮詢有限公司	People's Republic of China	RMB1,000,000	**58%**	—	Financial consultancy
南寧市亞聯財小額貸款有限公司	People's Republic of China	RMB100,000,000	**58%**	—	Money lending
哈爾濱市亞聯財小額貸款有限公司	People's Republic of China	RMB200,000,000	**58%**	58%	Money lending
哈爾濱亞聯財信息諮詢有限公司	People's Republic of China	RMB1,000,000	**58%**	58%	Financial consultancy
重慶市渝中區亞聯財小額貸款有限責任公司	People's Republic of China	US$50,000,000	**58%**	58%	Money lending

23. INTEREST IN SUBSIDIARIES *(CONTINUED)*

Principal subsidiaries	Place of incorporation and operation	Issued and paid up share capital	Proportion of nominal value of issued capital and voting rights 2014	2013	Principal activities
重慶亞聯財信息諮詢有限公司	People's Republic of China	RMB1,000,000	**58%**	58%	Financial consultancy
深圳亞聯財小額貸款有限公司	People's Republic of China	RMB600,000,000	**58%**	58%	Money lending
深圳亞聯財行銷顧問有限公司	People's Republic of China	RMB10,000,000	**58%**	58%	Money lending
雲南省亞聯財小額貸款有限公司	People's Republic of China	HK$350,000,000	**58%**	58%	Money lending
新鴻基(上海)投資顧問有限公司	People's Republic of China	HK$22,300,000	**100%**	100%	Investment advisory and consultancy
新鴻基(天津)股權投資基金管理有限公司	People's Republic of China	RMB50,000,000	**100%**	100%	Asset management
新鴻基融資擔保(瀋陽)有限公司	People's Republic of China	RMB300,000,000	**58%**	—	Loan guarantee
福州亞聯財信息諮詢有限公司	People's Republic of China	RMB1,000,000	**58%**	58%	Financial consultancy
福州市晉安區亞聯財小額貸款有限公司(formerly：福州市亞聯財小額貸款有限公司)	People's Republic of China	RMB200,000,000	**58%**	58%	Money lending
廣州市新鴻基投資顧問有限公司	People's Republic of China	HK$6,000,000	**100%**	100%	Corporate marketing and investment consultancy
濟南市歷下區亞聯財小額貸款有限公司	People's Republic of China	RMB300,000,000	**58%**	—	Money lending
濟南亞聯財信息諮詢有限公司	People's Republic of China	RMB1,000,000	**58%**	—	Financial consultancy
瀋陽亞聯財卓越信息諮詢有限公司	People's Republic of China	RMB1,000,000	**58%**	58%	Financial consultancy
瀋陽金融商貿開發區亞聯財小額貸款有限公司	People's Republic of China	RMB300,000,000	**58%**	58%	Money lending

* These subsidiaries are directly held by the Company.
\# The companies are non-wholly owned subsidiaries of a non-wholly owned subsidiary.
^ The subsidiary is a fund established and created under Luxembourg laws. As the Group holds all the issued units of the fund, it is classified as a subsidiary.

The above tables list the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

24. INTEREST IN ASSOCIATES

	Group	
	31/12/2014 HK$ Million	31/12/2013 HK$ Million
Carrying amount of unlisted associates	**36.4**	30.8
Less: impairment	**(0.7)**	(0.7)
	35.7	30.1

All associates are accounted for using the equity method. No associate is individually material to the Group. The analysis of the Group's share of the total comprehensive income and unrecognised share of losses of associates are as follows.

	2014 HK$ Million	2013 HK$ Million
Share of profit or loss from continuing operations	**5.6**	11.8
Share of other comprehensive income	**—**	—
Share of total comprehensive income	**5.6**	11.8
Share of unrecognised losses for the year	**(0.5)**	—
Share of cumulative losses	**(24.8)**	(24.3)

Particulars of the Group's associates at 31 December 2014 and 2013 were as follows:

		Proportion of nominal value of issued capital and voting rights				
		Group		Company		
Principal Associates	**Place of incorporation and operation**	**2014**	2013	**2014**	2013	**Principal activities**
China Xin Yongan Futures Company Limited	Hong Kong	**25%**	25%	**—**	—	Futures dealing
Chronicle Gain Limited	Hong Kong	**45%**	45%	**—**	—	Property holding
Drinkwater Investment Limited	Hong Kong	**22%**	22%	**—**	—	Property holding
Omicron International Limited	British Virgin Islands	**44%**	44%	**38%**	38%	Investment holding
Real Estate Investments (N.T.) Limited	Hong Kong	**40%**	40%	**—**	—	Property development
Silver York Development Limited	Hong Kong	**42%**	42%	**—**	—	Investment holding
Start Hold Limited	Hong Kong	**33%**	33%	**—**	—	Investment holding

25. INTEREST IN JOINT VENTURES

	Group	
	31/12/2014 HK$ Million	31/12/2013 HK$ Million
Carrying amount of unlisted joint ventures	**201.2**	164.7
Less: impairment	**(2.3)**	(2.3)
	198.9	162.4

All joint ventures are accounted for using the equity method. No joint venture is individually material to the Group. The analysis of the Group's share of the total comprehensive income and unrecognised share of losses of joint ventures are as follows.

	2014 HK$ Million	2013 HK$ Million
Share of profit or loss from continuing operations	**37.2**	6.8
Share of other comprehensive income (expenses)	**(38.6)**	38.6
Share of total comprehensive income (expenses)	**(1.4)**	45.4
The unrecognised share of losses for the year	**(0.2)**	(0.9)
Cumulative share of losses	**(5.7)**	(5.5)

25. INTEREST IN JOINT VENTURES *(CONTINUED)*

Particulars of the Group's joint ventures at 31 December 2014 and 2013 were as follows:

Principal joint ventures	Form of business structure	Place of incorporation and principal place of operation	Principal activities	Proportion of nominal value of issued capital and voting rights 2014	2013
Fast Track Holdings Limited	Incorporated	Hong Kong	Investment holding	**49%**	49%
Kima Capital Management	Incorporated	Cayman Islands	Provision of investment management and advisory services	**33%**	33%
Look's Holding Limited	Incorporated	Cayman Islands	Investment holding	**30%**	30%
PT UAF Jaminan Kredit	Incorporated	Indonesia	Provision of credit guarantees	**40%**	—
Sun Hung Kai Forex Limited*	Incorporated	Hong Kong	Foreign exchange dealing	**51%/81%**	51%/81%
TA SHK Financial Investments Company Limited	Incorporated	Hong Kong	Inactive	**50%**	50%
Tribridge Capital Management (Cayman) Limited	Incorporated	Cayman Islands	Fund management	**20%**	20%
中山市中基投資咨詢有限公司	Incorporated	People's Republic of China	Corporate investment, providing management and product marketing consultancy services	**34%**	34%
新鴻基保險經紀(上海)有限公司	Incorporated	People's Republic of China	Insurance broking and consultancy services	**25%**	25%

* Although the proportion of the nominal value of issued capital and shareholders' voting rights of Sun Hung Kai Forex Limited held by the Group are 51% and 81% respectively, the company is classified as a joint venture because the Group and other shareholder appoint pre-determined number of board representation to jointly control the company in accordance with the Shareholders' Deed.

26. FINANCIAL ASSETS AND LIABILITIES

The following tables provide analyses of financial assets and liabilities of the Group that are measured at cost less impairment and at fair value subsequent to initial recognition.

	At 31 December 2014				
	Fair value			Cost less impairment	Total
	Level 1 HK$ Million	Level 2 HK$ Million	Level 3 HK$ Million	HK$ Million	HK$ Million
Available-for-sale investments					
Equity securities issued by corporate entities					
— Shares listed in Hong Kong	131.8	—	—	—	131.8
— Unlisted Hong Kong shares	—	—	—	0.4	0.4
— Unlisted overseas shares	—	—	35.5	52.6	88.1
Unlisted overseas investment funds	—	—	12.3	—	12.3
	131.8	—	47.8	53.0	232.6
Financial assets at fair value through profit or loss					
Held for trading investments					
— Equity securities listed in Hong Kong					
• Issued by corporate entities	296.1	—	—	—	296.1
• Issued by banks	20.3	—	—	—	20.3
• Issued by public utility entities	24.8	—	—	—	24.8
— Equity securities listed outside Hong Kong					
• Issued by corporate entities	56.7	—	—	—	56.7
• Issued by banks	5.4	—	—	—	5.4
• Issued by public utility entities	0.7	—	—	—	0.7
— Exchange-traded funds listed in Hong Kong	68.8	—	—	—	68.8
— Unlisted bonds issued by listed companies	—	2.5	—	—	2.5
— Listed bonds issued by listed companies	—	181.4	—	—	181.4
	472.8	183.9	—	—	656.7
Investments designated as at fair value through profit or loss					
— Unlisted convertible preferred shares issued by an unlisted company	—	—	39.5	—	39.5
— Unlisted overseas investment funds	—	—	831.5	—	831.5
	—	—	871.0	—	871.0
	472.8	183.9	871.0	—	1,527.7
Analysed for reporting purposes as:					
— Non-current assets					603.5
— Current assets					924.2
					1,527.7
Financial liabilities at fair value through profit or loss					
Held for trading					
— Over the counter equity derivatives	—	—	48.5	—	48.5
— Over the counter currency derivatives	—	—	17.8	—	17.8
Analysed for reporting purposes as current liabilities	—	—	66.3	—	66.3

26. FINANCIAL ASSETS AND LIABILITIES *(CONTINUED)*

	At 31 December 2013				
	Fair value			Cost less	
	Level 1 HK$ Million	Level 2 HK$ Million	Level 3 HK$ Million	impairment HK$ Million	Total HK$ Million
Available-for-sale investments					
Equity securities issued by corporate entities					
— Shares listed in Hong Kong	149.8	—	—	—	149.8
— Unlisted Hong Kong shares	—	—	—	0.4	0.4
— Unlisted overseas shares	—	—	47.4	53.2	100.6
Unlisted overseas investment funds	—	—	12.1	—	12.1
	149.8	—	59.5	53.6	262.9
Financial assets at fair value through profit or loss					
Held for trading investments					
— Equity securities listed in Hong Kong					
• Issued by corporate entities	210.1	—	—	—	210.1
• Issued by banks	20.0	—	—	—	20.0
• Issued by public utility entities	3.1	—	—	—	3.1
— Equity securities issued by corporate entities listed outside Hong Kong	29.2	—	—	—	29.2
— Exchange-traded funds listed in Hong Kong	70.7	—	—	—	70.7
— Forward currency contracts	—	21.9	—	—	21.9
— Over the counter equity derivatives	—	—	1.4	—	1.4
— Warrants, futures and options listed in Hong Kong	1.9	—	—	—	1.9
— Unlisted overseas options	—	10.2	0.1	—	10.3
— Unlisted bonds issued by listed companies	—	62.3	—	—	62.3
— Unlisted convertible bonds issued by listed companies	—	—	3.4	—	3.4
— Unlisted convertible bonds and notes issued by unlisted companies	—	10.9	—	—	10.9
	335.0	105.3	4.9	—	445.2
Investments designated as at fair value through profit or loss					
— Unlisted bonds issued by a Singapore listed company	—	—	45.5	—	45.5
— Unlisted overseas redeemable convertible securities	—	75.2	—	—	75.2
— Unlisted overseas investment funds	—	—	468.0	—	468.0
	—	75.2	513.5	—	588.7
	335.0	180.5	518.4	—	1,033.9
Analysed for reporting purposes as:					
— Non-current assets					378.3
— Current assets					655.6
					1,033.9

26. FINANCIAL ASSETS AND LIABILITIES *(CONTINUED)*

	At 31 December 2013				
	Fair value			Cost less	
	Level 1 HK$ Million	Level 2 HK$ Million	Level 3 HK$ Million	impairment HK$ Million	Total HK$ Million
Financial liabilities at fair value through profit or loss					
Held for trading					
— Forward currency contracts	—	29.6	—	—	29.6
— Futures and options listed in Hong Kong	1.6	—	—	—	1.6
— Over the counter equity derivatives	—	—	28.9	—	28.9
— Stock borrowings	—	0.7	—	—	0.7
	1.6	30.3	28.9	—	60.8
Non-current financial liabilities designated as at fair value through profit or loss					
— Renminbi denominated asset-backed bonds*	—	—	42.9	—	42.9
	1.6	30.3	71.8	—	103.7

* In June 2013, SWAT Securitisation Fund, a subsidiary of the Group, issued RMB106.8 million 9.5% 2-year Renminbi denominated bonds at par for a net consideration of HK$134.8 million. The bonds are asset-backed by another set of Renminbi bonds held by the Group which are issued by a Singapore listed company ("Singapore Bonds"). The repayment of the principal and the payment of coupons are protected by the proceeds generated by the Singapore Bonds in case of the occurrence of an event of default as defined in the placement memorandum of the bonds.

Available-for-sale investments are intended to be held for a continuing strategic or long-term purpose. As there are no sufficient market comparables as input to measure the fair value reliably, some of the unlisted equity investments are measured at cost less impairment.

On the basis of its analysis of the nature, characteristics and risks of the equity securities, the Group has determined that presenting them by nature and type of issuers is appropriate.

Fair values are grouped from Level 1 to 3 based on the degree to which the fair values are observable.

— Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

— Level 2 fair value measurements are those derived from input other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

— Level 3 fair value measurements are those derived from valuation techniques that include input for the assets or liabilities that are not based on observable market data.

There were no transfers between Level 1 and 2 during both years.

26. FINANCIAL ASSETS AND LIABILITIES *(CONTINUED)*

The fair value of bonds and notes and forward currency contracts under Level 2 at the reporting date were derived from quoted prices from pricing services. The fair value of unlisted overseas options, unlisted convertible bonds and notes and unlisted overseas redeemable convertible securities under Level 2 at 31 December 2013 were derived from observable offer prices of the underlying securities to be converted.

The fair value of Level 3 financial assets and liabilities are mainly derived from an unobservable range of data. In estimating the fair value of a financial asset or a financial liability under Level 3, the Group engages external valuers or establishes appropriate valuation techniques internally to perform the valuation which are reviewed by management.

The following tables provide further information regarding the valuation of material financial assets (liabilities) under Level 3.

	At 31 December 2014			
	Valuation technique	**Unobservable inputs**	**Input values**	**Fair value HK$ Million**
Available-for-sale investments				
Unlisted overseas shares issued by corporate entities	**Discounted cash flow**	**Weighted average cost of capital**	**5.0%**	**35.5**
		Average annual dividend pay-out	**HK$43.8 million**	
Unlisted overseas investment funds	**Net asset value***	**n/a**	**n/a**	**12.3**
Financial assets designated as at fair value through profit or loss				
Unlisted convertible preferred shares issued by an unlisted company	**Market comparable approach**	**Price to sales**	**22.6 times**	**39.5**
		Illiquidity discount	**50%**	
Unlisted overseas investment funds	**Net asset value***	**n/a**	**n/a**	**831.5**
Financial liabilities held for trading				
Over the counter equity derivatives	**Price quoted by counter parties**	**n/a**	**n/a**	**(48.5)**
Over the counter currency derivatives	**Price quoted by counter parties**	**n/a**	**n/a**	**(17.8)**

26. FINANCIAL ASSETS AND LIABILITIES *(CONTINUED)*

	At 31 December 2013			
	Valuation technique	Unobservable inputs	Input values	Fair value HK$ Million
Available-for-sale investments				
Unlisted overseas shares issued by corporate entities	Discounted cash flow	Weighted average cost of capital	5.0%	47.4
		Average annual dividend pay-out	HK$59.5 million	
Unlisted overseas investment funds	Net asset value*	n/a	n/a	12.1
Financial assets designated as at fair value through profit or loss				
Unlisted bonds issued by a Singapore listed company	Discounted cash flow	Discount rate	12.5%	45.5
		Recovery probability	25% on nominal value	
Unlisted overseas investment funds	Net asset value*	n/a	n/a	468.0
Financial liabilities held for trading				
Over the counter equity derivatives	Price quoted by counter parties	n/a	n/a	(28.9)
Financial liabilities designated as at fair value through profit or loss				
Renminbi denominated asset-backed bonds	Discounted cash flow	Payments based on recovery from asset-backed bonds	n/a	(42.9)

* The Group has determined that the reported net asset values represent fair value of the unlisted overseas investment funds.

The management believes that possible changes in the input values would not cause significant change in fair value of the financial assets and liabilities under Level 3.

26. FINANCIAL ASSETS AND LIABILITIES *(CONTINUED)*

The reconciliation of financial assets and liabilities under Level 3 fair value measurements is as follows:

	2014						
		Recognised gains or losses					
	Balance at 1/1/2014 HK$ Million	Profit or loss HK$ Million	Other comprehensive income HK$ Million	Purchase HK$ Million	Disposal HK$ Million	Balance at 31/12/2014 HK$ Million	Unrealised profit or loss for the year HK$ Million
Available-for-sale investments							
Unlisted overseas shares	47.4	—	(11.9)	—	—	35.5	—
Unlisted overseas investment funds	12.1	7.0	2.1	—	(8.9)	12.3	—
Held for trading investments							
Over the counter equity derivatives	1.4	(1.4)	—	—	—	—	—
Unlisted overseas options	0.1	(0.1)	—	—	—	—	—
Unlisted convertible bonds	3.4	7.6	—	—	(11.0)	—	—
Investments designated as at fair value							
Unlisted bonds issued by a Singapore listed company	45.5	(44.5)	(1.0)	—	—	—	(44.5)
Unlisted convertible preferred shares issued by an unlisted company	—	—	—	39.5	—	39.5	—
Unlisted overseas investment funds	468.0	98.6	—	488.9	(224.0)	831.5	99.7
Financial liabilities held for trading							
Over the counter equity derivatives	(28.9)	(19.6)	—	—	—	(48.5)	(19.6)
Over the counter currency derivatives	—	(17.8)	—	—	—	(17.8)	(17.8)
Financial liabilities designated as at fair value							
Renminbi denominated asset-backed bonds	(42.9)	41.9	1.0	—	—	—	41.9

26. FINANCIAL ASSETS AND LIABILITIES *(CONTINUED)*

	2013							
		Recognised gains or losses						
	Balance at 1/1/2013 HK$ Million	Profit or loss HK$ Million	Other comprehen-sive income HK$ Million	Purchase HK$ Million	Disposal HK$ Million	Reclassifi-cation to Level 2 HK$ Million	Balance at 31/12/2013 HK$ Million	Unrealised profit or loss for the year HK$ Million
Available-for-sale investments								
Unlisted overseas shares	43.6	—	3.8	—	—	—	47.4	—
Unlisted overseas investment funds	25.1	—	3.4	—	(16.4)	—	12.1	—
Held for trading investments								
Over the counter equity derivatives	1.6	(0.2)	—	—	—	—	1.4	(0.2)
Unlisted overseas options	0.1	—	—	—	—	—	0.1	—
Unlisted convertible and non-convertible bonds and notes	6.1	(0.3)	—	—	—	(2.4)	3.4	(0.3)
Investments designated as at fair value								
Unlisted bonds issued by a Singapore listed company	—	(81.4)	—	126.9	—	—	45.5	(86.7)
Unlisted overseas redeemable convertible securities	50.0	18.1	—	7.1	—	(75.2)	—	18.1
Unlisted overseas investment funds	282.6	66.4	—	165.6	(46.6)	—	468.0	35.0
Financial liabilities held for trading								
Over the counter equity derivatives	(32.4)	3.5	—	—	—	—	(28.9)	3.5
Financial liabilities designated as at fair value								
Renminbi denominated asset-backed bonds	—	91.9	—	(134.8)	—	—	(42.9)	95.1

There was no transfer out or transfer in of Level 3 in current year. The Group's policy is to recognise transfers into and transfers out of Level 3 as of the date of the event or change in circumstances that caused the transfer.

26. FINANCIAL ASSETS AND LIABILITIES *(CONTINUED)*

The carrying amounts of the Group's financial assets at the end of the reporting period were as follows:

	Group	
	31/12/2014 HK$ Million	31/12/2013 HK$ Million
Available-for-sale investments	**232.6**	262.9
Financial assets at fair value through profit or loss		
— Held for trading investments	**656.7**	445.2
— Investments designated as at fair value through profit or loss	**871.0**	588.7
	1,527.7	1,033.9
Loans and receivables		
— Amounts due from associates and joint ventures (Note 29)	**64.9**	73.8
— Amounts due from the immediate holding company (Note 35)	**—**	8.9
— Loans and advances to consumer finance customers (Note 30)	**11,391.7**	10,043.5
— Trade and other receivables (Note 31)	**9,125.7**	7,616.0
— Bank deposits (Note 32)	**993.4**	755.6
— Cash and cash equivalents (Note 32)	**4,051.2**	2,982.9
	25,626.9	21,480.7
	27,387.2	22,777.5

The carrying amounts of Group's financial liabilities at the end of the reporting period were as follows:

	Group	
	31/12/2014 HK$ Million	31/12/2013 HK$ Million
Financial liabilities at fair value through profit or loss		
— Held for trading	**66.3**	60.8
— Designated as at fair value	**—**	42.9
	66.3	103.7
Financial liabilities measured at amortised cost		
— Bank and other borrowings (Note 33)	**7,029.9**	4,884.2
— Trade and other payables (Note 34)	**2,587.3**	1,652.2
— Amounts due to fellow subsidiaries and a holding company (Note 35)	**7.5**	25.7
— Amounts due to associates (Note 35)	**0.1**	0.1
— Notes (Note 37)	**3,708.5**	3,698.3
	13,333.3	10,260.5
	13,399.6	10,364.2

26. FINANCIAL ASSETS AND LIABILITIES *(CONTINUED)*

The disclosures set out in the table 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 agreements that covers similar financial instruments, irrespective of whether they are offset in the Group's consolidated statement of financial position.

	Group					
				Related amounts not offset in consolidated statement of financial position		
	Gross amounts of recognised financial assets and liabilities HK$ Million	Amounts offset HK$ Million	Net amounts presented in consolidated statement of financial position HK$ Million	Recognised assets and liabilities HK$ Million	Collateral pledged HK$ Million	Net amount HK$ Million
At 31 December 2014						
Financial assets						
— Accounts receivable from exchange, brokers and clients (Note 31)	**2,621.0**	**(821.5)**	**1,799.5**	**(39.3)**	**(180.6)**	**1,579.6**
— Margin loans (Note 31)	**3,783.1**	**—**	**3,783.1**	**—**	**(3,377.8)[#]**	**405.3**
	6,404.1	**(821.5)**	**5,582.6**	**(39.3)**	**(3,558.4)**	**1,984.9**
Financial liabilities						
— Accounts payable to exchanges, brokers and clients (Note 34)	**(3,134.7)**	**821.5**	**(2,313.2)**	**39.3**	**227.6**	**(2,046.3)**
At 31 December 2013						
Financial assets						
— Accounts receivable from exchange, brokers and clients (Note 31)	2,257.0	(1,208.2)	1,048.8	(9.0)	(240.9)	798.9
— Margin loans (Note 31)	3,918.7	—	3,918.7	—	(3,563.8)[#]	354.9
	6,175.7	(1,208.2)	4,967.5	(9.0)	(3,804.7)	1,153.8
Financial liabilities						
— Accounts payable to exchanges, brokers and clients (Note 34)	(2,682.7)	1,208.2	(1,474.5)	9.0	202.9	(1,262.6)

[#] Further information for the collateral pledged by margin clients is disclosed in Note 43.

A financial asset and a financial liability shall be offset when the Group currently has a legally enforceable right to set off the recognised amounts, such as in a master netting arrangement, and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. However, if such rights are enforceable only on the occurrence of some future event, such an arrangement does not meet the conditions for offset and the recognised amounts would not be offset.

Further details on financial risk management of financial assets and liabilities are disclosed in Note 46.

27. DEFERRED TAXATION

The following are the major deferred tax assets and liabilities of the Group recognised and movements thereon during the current and prior years:

	Group						
	Accelerated tax depreciation HK$ Million	Provisions and impairment HK$ Million	Revaluation of assets HK$ Million	Unrealised profit HK$ Million	Undistributed earnings and others HK$ Million	Tax losses HK$ Million	Total HK$ Million
At 1 January 2013	(24.2)	131.8	(178.0)	(30.0)	(6.1)	2.1	(104.4)
Exchange adjustments	(0.1)	2.8	(0.9)	(1.0)	(0.1)	0.1	0.8
Recognised in profit or loss (Note 14)	3.3	72.0	(2.2)	(9.2)	(4.4)	38.4	97.9
At 31 December 2013	(21.0)	206.6	(181.1)	(40.2)	(10.6)	40.6	(5.7)
Exchange adjustments	—	(3.8)	0.8	1.3	0.1	(0.1)	(1.7)
Recognised in profit or loss (Note 14)	(1.9)	111.8	(0.1)	(28.7)	2.7	(12.9)	70.9
At 31 December 2014	(22.9)	314.6	(180.4)	(67.6)	(7.8)	27.6	63.5

For reporting purposes, certain deferred tax assets and liabilities have been offset in the underlying subsidiaries. The following is the analysis of the deferred tax balances of the Group for financial reporting purposes:

	Group	
	31/12/2014 HK$ Million	31/12/2013 HK$ Million
Deferred tax assets	**265.0**	201.6
Deferred tax liabilities	**(201.5)**	(207.3)
	63.5	(5.7)

At the end of the reporting period, the Group had unrecognised deductible temporary differences of HK$1.1 million (31/12/2013: HK$1.3 million) and unrecognised tax losses of HK$237.5 million (31/12/2013: HK$377.7 million) available to offset against future profits. The deductible temporary difference and tax losses have not been recognised as it is uncertain that there will be sufficient future taxable profits available for the utilisation of these temporary differences. The unrecognised tax losses included a sum of HK$3.5 million that will expire from 2015 to 2019 (31/12/2013: HK$1.9 million will expire from 2014 to 2018).

Under the Law of PRC on Enterprise Income Tax, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred tax has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to HK$1,131.7 million at the end of the reporting period (31/12/2013: HK$810.9 million) . The taxable temporary differences have not been recognised as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

28. AMOUNTS DUE FROM (TO) SUBSIDIARIES

	Company	
	31/12/2014	31/12/2013
	HK$ Million	HK$ Million
Amounts due from subsidiaries	**7,428.9**	6,911.0
Less: impairment allowance	**(96.5)**	(365.1)
	7,332.4	6,545.9
Analysed for reporting purposed as:		
— Non-current assets *	**6,836.6**	6,078.9
— Current assets	**495.8**	467.0
	7,332.4	6,545.9
Gross amount of impaired advances to subsidiaries	**1,520.7**	1,925.0
Impairment allowance		
— At 1 January	**(365.1)**	(543.3)
— Amounts recognised in profit or loss	**268.6**	178.2
— At 31 December	**(96.5)**	(365.1)
Net carrying amount of impaired advances to subsidiaries	**1,424.2**	1,559.9

* After taking into account the expected settlement period, the amounts due from subsidiaries are not expected to be repayable within twelve months from the end of the reporting period and the balance is therefore shown as non-current.

The amounts due from subsidiaries are unsecured, repayable on demand, and non-interest bearing. The Company assesses at 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.

The amounts due to subsidiaries are unsecured, repayable on demand and non-interest bearing.

29. AMOUNTS DUE FROM ASSOCIATES AND JOINT VENTURES

	Group	
	31/12/2014 HK$ Million	31/12/2013 HK$ Million
Amounts due from associates	**81.9**	83.0
Less: impairment allowance	**(17.1)**	(17.1)
	64.8	65.9
Amounts due from joint ventures	**8.6**	7.9
Less: impairment allowance	**(8.5)**	—
	0.1	7.9
	64.9	73.8
Analysed for reporting purposed as:		
— Non-current assets	**64.7**	65.9
— Current assets	**0.2**	7.9
	64.9	73.8

29. AMOUNTS DUE FROM ASSOCIATES AND JOINT VENTURES *(CONTINUED)*

	Advance to associates HK$ Million	Advance to joint ventures HK$ Million	Total HK$ Million
At 31 December 2014			
Gross amount of impaired advances	**17.2**	**8.6**	**25.8**
Individually assessed impairment allowances			
— Balance brought forward	**(17.1)**	**—**	**(17.1)**
— Amounts recognised in profit or loss	**—**	**(8.5)**	**(8.5)**
— Balance carried forward	**(17.1)**	**(8.5)**	**(25.6)**
Net carrying amount of impaired advances	**0.1**	**0.1**	**0.2**
At 31 December 2013			
Gross amount of impaired advances	18.4	—	18.4
Individually assessed impairment allowances			
— Balance brought forward	(31.3)	—	(31.3)
— Amounts recognised in profit or loss	14.2	—	14.2
— Balance carried forward	(17.1)	—	(17.1)
Net carrying amount of impaired advances	1.3	—	1.3

The impairment is recognised when there is objective evidence of impairment (such as unsustainable operating loss) after the Group's evaluation of the collectibility of amounts due from associates and joint ventures.

Further details of amounts due from associates and joint ventures are disclosed in Note 35.

30. LOANS AND ADVANCES TO CONSUMER FINANCE CUSTOMERS

	Group	
	31/12/2014 HK$ Million	31/12/2013 HK$ Million
Loans and advances to consumer finance customers	**12,148.3**	10,642.7
Less: impairment allowance	**(756.6)**	(599.2)
	11,391.7	10,043.5
Analysed for reporting purposes as:		
— Non-current assets	**3,308.4**	3,440.5
— Current assets	**8,083.3**	6,603.0
	11,391.7	10,043.5

Movements of impairment allowance during the year were as follows:

	Group	
	2014 HK$ Million	2013 HK$ Million
At 1 January	**(599.2)**	(459.7)
Exchange adjustments	**5.1**	(4.0)
Amounts written off	**738.9**	519.3
Amounts recognised in profit or loss	**(787.2)**	(567.3)
Amounts recovered	**(114.2)**	(87.5)
At 31 December	**(756.6)**	(599.2)

All the loans and advances bear interest at market interest rates.

The loans and advances to consumer finance customers have been reviewed by the Consumer Finance division to assess impairment allowances which are based on the evaluation of collectibility, ageing analysis of accounts and on management's judgement, including the current creditworthiness and the past collection statistics of individually significant accounts or a portfolio of accounts on a collective basis.

30. LOANS AND ADVANCES TO CONSUMER FINANCE CUSTOMERS *(CONTINUED)*

The following is an ageing analysis for the loans and advances to consumer finance customers that were past due at the end of the reporting period but not impaired:

	Group	
	31/12/2014	31/12/2013
	HK$ Million	HK$ Million
Less than 31 days past due	**805.2**	600.0
31 — 60 days	**278.3**	124.9
61 — 90 days	**101.6**	55.5
91 — 180 days	**232.8**	114.0
Over 180 days	**36.9**	24.7
	1,454.8	919.1

The loans and advances to consumer finance customers categorised as unsecured and secured, are as follows:

At the reporting date, loans and advances to consumer finance customers consisted of HK$10,015.6 million unsecured (31/12/2013: HK$8,794.7 million) and HK$1,376.1 million secured (31/12/2013: HK$1,248.8 million). The table below summarises its credit quality (gross balances net of impairment allowances):

	Group	
	31/12/2014	31/12/2013
	HK$ Million	HK$ Million
Credit quality		
Neither past due nor individually impaired	**9,936.9**	9,124.4
Past due or individually impaired	**1,454.8**	919.1
	11,391.7	10,043.5

30. LOANS AND ADVANCES TO CONSUMER FINANCE CUSTOMERS *(CONTINUED)*

The amount and type of collateral required depend on an assessment of the credit risk of the customer or counterparty.

The main types of collateral and credit enhancement obtained are as follows:

— for personal lending, mortgages over residential properties; and

— for commercial lending, corporate guarantees, charges over real estate properties, pledge of shares or debentures over the borrower's assets.

In general, the loans and advances which are granted on a secured basis, are made to the consumer finance customers with sufficient amount of collateral provided by them. Management requests additional collateral as appropriate in accordance with the underlying agreements, and monitors the market value of collateral during its review of the adequacy of the allowance for impairment losses.

Estimate of fair value of collateral are based on the fair value of collateral determined using valuation techniques commonly used for the corresponding assets at the time of borrowing.

It is the Group's policy to dispose of repossessed properties in an orderly fashion. The proceeds are used to repay or reduce the outstanding loan balances. In general, the Group does not retain repossessed properties for business purposes.

For the secured loans and advances to consumer finance customers with the carrying amount of HK$970.9 million (2013: HK$817.4 million), the fair values of the collaterals of such loans and advances can be objectively ascertained to cover the outstanding amount of the loan balances.

The carrying amounts of the loans and advances to consumer finance customers approximate their fair values.

31. TRADE AND OTHER RECEIVABLES

	Group	
	31/12/2014 HK$ Million	31/12/2013 HK$ Million
Trade receivables — accounts receivable from exchanges, brokers and clients	**1,811.3**	1,068.2
Less: impairment allowance	**(11.8)**	(19.4)
	1,799.5	1,048.8
Secured term loans	**2,727.2**	2,244.4
Unsecured term loans	**623.6**	117.0
Less: impairment allowance	**(4.8)**	(4.8)
	3,346.0	2,356.6
Margin loans	**3,903.0**	4,074.3
Less: impairment allowance	**(119.9)**	(155.6)
	3,783.1	3,918.7
Other receivables		
— Deposits	**72.1**	90.1
— Dividend receivable on behalf of clients	**60.9**	22.0
— Claims from counter parties, receivable from sale proceeds and other receivables	**64.1**	179.8
	197.1	291.9
Trade and other receivables at amortised cost	**9,125.7**	7,616.0
Prepayments	**24.9**	45.9
Current portion of leasehold interests in land (Note 18)	**0.3**	0.3
	9,150.9	7,662.2
Analysed for reporting purposes as:		
— Non-current assets	**1,468.2**	1,131.8
— Current assets	**7,682.7**	6,530.4
	9,150.9	7,662.2

31. TRADE AND OTHER RECEIVABLES *(CONTINUED)*

The following is an ageing analysis of trade and other receivables based on date of invoice/contract note at the reporting date:

	Group	
	31/12/2014	31/12/2013
	HK$ Million	HK$ Million
Less than 31 days	**1,820.1**	1,035.0
31 — 60 days	**4.1**	2.4
61 — 90 days	**1.5**	2.9
91 — 180 days	**2.6**	7.5
Over 180 days	**23.3**	30.6
	1,851.6	1,078.4
Term loans, margin loans and trade and other receivables without ageing*	**7,410.6**	6,717.4
Impairment allowances	**(136.5)**	(179.8)
Trade and other receivables at amortised cost	**9,125.7**	7,616.0

* No ageing analysis is disclosed for margin loans and term loans financing, as, in the opinion of the management, the ageing analysis does not give additional value in view of the nature of the margin loans and term loans financing business.

31. TRADE AND OTHER RECEIVABLES *(CONTINUED)*

The gross amount of impaired receivables at the reporting date and the movement of impairment allowances during the year were as follows:

	Trade receivables HK$ Million	**Term loans** HK$ Million	**Margin loans** HK$ Million	**Total** HK$ Million
At 31 December 2014				
Gross amount of impaired receivables	**13.7**	**6.3**	**148.2**	**168.2**
Individually assessed impairment allowances				
— Balance brought forward	**(19.4)**	**(4.8)**	**(155.6)**	**(179.8)**
— Amounts written off	**—**	**—**	**54.3**	**54.3**
— Amounts recognised in profit or loss	**7.6**	**—**	**(18.6)**	**(11.0)**
— Balance carried forward	**(11.8)**	**(4.8)**	**(119.9)**	**(136.5)**
Net carrying amount of impaired receivables	**1.9**	**1.5**	**28.3**	**31.7**
At 31 December 2013				
Gross amount of impaired receivables	22.2	6.3	216.1	244.6
Individually assessed impairment allowances				
— Balance brought forward	(29.0)	(132.9)	(132.6)	(294.5)
— Amounts written off	3.2	124.6	9.2	137.0
— Amounts recognised in profit or loss	6.4	3.5	(32.2)	(22.3)
— Balance carried forward	(19.4)	(4.8)	(155.6)	(179.8)
Net carrying amount of impaired receivables	2.8	1.5	60.5	64.8

Impairment loss on trade receivables, margin loans, term loans and other receivables is recognised in profit or loss after review by the Credit Control Department or the Credit and Executive Committees of the Company, based on the latest status of trade receivables, margin loans, term loans and other receivables, and the latest announced or available information about the underlying collateral held.

31. TRADE AND OTHER RECEIVABLES *(CONTINUED)*

The following is an ageing analysis of trade and other receivables that were past due at the end of the reporting period but not impaired:

	Group	
	31/12/2014 HK$ Million	31/12/2013 HK$ Million
Less than 31 days	**176.0**	11.3
31 — 60 days	**236.4**	1.9
61 — 90 days	**2.1**	20.0
91 — 180 days	**15.3**	6.8
Over 180 days	**38.2**	40.2
	468.0	80.2

Listed securities, unlisted securities, cash deposits and properties of clients are held as collateral against secured margin loans, trade receivables and term loans. Clients are normally required to provide additional margin or collateral whenever there are any shortfalls in their accounts.

It is the Group's policy to dispose of repossessed properties in an orderly fashion. The proceeds are used to repay or reduce the outstanding loan balances. In general, the Group does not retain repossessed properties for business purpose.

The carrying amounts of the trade and other receivables at amortised cost approximate their fair values.

Further details on financial risk management of trade and other receivables are disclosed in Note 46.

32. BANK DEPOSITS, CASH AND CASH EQUIVALENTS

	Group	
	31/12/2014 HK$ Million	31/12/2013 HK$ Million
Bank balances and cash	**2,760.6**	1,766.8
Fixed deposits with banks with a term within 3 months	**1,290.6**	1,216.1
Cash and cash equivalents	**4,051.2**	2,982.9
Fixed deposits with banks with a term between 4 to 12 months	**993.4**	755.6
	5,044.6	3,738.5

The Group maintains trust and segregated accounts with licensed banks to hold clients' deposits arising from normal business transactions. At 31 December 2014, trust and segregated accounts not dealt with in these consolidated financial statements totalled HK$6,218.2 million (31/12/2013: HK$6,095.3 million).

The carrying amounts of bank deposits, cash and cash equivalents approximate their fair values.

Further details on financial risk management of bank deposits, cash and cash equivalents are disclosed in Note 46.

33. BANK AND OTHER BORROWINGS

	Group	
	31/12/2014 HK$ Million	31/12/2013 HK$ Million
Bank loans		
— Unsecured term loans	**6,954.7**	4,706.9
— Secured instalment loans	**75.2**	102.4
Total bank borrowings	**7,029.9**	4,809.3
Preference shares issued to non-controlling interests	**—**	42.3
Other borrowings	**—**	32.6
	7,029.9	4,884.2
Analysed for reporting purposes as:		
— Current liabilities	**3,833.9**	2,435.4
— Non-current liabilities	**3,196.0**	2,448.8
	7,029.9	4,884.2

At 31 December 2014, bank and other borrowings were repayable as follows:

	Group	
	31/12/2014 HK$ Million	31/12/2013 HK$ Million
Bank borrowings		
— Within one year	**3,758.7**	2,300.4
— In the second year	**1,344.3**	810.7
— In the third to fifth year	**1,851.7**	1,595.8
Bank borrowings with a repayment on demand clause		
— Within one year	**61.2**	46.0
— In the second year	**4.8**	56.4
— In the third to fifth year	**9.2**	—
	7,029.9	4,809.3
Preference shares issued to non-controlling interests		
— In the third to fifth year	**—**	42.3
Other borrowings		
— Within one year	**—**	9.0
Other borrowings with a repayment on demand clause		
— Within one year	**—**	23.6
	7,029.9	4,884.2

33. BANK AND OTHER BORROWINGS *(CONTINUED)*

The secured instalment bank loans are repayable by instalments up to August 2017. Interest is charged on the outstanding balances at market rates.

All the bank loans and other borrowings are in Hong Kong dollars except for equivalent amounts of HK$298.3 million (31/12/2013: HK$439.1 million) which was denominated in RMB and HK$306.3 million (31/12/2013: Nil) which was denominated in US dollar. Further details related to financial risk management of such balances are disclosed in Note 46.

The carrying amounts of the bank and other borrowings approximate their fair values.

34. TRADE AND OTHER PAYABLES

	Group	
	31/12/2014 HK$ Million	31/12/2013 HK$ Million
Accounts payable to exchanges, brokers and clients	**2,313.2**	1,474.5
Dividend receivable on behalf of clients	**60.9**	22.0
Other accounts payable	**213.2**	155.7
Trade and other payables at amortised cost	**2,587.3**	1,652.2
Accrued staff costs and other accrued expenses	**232.5**	214.3
	2,819.8	1,866.5

The following is an ageing analysis of the trade and other payables based on the date of invoice/contract note at the reporting date:

	Group	
	31/12/2014 HK$ Million	31/12/2013 HK$ Million
Less than 31 days	**2,480.3**	1,559.1
31 — 60 days	**8.4**	8.8
61 — 90 days	**11.4**	6.5
91 — 180 days	**9.5**	8.3
Over 180 days	**3.6**	3.9
	2,513.2	1,586.6
Accrued staff costs, other accrued expenses and other payables without ageing	**306.6**	279.9
	2,819.8	1,866.5

The carrying amounts of the trade and other payables at amortised cost approximate their fair values.

The trade and other payables of the Company include financial guarantee contracts with an aggregate carrying value of HK$5.0 million (2013: HK$5.0 million) for borrowings by subsidiaries.

35. RELATED PARTY TRANSACTIONS

During the year, the Group entered into the following material transactions with related parties:

	Group	
	2014	2013
	HK$ Million	HK$ Million
Associates and joint ventures of a holding company		
Insurance premiums received from associates of a holding company in the course of provision of insurance brokerage services*	**1.3**	1.5
Rental and building management fees to an associate of a holding company*	**(4.9)**	(1.4)
Rental and building management fees to a joint venture of a holding company*	**(15.7)**	(14.8)
6% unsecured term loan to an associate of a holding company expiring on 31 March 2015*		
— Interest income	**6.8**	7.3
— Repayment	**68.0**	—
— Drawdown	**(41.2)**	(104.7)
Joint ventures		
Management fees received from a joint venture	**3.5**	3.5
Consultancy service fee received from a joint venture	**1.1**	—
Holding company and its subsidiaries		
Brokerage received from holding companies and fellow subsidiaries	**0.9**	1.1
Insurance premiums received from a holding company and fellow subsidiaries in the course of provision of insurance brokerage services*	**3.0**	3.4
Short-term loan due to fellow subsidiaries advanced	**600.0**	—
Short-term loan due to fellow subsidiaries repaid	**(600.0)**	—
Finance costs to fellow subsidiaries	**(16.6)**	(13.2)
Management fees paid to a holding company*	**(5.4)**	(4.1)
Purchase of a motor vehicle from a fellow subsidiary	**—**	(1.0)

* The transactions also constituted connected transactions or continuing connected transactions. The details are disclosed under the Directors' Report section.

35. RELATED PARTY TRANSACTIONS *(CONTINUED)*

Compensation of key management personnel

The remuneration of Directors and other members of key management during the year were as follows:

	2014 **HK$ Million**	2013 HK$ Million
Short-term benefits	**95.1**	64.4
Post-employment benefits	**1.7**	1.5
	96.8	65.9

During the year, 612,000 shares were granted under the SHK Employee Ownership Scheme to key management personnel. In addition, 713,000 shares with a total amount of HK$3.9 million were vested for key management personnel during the year. The total dividend payments paid to the key management personnel during the year were HK$0.3 million (2013: HK$0.4 million).

In addition to the above, the Group had year-end trading account balance of HK$4.6 million (2013: HK$3.9 million) payable to key management personnel. Brokerage and service fees received from the key management personnel during the year amounting to HK$0.2 million (2013: HK$0.2 million).

At the extraordinary general meeting of the Company held on 23 July 2012, it was resolved that a director's service agreement entered between the Group and a director of a subsidiary for a term of ten years be approved. Subject to the terms and conditions of the agreement, the Group has granted the director an option ("Option") to subscribe for or purchase up to 20% of the issued capital of a new company ("Newco") to be established to hold all equity interests in subsidiaries incorporated or to be incorporated in the PRC for money lending businesses in the PRC ("PRC Subsidiaries") at an exercise price which is determined based on the aggregate carrying amount of shareholders equity and shareholders loans proportional to the shareholding to be taken up by the director at the time of exercise of the Option. Prior to the period before the Option becomes vested, the director is also entitled a bonus calculated based on the performance of PRC Subsidiaries. The transaction constituted a very substantial disposal and a connected transaction and its details were disclosed in the Company's circular dated 29 June 2012.

The fair value of the Option on grant date of 23 July 2012 was HK$255.1 million which was calculated using the Black-Scholes pricing model and carried out by Norton Appraisals Limited, a firm of independent and qualified professional valuers not connected with the Group. The inputs into the model include an underlying asset value of PRC Subsidiaries as at the grant date of HK$1,018.1 million, risk free rate of 2.74%, volatility of 39.25% and expected option life of 5 years. No share based payment expense is recognised in the consolidated financial statements for the year ended 31 December 2014 (2013: nil) since one of the vesting conditions for the Option is the successful completion of the establishment of the Newco, the date of which, in the opinion of the management, could not yet be estimated with reasonable certainty.

35. RELATED PARTY TRANSACTIONS *(CONTINUED)*

At the end of the reporting period, the Group had the following material balances with related parties:

	Group	
	31/12/2014 HK$ Million	31/12/2013 HK$ Million
Associates of a holding company		
Deposits and trade receivable due from associates of a holding company	**4.2**	5.3
6% unsecured term loans to an associate of a holding company expiring on 31 March 2015	**70.0**	104.4
	74.2	109.7
Associates		
Amounts due from associates	**64.8**	65.9
Amounts due to associates	**(0.1)**	(0.1)
	64.7	65.8
Joint ventures		
Amounts due from joint ventures	**0.1**	7.9
Holding company and fellow subsidiaries		
Trade receivable due from the immediate holding company	**—**	8.9
Trade payable due to a holding company	**(1.3)**	(1.0)
Trade payable due to fellow subsidiaries	**(6.2)**	(24.7)
	(7.5)	(16.8)
Notes held by fellow subsidiaries	**(212.4)**	(212.0)
	(219.9)	(228.8)

The amounts due from (to) associates and joint ventures are unsecured, non-interest bearing and repayable on demand.

36. PROVISIONS

	Group		
	Employee benefits HK$ Million	**Others** HK$ Million	**Total** HK$ Million
At 1 January 2014	41.8	15.7	57.5
Additional provisions for the year	59.2	0.9	60.1
Amount utilised during the year	(6.8)	(0.1)	(6.9)
Amount paid during the year	(36.7)	(0.1)	(36.8)
At 31 December 2014	57.5	16.4	73.9

	Group	
	31/12/2014 **HK$ Million**	31/12/2013 HK$ Million
Analysed for reporting purposes as:		
— Current liabilities	**62.3**	45.9
— Non-current liabilities	**11.6**	11.6
	73.9	57.5

	Company
	Employee benefits HK$ Million
At 1 January 2014	—
Additional provisions for the year	17.5
At 31 December 2014	17.5

37. NOTES

	Group	
	31/12/2014 HK$ Million	31/12/2013 HK$ Million
US dollar denominated notes (the "US$ Notes")		
— 6.375% US dollar denominated notes maturing in September 2017 (the "6.375% Notes")	**2,624.1**	2,689.0
— 3% US dollar denominated notes maturing in December 2017 (the "3% Notes")	**455.8**	—
Renminbi denominated notes (the "RMB Notes")		
— 4% Renminbi denominated notes maturing in April 2014 (the "4% Notes")	**—**	366.2
— 6.9% Renminbi denominated notes maturing in May 2018 (the "6.9% Notes")	**628.6**	643.1
	3,708.5	3,698.3
Analysed for reporting purposes as:		
— Current liabilities	**71.3**	366.2
— Non-current liabilities	**3,637.2**	3,332.1
	3,708.5	3,698.3

The US$ Notes were issued by a subsidiary, Sun Hung Kai & Co. (BVI) Limited, under a US$2 billion guaranteed medium term note programme. The US$ Notes are guaranteed by the Company. The 6.375% Notes are listed on The Stock Exchange of Hong Kong Limited and are issued to professional investors only as described in the pricing supplement dated 17 September 2012 and the offering circular dated 13 June 2012.

During the year, the Group purchased part of the 6.375% Notes with a total nominal value of US$9.3 million (2013: US$5 million) from the market at a consideration of HK$75.9 million (2013: HK$39.6 million) and did not sell any of the 6.375% Notes (2013: part of the 6.375% Notes with a total nominal value of US$3.5 million were disposed of at HK$27.9 million). The nominal value of the 6.375% Notes outstanding after eliminating the intra-group holdings was US$335.2 million or equivalent to HK$2,600.1 million at the reporting date (31/12/2013: US$344.5 million or equivalent to HK$2,671.4 million). The fair value of the 6.375% Notes based on the price quoted from pricing service at the reporting date was HK$2,737.8 million (31/12/2013: HK$2,771.8 million) which was categorised as Level 2.

On 26 March 2014, under the guaranteed medium term note programme, Sun Hung Kai & Co. (BVI) Limited further issued US$60 million 3% Notes at par for a net consideration of HK$449.1 million. The 3% Notes will mature on 28 December 2017. The fair value of the 3% Notes measured by discounted cash flow approach at the reporting date was HK$448.7 million which was categorised as Level 3.

37. NOTES *(CONTINUED)*

The RMB Notes were issued by a subsidiary, UA Finance (BVI) Limited, under a US$3 billion medium term note programme. The RMB Notes are unsecured, guaranteed by a non-wholly owned subsidiary. The 4% Notes matured in April 2014 and the outstanding balance was repaid.

The nominal value of 6.9% Notes was RMB500.0 million or equivalent to HK$624.9 million at the reporting date (31/12/2013: RMB500.0 million or equivalent to HK$624.7 million). The fair value of the 6.9% Notes based on the price quoted from pricing service at the reporting date was HK$644.2 million (31/12/2013: HK$655.3 million) which was categorised as Level 2.

38. SHARE CAPITAL

	Group and Company			
	Number of shares		**Share capital**	
	2014 Million Shares	2013 Million Shares	**2014 HK$ Million**	2013 HK$ Million
Authorised				
Balance brought forward	**15,000.0**	15,000.0	**3,000.0**	3,000.0
Abolition of authorised share capital and par value under the new Companies Ordinance	**Note**	—	**Note**	—
Balance carried forward		15,000.0		3,000.0

	Group			
	Number of shares		**Share capital**	
	2014 Million Shares	2013 Million Shares	**2014 HK$ Million**	2013 HK$ Million
Issued and fully paid				
Balance brought forward	**2,123.6**	2,162.1	**424.7**	432.4
Shares issued for scrip dividends	**—**	0.7	**—**	0.1
Shares cancelled after repurchase	**(30.0)**	(39.2)	**—**	(7.8)
Transfer from share premium and capital redemption reserve upon the abolition of par value under the new Companies Ordinance (Note)	**—**	—	**7,325.2**	—
Issue of shares (net of expenses)	**160.0**	—	**1,002.4**	—
Balance carried forward	**2,253.6**	2,123.6	**8,752.3**	424.7

38. SHARE CAPITAL *(CONTINUED)*

	Company			
	Number of shares		Share capital	
	2014 Million Shares	2013 Million Shares	**2014 HK$ Million**	2013 HK$ Million
Issued and fully paid				
Balance brought forward	**2,123.6**	2,162.1	**424.7**	432.4
Shares issued for scrip dividends	**—**	0.7	**—**	0.1
Shares cancelled after repurchase	**(30.0)**	(39.2)	**—**	(7.8)
Transfer from share premium and capital redemption reserve upon the abolition of par value under the new Companies Ordinance (Note)	**—**	—	**7,309.8**	—
Issue of shares (net of expenses)	**160.0**	—	**996.5**	—
Balance carried forward	**2,253.6**	2,123.6	**8,731.0**	424.7

Note: Under the Hong Kong Companies Ordinance (Cap. 622) with effect from 3 March 2014, the concept of authorised share capital no longer exists and the Company's shares no longer have a par value. There is no impact on the number of shares in issue or the relative entitlement of any of the shareholders as a result of this transition. The par value of the Company's shares before the abolition was HK$0.2 per share.

(a) During the year, the trustee of the SHK Employee Ownership Scheme (the "EOS") acquired 1.2 million shares of the Company (2013: 0.5 million shares) through purchases on The Stock Exchange of Hong Kong Limited for the Awarded Shares of the EOS. The total amount paid to acquire the shares during the year was HK$6.1 million (2013: HK$2.7 million), which has been deducted from the owners' equity.

(b) During the year, the Company repurchased its own shares through purchases on The Stock Exchange of Hong Kong Limited for HK$169.7 million (including expenses). The details are disclosed under the Directors' Report section.

(c) Pursuant to a placing and top-up subscription, the Company issued 160 million shares at a subscription price of HK$6.3 per share in September 2014. The subscription amount is after netting of expenses of HK$11.5 million of which HK$5.9 million was paid to a subsidiary.

39. ANALYSIS OF OTHER COMPREHENSIVE INCOME (EXPENSES)

	Exchange reserve HK$ Million	Revaluation reserve HK$ Million	Capital reserves HK$ Million	Retained earnings HK$ Million	Non-controlling interests HK$ Million	Total HK$ Million
For the year ended 31 December 2014						
Available-for-sale investments	**—**	**0.3**	**—**	**—**	**3.1**	**3.4**
Exchange differences arising on translating foreign operations	**(94.5)**	**—**	**—**	**—**	**(68.2)**	**(162.7)**
Reclassification adjustment on liquidation of subsidiaries	**0.4**	**—**	**—**	**—**	**—**	**0.4**
Share of other comprehensive income of joint ventures	**—**	**(38.6)**	**—**	**—**	**—**	**(38.6)**
	(94.1)	**(38.3)**	**—**	**—**	**(65.1)**	**(197.5)**
For the year ended 31 December 2013						
Available-for-sale investments	—	1.7	—	—	(1.5)	0.2
Exchange differences arising on translating foreign operations	90.0	—	—	—	67.9	157.9
Reclassification adjustment on liquidation of subsidiaries	31.6	—	—	—	—	31.6
Reclassification adjustment on disposal of associates and joint ventures	(9.4)	—	(0.9)	—	—	(10.3)
Share of other comprehensive income of joint ventures	—	38.6	—	—	—	38.6
	112.2	40.3	(0.9)	—	66.4	218.0

40. RESERVES OF THE COMPANY

	Company	
	2014	2013
	HK$ Million	HK$ Million
Share premium account		
Balance at 1 January	**7,238.3**	7,235.3
Issue of shares	—	3.0
Transfer to share capital upon the abolition of par value under the new Companies Ordinance (Note 38)	**(7,238.3)**	—
Balance at 31 December	—	7,238.3
Capital redemption reserve		
Balance at 1 January	**71.5**	63.7
Transfer from retained earnings on repurchase of shares	—	7.8
Transfer to share capital upon the abolition of par value under the new Companies Ordinance (Note 38)	**(71.5)**	—
Balance at 31 December	—	71.5
Equity element of warrants		
Balance at 1 January	—	57.6
Transfer to retained earnings	—	(57.6)
Balance at 31 December	—	—
Retained earnings		
Balance at 1 January	**2,675.8**	2,931.4
Profit attributable to owners of the Company	**479.4**	360.7
Cash and scrip dividends paid	**(507.7)**	(468.0)
Shares repurchased	**(169.7)**	(206.5)
Forfeiture of unclaimed dividend	—	0.6
Transfer from equity element of warrants	—	57.6
Balance at 31 December	**2,477.8**	2,675.8
Total balance at 31 December	**2,477.8**	9,985.6

The distributable reserves of the Company at 31 December 2014 amounted to HK$443.8 million (31/12/2013: HK$621.7 million), being its net realised profits calculated under Section 291 of the Hong Kong Companies Ordinance.

41. COMMITMENTS

(a) Capital commitments

	Group	
	31/12/2014 HK$ Million	31/12/2013 HK$ Million
Contracted for but not provided in the consolidated financial statements	**6.2**	3.9
Authorised but not contracted for	**—**	—
	6.2	3.9

(b) Operating leases commitments

The Group as lessee

At the end of the reporting period, the Group had commitments for future aggregate minimum lease payments under non-cancellable operating leases which fall due as follows:

	Group	
	31/12/2014 HK$ Million	31/12/2013 HK$ Million
Within one year	**218.6**	185.2
In the second to fifth year inclusive	**370.6**	275.7
Over five years	**39.0**	55.4
	628.2	516.3

The lease payments represent rentals payable by the Group for its office premises and office equipment under operating lease arrangements. The lease terms and rentals of properties are fixed at one to ten years. The lease commitments include rentals payable to a joint venture of a holding company of HK$14.3 million (2013: HK$4.4 million) and an associate of a holding company of HK$5.8 million (2013: HK$0.4 million).

The Group as lessor

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	Group	
	31/12/2014 HK$ Million	31/12/2013 HK$ Million
Within one year	**15.0**	22.3
In the second to fifth year inclusive	**5.3**	19.5
	20.3	41.8

The Group has properties leased to tenants for rental. The lease terms and rentals are fixed at three to five years.

41. COMMITMENTS *(CONTINUED)*

(c) Loan commitments

	Group	
	31/12/2014 HK$ Million	31/12/2013 HK$ Million
Within one year	**1,535.2**	1,170.3

(d) Other commitments

At 31 December 2014, the Group had no underwriting commitment (31/12/2013: HK$237.6 million in respect of open offer and rights issue).

42. CONTINGENT LIABILITIES

At the end of the reporting period, the Group had guarantees as follows:

	Group	
	31/12/2014 HK$ Million	31/12/2013 HK$ Million
Indemnities on banking guarantees made available to a clearing house and regulatory body	**1.5**	4.5
Financial guarantees under loan guarantee business*	**30.2**	—
	31.7	4.5

* The Group provided guarantees to lenders of its loan guarantee customers to guarantee the repayment of debts owed by the loan guarantee customers to their lenders. At 31 December 2014, the outstanding guarantee amount was RMB24.2 million or equivalent to HK$30.2 million (2013: Nil).

On 30 August 2014, a writ of summons with general indorsement of claim ("Writ") was issued by Global Bridge Assets Limited ("GBA") and Long Prosperity Industrial Limited ("LPI") in the High Court of Hong Kong against a subsidiary, Sun Hung Kai Financial Limited ("SHKFL"). This followed the striking-out of an earlier claim made by GBA and LPI and Walton Enterprises Limited for US$3,000,000, in addition to damages, interest and legal costs, in a High Court action against SHKFL (HCA 317 of 2008). In the Writ, GBA and LPI claimed against SHKFL for: (i) damages for alleged fraudulent misrepresentation by SHKFL in around August 2001; and (ii) a rescission of a contract and a deed both dated 12 October 2001 relating to a power plant in Hubei, the PRC. They also claimed against SHKFL interest on any sums or damages payable, costs and such other relief as the High Court may think fit. The Writ was served on SHKFL on 11 October 2014. SHKFL is opposing the claims.

43. ASSETS PLEDGED

At the end of the reporting period, the carrying amount of assets pledged to banks and financial institutions as security for facilities granted to the Group were as follows:

	Group	
	31/12/2014	31/12/2013
	HK$ Million	HK$ Million
Assets belonging to the Group		
— Listed securities pledged for banking facilities granted to the Group, at fair value	**69.3**	9.3
— Investment properties (Note 17)	**799.0**	758.0
	868.3	767.3
Assets belonging to clients*		
— Listed securities, at fair value	**1,563.5**	1,350.1
	2,431.8	2,117.4

* Based on the agreement terms, the Group is able to repledge clients' securities for margin financing arrangements with other financial institutions under governance of the Securities and Futures Ordinance. Securities belonging to clients are assigned with specific margin ratios for calculating their margin values. Additional funds or collateral are required if the amount of receivable outstanding exceeds the eligible margin value of securities deposited. The fair value of the clients' listed securities deposited to the Group at 31 December 2014 was HK$13,913.9 million (31/12/2013: HK$13,039.3 million). The collateral held can be sold at the Group's discretion to settle any outstanding amounts owed by the margin clients. Margin clients receivable are repayable on demand and bear interest at commercial rates.

The listed securities belonging to the Group pledged for banking facilities are mainly pledged in the form of charge over securities.

44. MATURITY PROFILE OF ASSETS AND LIABILITIES

	At 31 December 2014					
	On demand HK$ Million	Within 3 months HK$ Million	3 months to 1 year HK$ Million	1 year to 5 years HK$ Million	After 5 years HK$ Million	Total HK$ Million
Assets						
Bonds included in financial assets at fair value through profit or loss	—	2.1	6.5	175.3	—	183.9
Loans and advances to consumer finance customers	1,534.1	2,044.6	4,504.6	2,422.3	886.1	11,391.7
Term loans	416.4	79.4	1,389.6	1,460.6	—	3,346.0
Fixed deposits with banks	—	1,458.1	825.9	—	—	2,284.0
Liabilities						
Bank and other borrowings	—	(3,577.1)	(242.8)	(3,210.0)	—	(7,029.9)
Notes	—	(64.4)	(6.9)	(3,637.2)	—	(3,708.5)

	At 31 December 2013					
	On demand HK$ Million	Within 3 months HK$ Million	3 months to 1 year HK$ Million	1 year to 5 years HK$ Million	After 5 years HK$ Million	Total HK$ Million
Assets						
Bonds and notes included in financial assets at fair value through profit or loss	—	10.9	22.7	50.8	37.7	122.1
Loans and advances to consumer finance customers	995.6	1,858.3	3,749.1	2,625.0	815.5	10,043.5
Term loans	9.4	501.1	720.7	1,125.4	—	2,356.6
Fixed deposits with banks	—	1,469.7	502.0	—	—	1,971.7
Liabilities						
Renminbi denominated asset-backed bonds included in financial liabilities at fair value through profit or loss	—	—	—	(42.9)	—	(42.9)
Bank and other borrowings	(12.0)	(976.2)	(1,390.8)	(2,505.2)	—	(4,884.2)
Notes	—	—	(366.2)	(3,332.1)	—	(3,698.3)

The above tables list the assets and liabilities based on the contractual maturity and the assumption that the repayment on demand clause will not be exercised. Overdue assets are reported as on demand.

45. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support the Group's growth and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its activities.

In order 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 objectives, policies and processes during the years ended 31 December 2014 and 31 December 2013.

The Group monitors capital using a gearing ratio, which is net debts divided by the equity. Net debts represents the total of bank and other borrowings, and notes less bank deposits, cash and cash equivalents. The equity comprises all components of equity attributable to the owners of the Company. The gearing ratio at the reporting date was as follows:

	Group	
	31/12/2014 HK$ Million	31/12/2013 HK$ Million
Bank and other borrowings	**7,029.9**	4,884.2
Notes	**3,708.5**	3,698.3
	10,738.4	8,582.5
Less: bank deposits, cash and cash equivalents	**(5,044.6)**	(3,738.5)
Net debts	**5,693.8**	4,844.0
Equity attributable to owners of the Company	**14,927.0**	13,402.1
Gearing ratio	**38.1%**	36.1%

46. FINANCIAL RISK MANAGEMENT

Risk is inherent in the financial service business and sound risk management is a cornerstone of prudent and successful financial practice. That said, the Group acknowledges that a balance must be achieved between risks control and business growth. The principal financial risks inherent in the Group's business are market risk (includes equity risk, interest rate risk and foreign exchange risk), credit risk and liquidity risk. The Group's risk management objective is to enhance shareholders' value while retaining exposure within acceptable thresholds.

46. FINANCIAL RISK MANAGEMENT *(CONTINUED)*

The Group's risk management governance structure is designed to cover all business activities and to ensure all relevant risk classes are properly managed and controlled. The Group has adopted a sound risk management and organisational structure equipped with comprehensive policies and procedures which are reviewed regularly and enhanced when necessary in response to changes in markets, the Group's operating environment and business strategies. The Group's independent control divisions, e.g. Internal Audit and Compliance, play an important role in the provision of assurance to the Board and senior management that a sound internal risk management mechanism is implemented, maintained and adhered to.

(a) Market Risk

(i) Equity Risk

There are many asset classes available for investment in the marketplace. One of the Group's key business undertakings is investing in equity. Market risk arising from any equity investments is driven by the daily fluctuations in market prices or fair values. The ability to mitigate such risk depends on the availability of any hedging instruments and the diversification level of the investment portfolios undertaken by the Group. More importantly, the knowledge and experience of the trading staff managing the risk are also vital to ensure exposure is being properly hedged and rebalanced in the most timely manner. Trading activities, including market-making and proprietary trading, across the Group are subject to limits approved by the Risk Management Committee ("RMC"). Valuation of these instruments is measured on a "mark-to-market" and "mark-to-fair-value" basis depending on whether they are listed or unlisted. Value at Risk ("VaR") and stress tests are employed in the assessment of risk. Meanwhile other non-VaR limits such as "maximum loss" and "position" limits are also set out to restrict excessive risk undertakings. VaR and stress tests are approaches which are widely used in the financial industry as tools to quantify risk by combining the size of a position and the extent of a potential market movement into a potential financial impact.

The Group's market-making and proprietary trading positions and their financial performance are reported daily to senior management for review. Internal Audit also performs regular checks to ensure there is adequate compliance in accordance with the established market risk limits and guidelines.

The table below summarises the overall financial impact on the Group arising from market movements in global equity indices. The analysis is based on the assumption that equity indices move ±20% with all other variables being held constant and all equity instruments undertaken by the Group moving simultaneously. Declines in the indices are expressed as negatives.

	At 31 December 2014				At 31 December 2013			
	Potential impact on profit or loss for the year		**Potential impact on other components of equity**		Potential impact on profit or loss for the year		Potential impact on other components of equity	
	20% HK$ Million	**-20% HK$ Million**	**20% HK$ Million**	**-20% HK$ Million**	20% HK$ Million	-20% HK$ Million	20% HK$ Million	-20% HK$ Million
Local Index	**36.1**	**(130.1)**	**26.4**	**(26.4)**	22.2	(137.4)	30.0	(30.0)
Overseas Index	**166.4**	**(234.4)**	**9.9**	**(9.9)**	127.8	(127.8)	12.4	(12.4)

There is no material financial impact in the form of profit before tax for the year for the Group arising from market movements in the global equity indices. Futures, options and knock-out options are hedged by other derivatives in view of the volatile markets and wide trading ranges.

46. FINANCIAL RISK MANAGEMENT *(CONTINUED)*

(a) Market Risk *(continued)*

(ii) Interest Rate Risk

Interest rate risk is the risk of loss due to changes in interest rates. The Group's interest rate risk exposure arises predominantly from margin financing, term financing and loans and advances to consumer finance customers. The Group possesses the legal capacity to initiate recalls efficiently which enables the timely re-pricing of margin loans to appropriate levels, in which those particularly large sensitive positions can readily be identified. Interest spreads are managed with the objective of maximising spreads to ensure consistency with liquidity and funding obligations.

At 31 December 2014, assuming that market interest rates moved by ±50 basis points (31/12/2013: ±50 basis points), the profit before tax for the year for the Group would have been HK$5.3 million higher or HK$0.7 million lower respectively (2013: HK$2.0 million lower or HK$5.4 million higher respectively). Assets and liabilities bearing interest below 50 basis points are excluded from 50 basis points downward movement.

The exposures of the Group's financial assets (liabilities) bearing variable interest rate to cash flow interest rate risks and the earlier of their contractual repricing dates and contractual maturity dates are as follows:

	On demand or less than 3 months HK$ Million	3 months to 1 year HK$ Million	1 year to 5 years HK$ Million	Over 5 years HK$ Million	Total HK$ Million
At 31 December 2014					
Loans and advances to consumer finance customers	**1,198.7**	**—**	**—**	**—**	**1,198.7**
Term loans	**0.1**	**—**	**68.0**	**—**	**68.1**
Bank deposits, cash and cash equivalents	**2,194.3**	**—**	**—**	**—**	**2,194.3**
Bank and other borrowings	**(6,731.7)**	**—**	**—**	**—**	**(6,731.7)**
At 31 December 2013					
Loans and advances to consumer finance customers	1,094.8	—	—	—	1,094.8
Bank deposits, cash and cash equivalents	1,396.1	—	—	—	1,396.1
Bank and other borrowings	(4,607.9)	—	—	—	(4,607.9)

As the analysis of the contractual repricing dates or contractual maturity dates is not meaningful in view of the nature of the business of margin financing, margin loans bearing variable interest rate of HK$3,783.1 million (31/12/2013: HK$3,918.7 million) are excluded from the above table.

46. FINANCIAL RISK MANAGEMENT *(CONTINUED)*

(a) Market Risk *(continued)*

(ii) Interest Rate Risk (continued)

The exposures of the Group's financial assets (liabilities) bearing fixed interest rate to fair value interest rate risks and the earlier of their contractual repricing dates and contractual maturity dates are as follows:

	On demand or less than 3 months HK$ Million	3 months to 1 year HK$ Million	1 year to 5 years HK$ Million	Over 5 years HK$ Million	Total HK$ Million
At 31 December 2014					
Loans and advances to consumer finance customers	**3,407.1**	**4,426.9**	**2,150.2**	**208.8**	**10,193.0**
Bonds included in financial assets at fair value through profit or loss	**2.1**	**6.5**	**175.3**	**—**	**183.9**
Term loans	**495.7**	**1,389.6**	**1,392.6**	**—**	**3,277.9**
Bank deposits, cash and cash equivalents	**1,791.3**	**825.9**	**—**	**—**	**2,617.2**
Bank and other borrowings	**(63.1)**	**(235.1)**	**—**	**—**	**(298.2)**
Notes	**(64.4)**	**(6.9)**	**(3,637.2)**	**—**	**(3,708.5)**
At 31 December 2013					
Loans and advances to consumer finance customers	2,703.9	3,676.8	2,355.5	212.5	8,948.7
Bonds and notes included in financial assets at fair value through profit or loss	10.9	22.7	50.8	37.7	122.1
Term loans	510.5	720.7	1,125.4	—	2,356.6
Bank deposits, cash and cash equivalents	1,518.1	502.0	—	—	2,020.1
Bank and other borrowings	(72.3)	(161.7)	(42.3)	—	(276.3)
Notes	—	(366.2)	(3,332.1)	—	(3,698.3)

(iii) Foreign Exchange Risk

Foreign exchange risk is the risk to earnings or capital arising from movements in foreign exchange rates.

The Group's foreign exchange risk primarily arises from currency exposures originating from proprietary trading positions, and loans and advances denominated in foreign currencies, mainly in Australian dollars and Renminbi. Foreign exchange risk is managed and monitored by the respective businesses in accordance with the limits approved by the Board and RMC. The risk arises from open currency positions are subject to management approved limits and are monitored and reported daily. The other source of foreign exchange risk arises from clients' inability to meet margin calls following a period of substantial currency turbulence.

At 31 December 2014, assuming that the foreign exchange rates moved ±5% (31/12/2013: ±5%) with all other variables held constant, the profit before tax for the year for the Group would have been HK$3.2 million higher/lower (2013: HK$32.4 million lower/higher).

46. FINANCIAL RISK MANAGEMENT *(CONTINUED)*

(b) Credit Risk

Credit risk arises from the failure of a customer or counterparty to meet settlement obligations. As long as the Group lends, trades and deals with third parties, there will be credit risk exposure.

The Group's credit policy, governed by the Credit Committee ("Credco"), sets out the credit approval processes and monitoring procedures, which are established in accordance with sound business practices, the requirements and provisions of the relevant ordinances, and where applicable, the codes or guidelines issued by the Securities and Futures Commission.

Day-to-day credit management is performed by the Credit Division with reference to the aforementioned criteria including creditworthiness, type and amount of collateral pledged, and risk concentration of the counterparties. Decisions are made daily by Credit Division and are reported to and reviewed by the Executive Directors, senior management and Credco at its regular meetings.

The table below shows the maximum exposure to and concentration of credit risk. The maximum exposure is shown in gross value before the effect of mitigation through the use of collateral agreements. The percentage figure next to the gross value reflects its concentration.

	Group			
	31/12/2014 HK$ Million	**%**	31/12/2013 HK$ Million	%
Maximum credit exposure				
Loans and advances to consumer finance customers	**11,391.7**	**42%**	10,043.5	44%
Trade and other receivables	**9,125.7**	**33%**	7,616.0	33%
Bank deposits, cash and cash equivalents	**5,044.6**	**18%**	3,738.5	16%
Loan commitments	**1,535.2**	**6%**	1,170.3	5%
Bonds and notes included in financial assets at fair value through profit or loss	**183.9**	**1%**	122.1	1%
Amounts due from associates and joint ventures	**64.9**	**0%**	73.8	0%
Guarantees	**31.7**	**0%**	4.5	0%
Underwriting commitments for open offer and rights issue	**—**	**—**	237.6	1%
	27,377.7	**100%**	23,006.3	100%

The maximum credit exposure at Group level is spread between "trade and other receivables" and "loans and advances to consumer finance customers", which represented more than two thirds of the total exposure. "Trade and other receivables" consist of amount receivables from exchanges, brokers and clients, term loans, margin loans and other receivables items. The breakdown and its ageing analysis are disclosed in Note 31 to the consolidated financial statements. There are no major concerns on margin loans, as margin calls for equity trading have been tightened. Most clients have cut off their positions. The margin loan book of the Group remains at a low gearing level.

46. FINANCIAL RISK MANAGEMENT *(CONTINUED)*

(b) Credit Risk *(continued)*

Loans with strategic clients are all properly authorised by the Credit Committee and with other controls in place to monitor their performance. At 31 December 2014, any default of an individual loan will not be greater than 4.4% of the total loan portfolio and management considers that controls are adequate to monitor the performance of these loans.

Concentration risk of loans and advances to consumer finance customers is managed by reference to individual customers. The aggregate credit exposure in relation to the ten largest outstanding consumer finance customers, including corporate entities and individuals, before taking into account any collateral held or other credit enhancements, at 31 December 2014 was HK$684.5 million (2013: HK$674.9 million) of which 88.7% (2013: 79.8%) was secured by collateral. There was no recent history of individual impairment allowance recognised.

The unsecured loans and advances to consumer finance customers of the Group include second mortgage loans in respect of which the Group are not entitled to the first charge of relevant mortgage properties. The management consider that the second mortgage loans are classified as unsecured loans due to the impediment in repossession of the mortgage properties and the practical difficulties to ascertain the residual collateral value after claim by first mortgagee. The carrying amount and the loan commitments of the second mortgage loans are as follows:

	Group	
	31/12/2014	31/12/2013
	HK$ Million	HK$ Million
Carrying amount	**975.0**	1,063.8
Loan commitments	**41.3**	39.0

(c) Liquidity Risk

The goal of liquidity management is to mitigate risk that a given security or asset cannot be traded quickly enough in the market to prevent a loss or make the required profit. Another goal is to enable the Group, even under adverse market conditions, to actively manage and match funds inflow against all maturing repayment obligations to achieve maximum harmony on cash flow management.

The Group manages its liquidity position to ensure a prudent and adequate liquidity ratio, in strict accordance with statutory requirements. This is achieved by a transparent and collective monitoring approach across the Group involving Executive Directors, the Director of Banking & Treasury, the Chief Financial Officer and other relevant senior managers on a daily basis to ensure the availability of sufficient liquid funds to meet all obligations while in compliance with statutory requirements such as the Hong Kong Financial Resources Rules.

46. FINANCIAL RISK MANAGEMENT *(CONTINUED)*

(c) Liquidity Risk *(continued)*

The exposure of the Group's contractual undiscounted cash flow for financial liabilities and their contractual maturity dates are as follows:

	On demand or less than 90 days HK$ Million	91 days to 1 year HK$ Million	1 year to 5 years HK$ Million	Over 5 years HK$ Million	Total HK$ Million
At 31 December 2014					
Bank and other borrowings+	**3,661.8**	**268.8**	**3,332.2**	**—**	**7,262.8**
Trade and other payables	**2,587.3**	**—**	**—**	**—**	**2,587.3**
Amounts due to fellow subsidiaries and a holding company	**7.5**	**—**	**—**	**—**	**7.5**
Amounts due to associates	**0.1**	**—**	**—**	**—**	**0.1**
Notes	**89.9**	**132.9**	**4,157.5**	**—**	**4,380.3**
Guarantees*	**11.3**	**17.1**	**3.8**	**—**	**32.2**
Financial liabilities at fair value through profit or loss	**66.3**	**—**	**—**	**—**	**66.3**
At 31 December 2013					
Bank and other borrowings+	1,104.8	1,358.4	2,652.2	—	5,115.4
Trade and other payables	1,652.2	—	—	—	1,652.2
Amounts due to fellow subsidiaries and a holding company	25.7	—	—	—	25.7
Amounts due to associates	0.1	—	—	—	0.1
Notes	85.1	456.3	4,021.3	—	4,562.7
Guarantees*	4.5	—	—	—	4.5
Financial liabilities at fair value through profit or loss	103.7	—	—	—	103.7

\+ Bank and other borrowings with repayment on demand clause are classified as on demand in the above analysis although the demand clause has not been exercised.

* The amounts included above for guarantees are the maximum amounts the Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantees. None of the banking facilities related to the guarantees has been drawn down at the end of the reporting period. Based on expectations at the end of the reporting period, the Group considers that the amount will not be payable under the arrangement.

The amount also included the full guaranteed sum that the Group may be required to pay as the guarantor, should all customers default. Since a significant portion of guarantee is expected to expire without being called upon, the maximum liabilities do not represent expected future cash outflows.

The Company's exposure to financial risks at the end of the reporting period is immaterial. Financial risk exposure at the Company level is mainly contributed by the amount due from its subsidiaries and associates and is managed by assessing the recoverability of the repayment from those subsidiaries and associates. The management monitors on a regular basis the availability of funds among the Group and the assets held by subsidiaries and associates are considered sufficient to cover the amount due from them. Hence, the Company's exposure to financial risks at the end of the reporting period is considered immaterial.

47. EVENT AFTER THE REPORTING DATE

On 1 February 2015, the Company entered into the sale and purchase agreement with Everbright Securities Financial Holdings Limited to sell 70% equity interest in a subsidiary, Sun Hung Kai Financial Group Limited ("SHKFGL"), for an initial consideration of HK$4,095 million. SHKFGL owns Sun Hung Kai Financial Limited.

The transaction has not yet been completed at the date of this report. The completion is conditional upon certain conditions including approvals by regulatory bodies.

The Group expects to recognise a gain on the disposal of HK$2,864 million in 2015. Upon completion, SHKFGL will become a 30% associate of the Group. Going forward, the consolidated revenue and profit or loss will be driven by the Group's current Structured Finance, Consumer Finance and Principal Investments segments.

Details of the transaction were disclosed in the Company's circular dated 27 February 2015 dispatched to the shareholders of the Company and published on the web site of The Stock Exchange of Hong Kong Limited.

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