CONVOY 康宏

CONVOY FINANCIAL HOLDINGS LIMITED
康宏金融控股有限公司

(incorporated in the Cayman Islands with limited liability) (於開曼群島註冊成立之有限公司)

Stock Code 股份代號 : 1019

ANNUAL REPORT 2014
年報

STICK TO
PROFESSIONALISM

堅守專業 成就財富

CONTENTS

CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. Wong Lee Man *(Chairman)*
Ms. Fong Sut Sam
Mr. Mak Kwong Yiu
Dr. Hui Ka Wah, Ronnie, *JP* (appointed on 13 June 2014 and resigned on 26 March 2015)
Mr. Tan Ye Kai, Byron (appointed on 2 April 2015)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Wu Ka Chee, Davy
Mr. Ma Yiu Ho, Peter
Mr. Lam Chi Keung
Mr. Chan Ngai Sang, Kenny (appointed on 2 April 2015)

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman
KY1-1111
Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS

5th, 7th, 39th, and 40th Floors, @CONVOY
169 Electric Road
Hong Kong

OUR COMPANY'S WEBSITE ADDRESS

www.convoy.com.hk

MEMBERS OF AUDIT COMMITTEE

Mr. Ma Yiu Ho, Peter *(Chairman of the audit committee)*
Dr. Wu Ka Chee, Davy
Mr. Lam Chi Keung

MEMBERS OF REMUNERATION COMMITTEE

Dr. Wu Ka Chee, Davy *(Chairman of the remuneration committee)*
Mr. Wong Lee Man
Mr. Lam Chi Keung

MEMBERS OF NOMINATION COMMITTEE

Mr. Wong Lee Man *(Chairman of the nomination committee)*
Dr. Wu Ka Chee, Davy
Mr. Lam Chi Keung

MEMBERS OF CORPORATE GOVERNANCE COMMITTEE

Dr. Wu Ka Chee, Davy *(Chairman of the corporate governance committee)*
Ms. Fong Sut Sam
Mr. Wong Lee Man
Dr. Hui Ka Wah, Ronnie, *JP* (appointed on 13 June 2014 and resigned on 26 March 2015)
Mr. Tan Ye Kai, Byron (appointed on 2 April 2015)

COMPANY SECRETARY

Mr. Chow Kim Hang

AUTHORISED REPRESENTATIVES

Mr. Mak Kwong Yiu
Mr. Chow Kim Hang

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, George Town
Grand Cayman KY1-1110
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKERS

Standard Chartered Bank (Hong Kong) Limited
Industrial and Commercial Bank of China (Asia) Limited

PRINCIPAL AUDITORS

Ernst & Young
Certified Public Accountants

ABOUT CONVOY

FOUNDED IN 1993, CONVOY FINANCIAL HOLDINGS LIMITED ("CONVOY" OR "THE GROUP"; HONG KONG STOCK CODE: 1019) IS THE HONG KONG'S LARGEST LISTED INDEPENDENT FINANCIAL ADVISER WITH OPERATIONS IN HONG KONG, MACAU AND CHINA. BY EXPANDING OUR PRODUCT OFFERINGS AND TERRITORIES, WE WILL HELP CUSTOMERS REACH THEIR FINANCIAL GOALS AND ACHIEVE OUR VISION TO BE THE ASIA'S LEADING ONE-STOP FINANCIAL SERVICES PROVIDER.

THE GROUP'S MAJOR SUBSIDIARIES INCLUDE CONVOY FINANCIAL SERVICES LIMITED, CONVOY ASSET MANAGEMENT LIMITED, CONVOY COLLATERAL LIMITED, CONVOY INTERNATIONAL PROPERTY CONSULTING COMPANY LIMITED AND CONVOY CAPITAL HONG KONG LIMITED. WE PLEDGE TO BE THE MOST TRUSTED WEALTH MANAGEMENT PARTNER AND DIVERSIFIED FINANCE NAVIGATOR WHO CATERS TO EVERY NEED OF OUR CLIENTS THROUGH AN ALL-ROUND SERVICE PORTFOLIO.

2000+

PROFESSIONAL


LOAN
ASSET MANAGEMENT
>900
TYPES
PRODUCTS
FINANCIAL
PLANNING
INSURANCE

CHAIRMAN'S STATEMENT

As I write, the Financial Secretary John Tsang Chun Wah has just published the budget for the new fiscal year with the aims to promote diversified development of industries, maximise the strengths of pillar industries, overcome development constraints and maintain fiscal stability. Coincidentally, this year, the Group's development is in line with Mr. Tsang's advocacy. First of all, the Group will continue to develop new services and products and promote diversified business development. Secondly, we will maximise the strengths of the pillar businesses and give full scope to cross-selling effect as well as meet challenges of the future development of the industry. Most importantly, we will maintain the Group's financial stability and secure the long-term benefits of shareholders.

IMPACT OF NEW GUIDANCE ON ILAS ON INDUSTRY

The intermediary industry in Hong Kong will be facing unprecedented impact this year. There will possibly be material consolidations during the year and certain small to medium sized companies may withdraw while only the strong survives. The impact mentioned here refers to the new regulatory guidance on Investment-linked Assurance Scheme ("ILAS") implemented since early this year. The new guidance covers other important matters including raising the death benefit from the general 101% to a minimum of 105% of the account value, while certain limitations and requirements are imposed on the fees and charges as well. On the charging structure, all preliminary commission arrangements are cancelled, which affects intermediaries relying on commissions paid by full advances with substantial decrease in income during the year.

In addition, nearly 85 ILAS products were authorised in Hong Kong last year. In order to comply with the new guidance, old products were all withdrawn from general sale by the end of last year. As of 13 February 2015, only 23 new ILAS products were authorised. Owing to the huge drop in such products and the time needed for accommodating the new guidance, the development of the industry will be seriously suppressed.

Since the establishment of Convoy, revenue from ILAS has been representing a large proportion of local business. Encountering the upheaval in the market, the management of the Group has already been determined to set up diversified development direction for the Group a few years ago and widely expand product categories of wealth management services such as, insurance, MPF, fund investments and bonds. In 2013, we commenced money lending and proprietary investment businesses. Last year, we set up a Strategic Investment Department for promoting cooperation with investment banks to attract high-end investors by launching structured products. In the same year, we introduced overseas property investment consultancy service. Not only did the diversified development strategy exploit our income stream, it also largely diminished the impact of the new guidance.

As the new guidance has been implemented for less than half a year and is still on a transitional stage, it is believed that the comprehensive evaluation on its impact on the entire market cannot be made until the next interim report is issued. Nevertheless, the management of the Group will closely monitor market changes and lead all of our staff to meet future challenges. The development of each new business sector is as follows:

VAST EXPANSION INTO HIGH-END AND INSTITUTIONAL MARKET

Last year, we formally acquired Convoy Asset Management Limited ("CAM") and Kerberos (Nominee) Limited ("Kerberos") which contributed profits to the Group. In respect of asset management business, we proactively expanded into high-end market and launched various investment products including private equity funds, structured products such as stocks and commodities, foreign exchange, leveraged fixed income products and hedge funds to professional investors with a net asset value of above HK$8 million in cooperation with local investment banks through the newly established Strategic Investment Department. Since last year, we have launched several short-term bonds which were well-received by the market. We are confident that this new business will continue to bring handsome profits to the Group.

In addition, CAM launched its first proprietary fund this year, which is still targeting at high-end investors. If it is well-received, it will become another income stream for CAM – fund performance fee. The Group will review market response regularly to pave the way for other future funds of our own.

Over the past year, leveraging upon our existing advantages in terms of clients, we strived to explore cross-selling to broaden our income stream and achieve the highest efficiency of diversified marketing. In addition to the aforesaid high-end customer base, the Group endeavored to explore another group of customers – corporate customers. The Group's corporate customers were mainly enterprises to which our corporate solutions department provided solutions such as retirement schemes, mandatory provident fund schemes and corporate life and medical insurances. We considered Hong Kong as one of the world's largest markets for initial public offering ("IPO") and it is still a popular market among Mainland China's enterprises for raising funds. The launch of Shanghai-Hong Kong Stock Connect last year also aroused investment sentiment. Coupled with ample liquidity, it is expected that primary market will remain active in 2015. In response, we have acquired Convoy Capital Hong Kong Limited in mid 2014 to actively commence corporate finance advisory services for enterprises, in order to provide corporate customers with strategic corporate consultancy and comprehensive financial support services. Corporate customers will be an integral part of our expansion of income stream. The Group will also strengthen our brand and other operating supports to cater different needs of corporate customers.

EXPANSION OF OVERSEAS PROPERTY INVESTMENT CONSULTANCY BUSINESS

By putting various investment products and related financial services on our financial services platform, the Group's business development was increasingly diversified. Despite this, property remains an important part of the investment tools. The traditional concept of wealth management of "buying bricks to grow rich" is deep-rooted in Hong Kong. Even though the Group has not been engaged in property business in the past, it was aware of the demand for property investments from certain customers in the market. However, continual high property prices in Hong Kong had led potential purchasers to stay on the sidelines. Hong Kong dollar, which is pegged to US dollar, rose significantly due to strong US dollar during this period, considerably increasing purchasing power. In view of this, we formally established Convoy International Property Consulting Company Limited ("Convoy International Property") to source properties with high potential investment value in different regions and introduce to purchasers who are interested in investing overseas properties. It will also provide one-stop sales and purchases and leasing services, including real estate information of different regions as well as professional agency and leasing services, with a view to securing stable income return for our clients. Since its formal establishment in the second quarter last year, Convoy International Property has achieved encouraging results by successfully launching more than ten overseas property projects in a short span of time, covering regions such as Japan, United Kingdom and Australia, which are the three most popular regions among local and Mainland China customers.

EXPANSION OF MANAGEMENT TO DIVERSIFY DEVELOPMENT

To meet the development strategies of providing diversified financial products and services, I believe our management has to keep abreast of times by introducing new ideas, in order to bring fresh impetus to the Group's long-term development. In this regard, we have expanded our management team early this year. Ms. Fong Sut Sam was appointed as the Vice-chairman of the Group while Mr. Mak Kwong Yiu was promoted to the Chief Executive Officer of the Group. Mr. Shin Kin Man, our Chief Distribution Officer, was appointed as the acting Chief Executive Officer of Convoy China and responsible for leading the management team in China. All of them have been my excellent teammates for many years. They played a crucial role in developing Convoy from a small company with only ten employees into the present scale. Our new management will closely work with Hong Kong and Mainland China teams to upgrade Convoy's brand, products and services to the next level. I extend my heartiest congratulations to them on their appointments and render full assistance to the management team in pursuing an ambitious goal of providing full-range of financial services in Asia.

Our newly appointed Chief Executive Officer, Mr. Mak Kwong Yiu will introduce our operating results for the last year and future outlooks. Last but not least, on behalf of the Board, I would like to show my sincere gratitude to our staff for their commitment, effort, dedication and devotion and to our customers for their trust and support as well as our business partners for their enduring support of Convoy. I also express my grateful thanks to my fellow Board members for their contributions to the Group and valuable advice on development direction, positioning the Group to face the future challenges with confidence.

Wong Lee Man
Chairman

Hong Kong, 25 March 2015

WE GROW
WE SHARE

+56%
REVENUE


EXCELLENT CORPORATE GOVERNANCE PRACTICES
SUSTAINABLE OPERATIONS
RISK MANAGEMENT

CHIEF EXECUTIVE OFFICER'S REVIEW

On behalf of the Board, I am delighted to announce that for the year ended 31 December 2014, the Group recorded a revenue of approximately HK$1,590.6 million, representing a year-on-year increase of approximately 56.1%. Profit attributable to owners of the Company increased to approximately HK$246.2 million (2013: HK$97.7 million), and net profit margin was 15.5%. Basic earnings per share were HK47.3 cents.

EFFECTIVE DIVERSIFICATION STRATEGIES AND IMPACT OF NEW RULE ON ILAS BUSINESS

The Group recorded pleasing performance from Investment-linked Assurance Scheme ("ILAS") business that increased from approximately HK$776.7 million in 2013 to approximately HK$1,041.2 million, representing a year-on-year increase of approximately 34.0%, last year. The results were most encouraging. Nonetheless, since 1 January 2015, ILAS is subject to the new rule "Guidance Note on Underwriting Class C Business (GN15)", which raised the death benefit from 101% to 105% of the account value, lowered all charges and changed the commission system and so on. Since the new rule was rushed in implementation, it has undoubtedly created certain impacts on the insurance industry. We expect this year to be the adaptation period and are closely monitoring the impact of the new rule on the industry. During these difficult times for operation, we expect there will be a large-scale shuffle within the industry and eliminating the weak is unavoidable.

Mak Kwong Yiu
Chief Executive Officer of the Group

Since a few years ago, the Group has already proactively promoted diversification in products and services and grasped development opportunities in China and Hong Kong markets in time so as to transform the Group as an all-round financial services platform and build a solid foundation for our long-term development. In fact, our business diversification strategies have started to take effect. Owing to the rapid development of the new business, we have provided a wider range of protective products to clients such as annuity savings plans, universal life insurance, retirement endowment plans, critical illness insurance, medical insurance and general insurance. Compared with 2013, non-ILAS insurance revenue recorded a year-on-year increase of approximately 86.9%, while the proportion increased from approximately 8.8% in 2013 to approximately 11.9% last year. In order to meet the Group's development objectives on business diversification, we continued to hold consultant training courses including knowledge on insurance products and commercial insurance, to deepen consultants' knowledge on insurance products and raise their professionalism of selling insurance products.

FOSTERED DEVELOPMENT IN OUR OWN PRODUCTS AND IMPLEMENTATION OF COMPREHENSIVE SALES STRATEGY

Being the largest MPF intermediary in Hong Kong, we achieved a year-on-year increase in our MPF assets under management ("AUM") of over 20% last year, which outperformed the market-wide increase of approximately 10%. Furthermore, given the booming demand for group insurance, we launched group insurance business last year and successfully provided alternative products aside from MPF to corporate clients, among whom included a renowned chain store in Hong Kong. Our confidence in group insurance business operation is boosted by a number of successful cases. As a result, we will continue to proactively motivate this business sector in hope of enhancing cross-selling opportunities of MPF and group insurance.

Besides, since the MPF Employee Choice Arrangement ("ECA") has been implemented for two years, the public is showing more concern for the MPF returns. In light of the availability and mixed performance of various MPF plans in the market, we are actively developing a MPF product that fulfils public expectation and gains popularity, taking into account feedbacks from clients. Striving for providing MPF products that offer attractive returns, we wish to revive public confidence in MPF and endeavour to implement comprehensive sales strategy.

BRIGHT PROSPECTS OF NEW BUSINESS DEVELOPMENT

The money lending business has been well-received since its launch while providing clients with another option in financial planning. Last year, the Group recorded an interest income of approximately HK$15.7 million from this sector, representing a year-on-year growth of approximately 176.4%. Loan portfolio significantly increased from approximately HK$91 million at the end of 2013 to approximately HK$434 million at the end of 2014.

CHIEF EXECUTIVE OFFICER'S REVIEW

In view of the effectiveness of business diversification, the Group will further expand its business into different areas. In recent years, the demand for overseas property investments is increasing, particularly on account of the growing number of Chinese residents who immigrated overseas or studied abroad. As a result, we set up the overseas property department to seek new investment opportunities for existing customers. We have held several property fairs and successfully sold a number of overseas properties. This year, we will actively launch real estate in different countries and regions, such as apartment-style properties in Europe, America, Canada, Southeast Asia, Taiwan, and Australia, while identifying other categories for property investments, such as villas, offices, shops and so on. We believe that the Group will be able to seize more new business opportunities by exploring the overseas property investment market.

We also proactively expanded into high-end market in recent years. The Strategic Investment Department we set up last year is responsible for the research and development of innovative products and optimisation of asset management business platform to cater for the wealth management needs of professional investors. Currently, we are offering private equity funds, structured products, fixed income products, hedge funds and so forth and expect to launch structured products in the second quarter of 2015. We believe that opening up the high-end investors' market provides a stable income source for the Group.

The new business also included the acquisition of Convoy Capital Hong Kong Limited in mid 2014 that is led by a team of experienced professionals and provides comprehensive corporate financial services including sponsorships for new share issue, financing transactions and consultancy services for mergers and acquisitions. This move will further deepen our development strategy on business diversification.

RAPID GROWTH IN ASSET MANAGEMENT BUSINESS AND OUTSTANDING PERFORMANCE IN MANY BUSINESS DIVISIONS

Both asset management business injected into the listed company system last year and many business divisions achieved explosive growth, recording an income for the year of approximately HK$11.3 million. CAM's platform currently offers more than 550 funds for selection, and AUM have reached US$635 million, a year-on-year increase of nearly 60%. In 2014, we introduced competitive fund products for exclusive sales once again. In the portfolio management business, we reactivated our DPMS promotion under ILAS and introduced diversified investment manager model. With these two pillars, DPMS is enjoying a new wave of growth. AUM increased from US$284 million as at the end of 2013 to US$390 million as at the end of 2014, a rise of nearly 38%.

As for new business, since the second half of last year, we began to reinforce our promotion in portfolio management service "iCON" on our fund distribution platform and launched a brand-new competitive investment portfolio. The AUM of such service increased by over 400% from less than US$1 million as at the end of 2013 to over US$5 million as at the end of 2014.

Going forward, more resources will be allocated to asset management business to optimise the entire business platform. Through the cooperation with different partners, we will explore new product and service model so as to provide more comprehensive investment plans for clients and thereby unlocking the potential for asset management business and paving the way for future development.

IMPROVEMENT IN CUSTOMER RELATIONSHIP MANAGEMENT AND ENHANCEMENT OF CLIENTS' EXPERIENCE

To further cement our relationship with clients, we will allocate resources for optimising the existing customer relationship management system and database this year in order to understand clients' spending pattern and investment preference and in turn provide considerate and timely wealth management services and suggestions. At the same time, we will make improvements in areas such as computer system operation and the layout of the Group's website for the purpose of providing a customised and user-friendly one-stop online wealth management platform for clients by various electronic devices.

STABLE REGIONAL DEVELOPMENT AND DETERMINATION TO BECOME A LEADING FINANCIAL GROUP IN ASIA

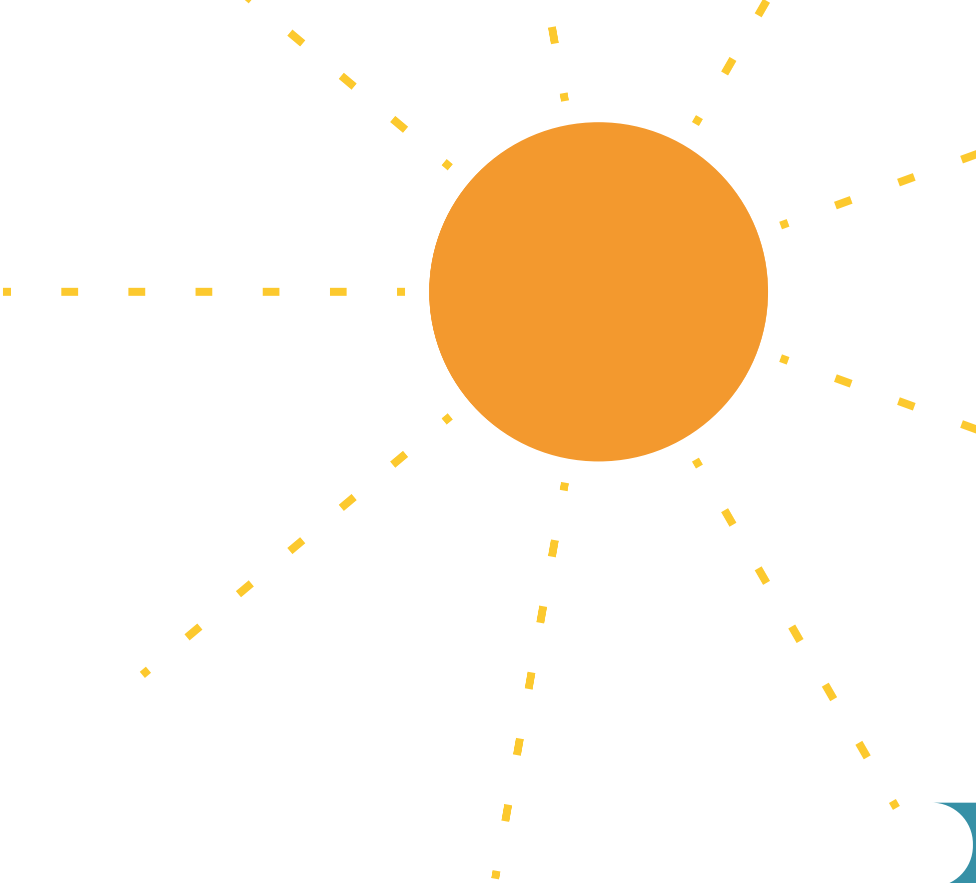
China has now entered into a new norm and the overall economy is heading downwards. A number of defaults in the market has imposed burden on the development of our wealth management business in Mainland China, resulting in charge-offs. Even so, it is our firm belief that such one-off factor will only take short-term effect. Due to the enormous demand for wealth management in China, there is immense potential to develop independent financial planning services in Mainland China in the long run. Consequently, the Group will carry forward more measures such as adjusting manpower to increase income and reduce expenditures. We will proactively identify other regions with great potentials for setting up new business points and seeking for additional business opportunities. Our experience and strengths in operating in Hong Kong, an international financial center, will further facilitate us in expanding business into Mainland China. In the long run, we are still confident in our development in Mainland China market. We firmly believe that Convoy's business in China could outperform other competitors amid the chaos by accelerating the integration of businesses in China and Hong Kong through the interaction between the two and making use of the advanced platform in Hong Kong.

In addition to Mainland China business, we proactively explored financial markets in Asia. This year, we cooperated with a Japanese enterprise for launching banking business in Hong Kong. This is the first time the Group expand its business to banking, which further demonstrates our business diversification. Leveraging on Convoy's extensive sales networks and considerable experience in wealth management, we believe that we are able to provide first-class one-stop financial services for Japanese clients while creating more cross-selling opportunities for the Group. Upon the approval of such license by regulatory bodies, we expect the banking service to be launched in the second quarter of 2015 at our Tsim Sha Tsui office to be opened.

Generally speaking, the achievements of satisfactory results last year were built on the effectiveness of diversified development strategies by creating more opportunities for cross-selling and laying a solid foundation for the Group's long-term sustainable development. Looking ahead, we will continue to adhere to diversified business strategy and endeavor to establish the Group as a one-stop platform for financial services. Furthermore, we will continue to explore development opportunities in Greater China and Asia by enhancing recognition of Convoy's brand across the regions. We strive to be a leading financial services company in the region and create more values for investors.

Lastly, on behalf of the Board, I would like to show my gratitude and thanks to our business partners, our customers, our shareholders and our colleagues for their continued support of Convoy.

Mak Kwong Yiu
Chief Executive Officer of the Group
25 March 2015



WE CARE
WE CONTRIBUTE


ENVIRONMENTAL FRIENDLY
WELL-ESTABLISHED RELATIONSHIP
SERVING THE SOCIETY FOR OVER 8,000 HOURS

HIGHLIGHTS OF THE YEAR

CORPORATE NEWS

JULY 2014

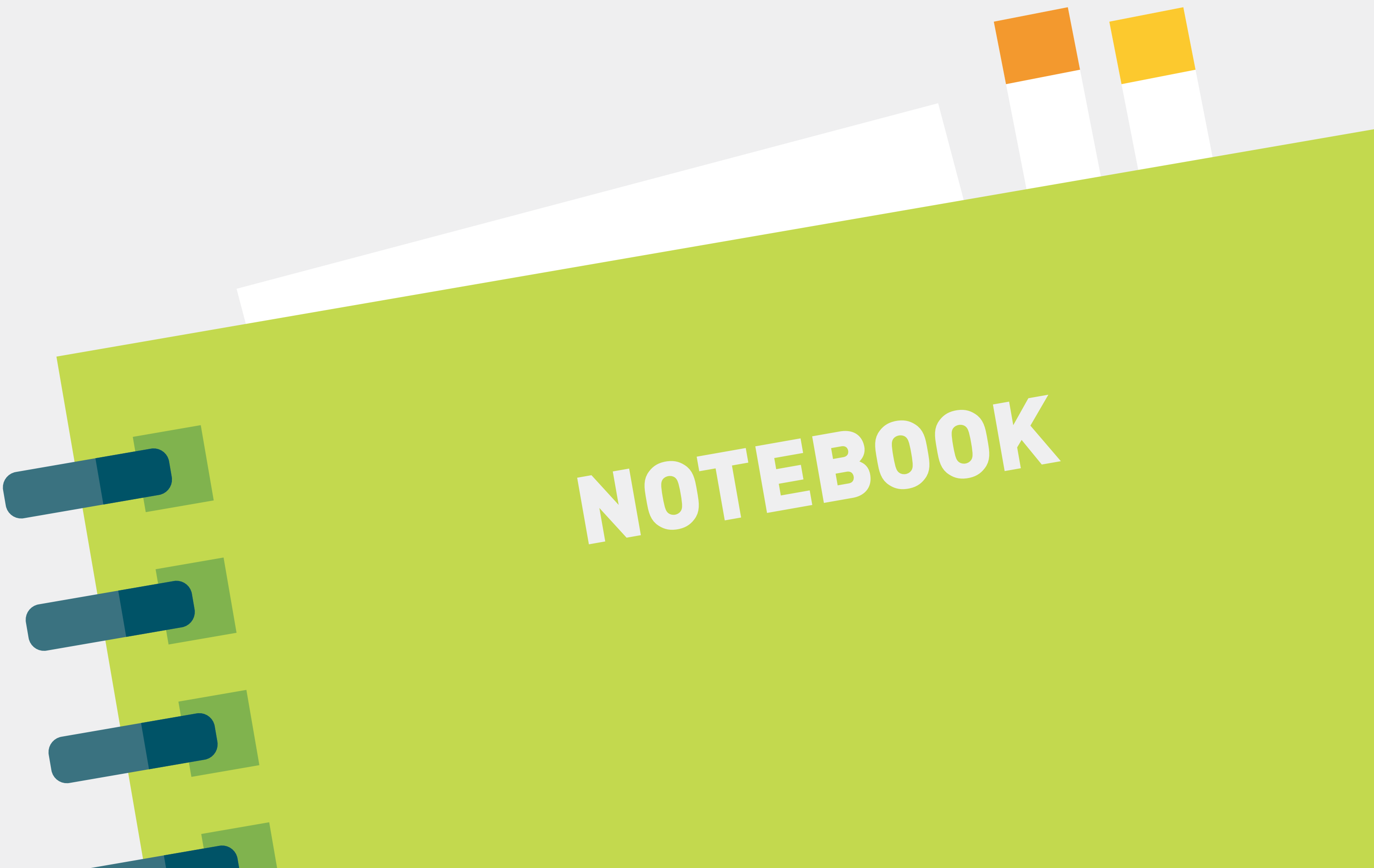
We commissioned Public Opinion Programme at the University of Hong Kong and announced the survey findings regarding Hong Kong people's financial management attitude.

AUGUST 2014

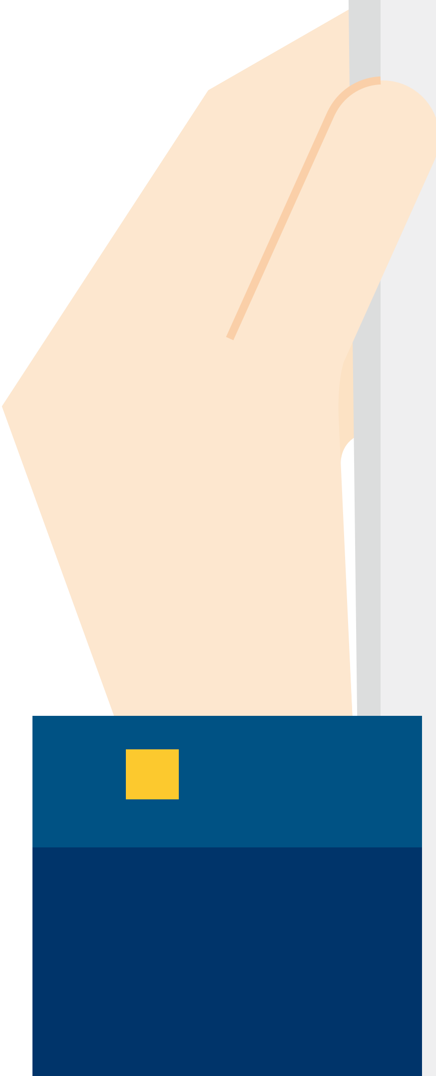
We signed a strategic framework cooperation agreement with Gold Finance Group to further expand the business presence of both parties together in Greater China.

JANUARY 2015

We announced the MPF survey findings and revealed Hong Kong people's ideal retirement life.



AWARDS



10 years +
商界展關懷
caringcompany
Awarded by The Hong Kong Council of Social Service
香港社會服務聯會頒發

MARCH 2014

We were honored the 10 Years Plus Caring Company Logo by The Hong Kong Council of Social Service.

OCTOBER 2014

We were granted the "Company for Financial Planning Excellence of the Year (Independent Financial Advisory Sector)" title for eight consecutive years, testimony to its widely recognised professionalism.

OCTOBER 2014

Ten Convoy elites received "Outstanding Financial Management Planner Award" from the Hong Kong Institute of Bankers.

DECEMBER 2014

We were awarded the "Hong Kong Corporate Citizenship Logo (Enterprise) 2014" and the "Hong Kong Corporate Citizenship Logo (Volunteer) 2014".

CORPORATE SOCIAL RESPONSIBILITIES

JANUARY 2014

Before Lunar New Year, about 140 members of Convoy Volunteer Team paid visits to 250 households in Kowloon City, including single elderlies and low-income families to celebrate Lunar New Year early with them.

JANUARY 2014

Two elite teams of Convoy, "S@CONVOY" and "Convoy Mountain Puppies", participated in "Green Power Hike 2014", so as to raise funds for the environmental education programs of Green Power.

FEBRUARY 2014

To convey the message about the importance of green diet and shark conservation, Quincy Wong Lee Man, Chairman of the Group and Francis Ngai, Founder of Green Monday, both dressed up in vegetable costume; while the other 7 members of "Shark-runners" from Convoy took part in the Hong Kong International Marathon together, making the marathon a meaningful event.

FEBRUARY 2014

Convoy Volunteer Team took part in "Oxfam Walkathon 2014" on 9 February, making it the most participants and highest fundraising team in the race.

MARCH 2014

For the second consecutive year being the mission partner of Green Monday, Convoy supported "Let's Green Monday – Green Challenge" to promote green diet.

HIGHLIGHTS OF THE YEAR

MARCH 2014

Hundreds of Convoyees participated in the "Hong Kong Streetathon@10km Kowloon East", in support to the "Youth Street-run Program" organised by RunOurCity.

MARCH 2014

Convoy joined the light-off event "Earth Hour 2014" to combat climate change in the name of the Company for the first time. In support of "Earth Hour 2014", on 29 March, we turned off the office lighting system at head quarter @CONVOY and the billboard advertisement of Sheung Wan tram station.

MARCH 2014

Convoy management team joined the "beHERO Charity Run" in support of "Hong Kong Blind Sport Federation" organised by Centum Charitas Foundation.

APRIL 2014

About 40 members of the Convoy Volunteer Team cleaned up Shing Mun Country Park. Overall, the Volunteer Team collected a total of 50 bags and 136kg of trash.

MAY 2014

Convoy gave full support to "Let's Green Monday – Green Challenge", called for staff and 7 million Hong Kong people to join the "Green Challenge" event, in order to raise the awareness on environmental protection. Convoy donated 2,500 green blessing bags to the event, with the help of Convoy Volunteer Team, the green blessing bags were packaged and distributed to the elderly and underprivileged families.

JUNE 2014

Convoy Volunteer Team organised "Old Clothes for Zheng Sheng, New Life from Convoy" to collect sportswear from Convoyees and donate to Zheng Sheng students in hopes of encouraging the students to develop positive attitude towards lives.

MAY 2014

Over 30 members of the Convoy Volunteer Team went to the Po Leung Kuk Wing Lung Bank Golden Jubilee Sheltered Workshop, visited the mild and moderate intellectual disabled and had an enjoyable afternoon.

JUNE 2014

Convoy Volunteer Team prepared nutritious hot meals in Food Angel's central kitchen in Sham Shui Po. The meal boxes would be redistributed to serve the underprivileged communities in Hong Kong.

HIGHLIGHTS OF THE YEAR

JUNE 2014

Over 70 staff from Convoy, one of the gold sponsors of the event, participated in the charity run and was presented with the "Most Enthusiastically Participated Silver Award".

AUGUST 2014

On 30 August, 130 Convoy Volunteers visited 120 elderlies living alone at Lei Cheng Uk Estate and sent their blessings to the elderlies and enjoyed a happy day spreading the joy of the festival.

JUNE 2014

Convoy Volunteer Team paid a visit to Helping Hand Lai Yiu Bradbury Care Home and Wang Tau Hom Estate during Dragon Boat Festival to distribute blessing bags and celebrate the festival with the elderlies.

SEPTEMBER 2014

Convoy gave full support to "Let's Green Monday – Green Challenge". Recently, 30 volunteers from the Convoy Volunteer Team helped pack the green blessing bags and 50 volunteers paid a visit to Kwai Chung Elderly Mutual Help Committee and Kwai Chung Estate and distributed about 100 green blessing bags to elderlies.

OCTOBER 2014

Convoy Volunteer Team worked at the support stations of "CONVOY TOTEM RUN 2014" to cheer for the Totem "wild runners" and Christian Zheng Sheng College.

NOVEMBER 2014

43 Convoyees joined "Oxfam Trailwalker 2014" while Chairman Quincy Wong Lee Man teamed up with Zheng Sheng students and formed "Convoy x Zheng Sheng Team" to participate in the challenge.

OCTOBER 2014

Convoy Volunteer Team visited the Taipo Homing Centre of Hong Kong Dog Rescue and learnt about the situation of abandoned ex-pets on 25 October.

NOVEMBER 2014

Convoy Volunteer Team visited students of local schools in a remote village in Cangwu Prefecture, Guangxi Province again and encouraged them to get rid of poverty by acquiring knowledge.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL HIGHLIGHTS

Key financial information/financial ratios	For the year ended 31 December 2014 HK$'000	2013 HK$'000	% Change Increase
Revenue	**1,590,601**	1,018,983	56.1%
Net profit attributable to owners of the Company	**246,173**	97,704	152.0%
Net profit margin attributable to owners of the Company	**15.5%**	9.6%	5.9%

FINANCIAL REVIEW

Group financial performance

Convoy has achieved an outstanding financial performance for the year ended 31 December 2014. Revenue of the Group increased by approximately 56.1% from HK$1,019.0 million for the year ended 31 December 2013 to HK$1,590.6 million for the year ended 31 December 2014. The profit attributable to owners of the Company increased sharply from approximately HK$97.7 million for the year ended 31 December 2013 to approximately HK$246.2 million for the year ended 31 December 2014. The net profit margin attributable to owners of the Company increased from approximately 9.6% for the year ended 31 December 2013 to approximately 15.5% for the year ended 31 December 2014.

The Group strived to implement a business and regional diversification strategy, including the commencement of money lending business and proprietary investment business in 2013, and the acquisitions of CAM and Kerberos was completed in March 2014. Not only has the above strengthened our financial platform, it has also diversified our business to asset management business and achieved synergies realisation. Each new business sector operated smoothly and recorded desirable returns. In particular, profit from proprietary investment business increased by approximately 393.5% to HK$175.4 million, indicating the effectiveness of our strategy of business diversification.

The completion of acquisitions of CAM and Kerberos during the year has equipped the Group with comprehensive investment business, enabling us to provide more thorough wealth management services for clients. In the second half of 2014, we also continued to strengthen cooperation with business partners, launched alternative investment products targeting at high net worth clients, as well as intensified the support of fund distribution business through nominee platform so as to improve the overall revenue and net profit margin.

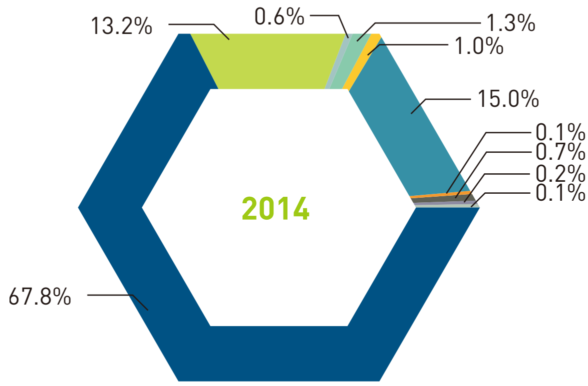
Group revenue

Our Group revenue increased by approximately 56.1% from HK$1,019.0 million for the year ended 31 December 2013 to HK$1,590.6 million for the year ended 31 December 2014.

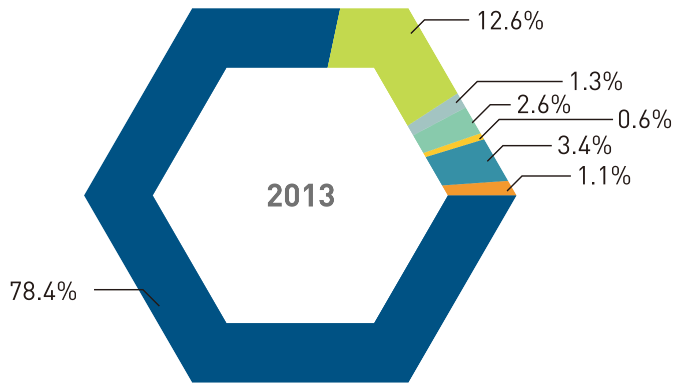
The increase was due to strong results in our core ILAS products of the IFA business and effective and proactive execution of our business diversification and regional expansion strategies that we have put into place since our Listing. With our dedicated efforts, we have achieved growth across all business lines. In 2014, Convoy began asset management business to provide new financial services to customers and to create an all-rounded IFA group. An analysis of the Group's revenue is as follows:

Revenue by reportable segments:	2014 HK$'000	2013 HK$'000	Increase HK$'000	% Change
IFA business	**1,320,693**	966,896	**353,797**	**36.6%**
Money lending business	**15,665**	5,667	**9,998**	**176.4%**
Proprietary investment business	**242,825**	46,420	**196,405**	**423.1%**
Asset management business	**11,317**	–	**11,317**	**n/a**
Total	**1,590,500**	1,018,983	**571,517**	**56.1%**

REVENUE MIX ANALYSIS:

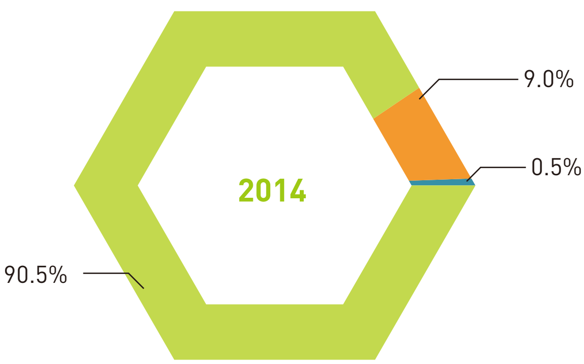


- Investment brokerage commission income
- Insurance brokerage commission income
- Pension scheme brokerage commission income
- Advisory income
- Interest income from money lending business
- Fair value gains on financial investments at fair value through profit or loss, net
- Dividend income
- Asset management service income
- Gain on disposal of available-for-sale investments
- Interest income from debt investments

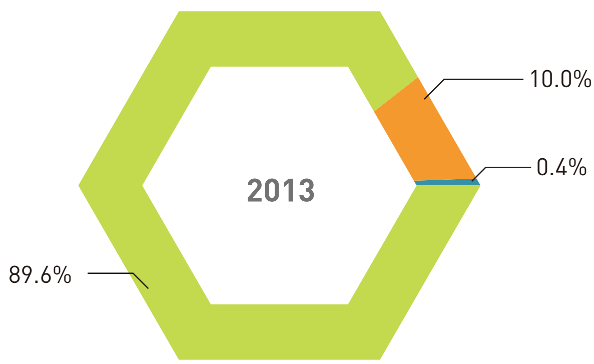


- Investment brokerage commission income
- Insurance brokerage commission income
- Pension scheme brokerage commission income
- Advisory income
- Interest income from money lending business
- Fair value gains on financial investments at fair value through profit or loss, net
- Dividend income

REVENUE BY GEOGRAPHICAL REGION:



- Hong Kong
- Mainland China
- Macau



- Hong Kong
- Mainland China
- Macau

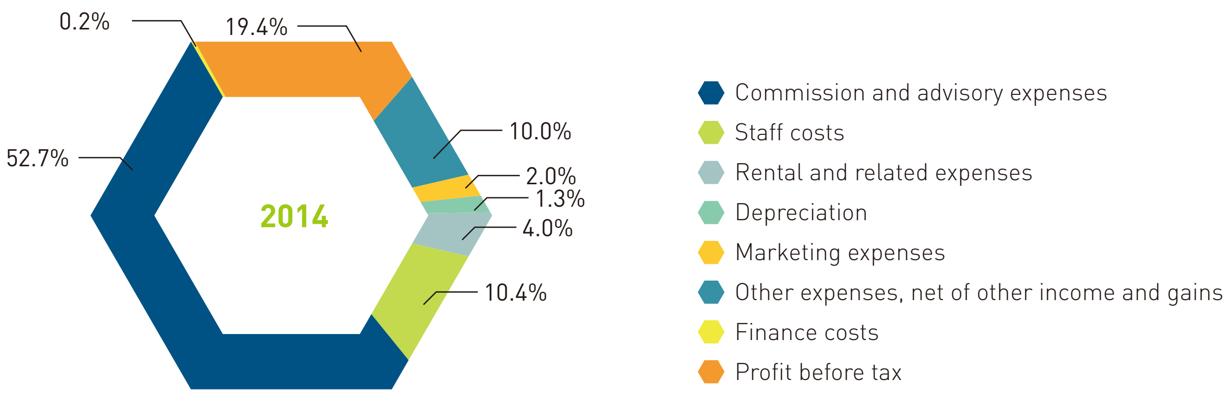
Note: The revenue information above is based on the location of the operations. The Group's fair value gains on equity investments at fair value through profit or loss, net and dividend income are excluded from total revenue for the purpose of identifying revenue from external customers.

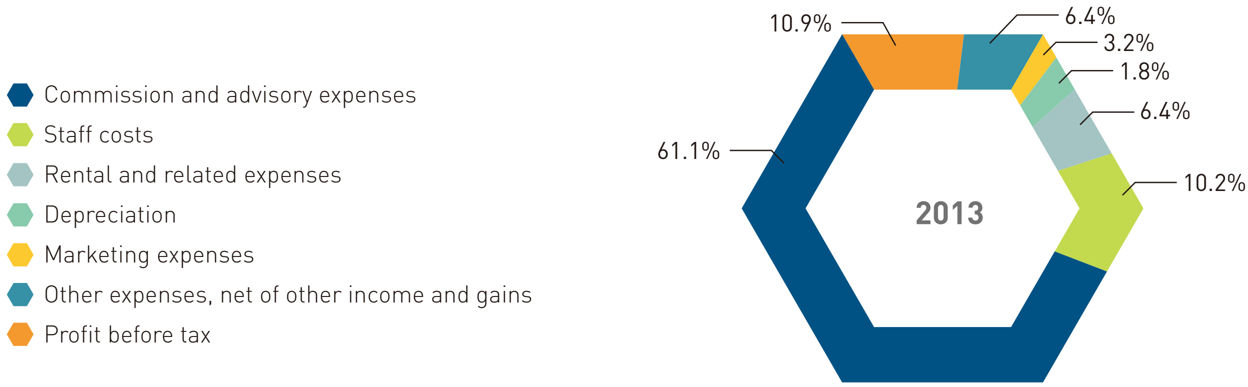
Group operating expenses

Total operating expenses increased by approximately 40.3% from HK$914.5 million for the year ended 31 December 2013 to HK$1,283.5 million for the year ended 31 December 2014. The increase was mainly resulted from (i) the acquisitions of CAM and Kerberos in 2014; (ii) a provision was made for incentive related bonus of proprietary investment business; and (iii) one-off impairment of goodwill and a deposit paid for a fund investment of approximately HK$59.5 million.

	2014 HK$'000	2013 HK$'000	Increase/ (decrease) HK$'000	% Change %
IFA business	**1,184,587**	886,379	**298,208**	**33.6%**
Money lending business	**14,251**	2,637	**11,614**	**440.4%**
Proprietary investment business	**67,460**	10,886	**56,574**	**519.7%**
Asset management business	**7,794**	–	**7,794**	**n/a**
Corporate head office	**9,406**	14,602	**(5,196)**	**(35.6%)**
Total	**1,283,498**	914,504	**368,994**	**40.3%**

COST TO REVENUE ANALYSIS:





MANAGEMENT DISCUSSION AND ANALYSIS

Segmental financial performance

The following section describes the Group's segmental financial performance for the year ended 31 December 2014, as well as each segment's future prospects.

IFA business

Hong Kong

Convoy's Hong Kong operations continued to be the largest contributor of revenue and profits to the Group's IFA business. Revenue increased by approximately 37.8% from HK$866.0 million in 2013 to HK$1,193.0 million in 2014. Net profit from operations of the Company increased by approximately 68.2% from HK$96.6 million in 2013 to HK$162.5 million in 2014.

Revenue

Revenue from our Hong Kong operations increased by approximately 37.8% from HK$866.0 million in 2013 to HK$1,193.0 million in 2014. This was due to product diversification, successful sales incentive schemes and dedicated marketing efforts.

Revenue mix analysis (HK operations):	2014 HK$'000	2013 HK$'000	Increase/ (decrease) HK$'000	% Change %
Investment brokerage commission income	1,041,188	776,719	264,469	34.0%
Insurance brokerage commission income	141,844	75,876	65,968	86.9%
Pension scheme brokerage commission income	9,949	13,452	(3,503)	(26.0)%
Total	1,192,981	866,047	326,934	37.8%

ILAS revenue continued to be the major contributor to the Hong Kong IFA business. Investment brokerage commission income increased by approximately 34.0% year-on-year. This has proved the effectiveness of our core business models.

Non-linked and general insurance product revenue recorded desirable growth and increased by approximately 86.9% to HK$141.8 million for the year ended 31 December 2014. The proportion of revenue derived from other insurance products increased from approximately 8.8% for the year ended 31 December 2013 to approximately 11.9% for the year ended 31 December 2014, reflecting our successful sales incentive schemes and relevant marketing campaigns to the existing customers, and the Group's ability to grasp cross-selling opportunities and expand our market share.

Our MPF revenue decreased by approximately 26.0% from approximately HK$13.5 million for the year ended 31 December 2013 to approximately HK$9.9 million for the year ended 31 December 2014, while its proportion of revenue decreased from approximately 1.6% for the year ended 31 December 2013 to approximately 0.8% for the year ended 31 December 2014.

For the year ended 31 December 2014, AUM under MPF business increased by over 20% as compared with the corresponding period in 2013, reflecting our MPF growth rate outperformed the market. In 2014, by working with individual MPF providers, the Group was able to accelerate the automation of new deals, so as to boost the efficiency in providing services to the clients by consultants, and drastically reduce the resources used in MPF business. Meanwhile, the group insurance business launched last year also successfully provided alternative products aside from MPF to corporate clients.

Although the ECA was not as active as expected since its launch in November 2012, the MPFA will continue to promote such arrangement and plan to implement "MPF portability". Therefore, the Group believes that the market would adapt to the ECA gradually and would raise concerns on financial plannings. Going forward, MPF and related financial planning businesses will remain as our key businesses.

Operating expenses

Total operating expenses recorded by our Hong Kong operations increased by approximately 33.0% from HK$752.9 million in 2013 to HK$1,001.4 million in 2014.

Operating expenses (HK operations)	2014 HK$'000	2014 Margin (%)	2013 HK$'000	2013 Margin (%)
Commission expenses	763,049	64.0%	558,044	64.4%
Staff costs	84,309	7.1%	60,297	7.0%
Rental and related expenses	45,606	3.8%	47,222	5.5%
Depreciation	15,381	1.3%	14,331	1.7%
Commission clawback	11,577	1.0%	8,392	1.0%
Marketing expenses	29,880	2.5%	30,649	3.5%
Other expenses	51,558	4.3%	33,943	3.9%
Total	1,001,360	84.0%	752,878	87.0%

Commission expenses increased by approximately 36.7% from HK$558.0 million for the year ended 31 December 2013 to HK$763.0 million for the year ended 31 December 2014. The increase in commission expenses was in line with the corresponding rise in revenue and primarily attributable to the Group's strategies of reallocating more resources to our service contributor in bid to strengthen our consultant team to attain further growth in future. The slight improvement in commission expenses margin was mainly attributable to the improvement in incentive efficiency with better management of the incentive programs.

Staff costs increased by approximately 39.8% from HK$60.3 million for the year ended 31 December 2013 to HK$84.3 million for the year ended 31 December 2014. This was attributable to the Group's strategies of devoting more resources to attract, recruit and retain talent in bid to support our business expansion and to strengthen our operational platform. We believe that the staff costs were increased at a reasonable pace and were within our cost control.

Rental and related expenses decreased by approximately 3.4% from HK$47.2 million for the year ended 31 December 2013 to HK$45.6 million for the year ended 31 December 2014, due to various space planning strategies to enhance the usage efficiency and lower the unit cost of space.

Marketing expenses decreased by approximately 2.5% from HK$30.6 million for the year ended 31 December 2013 to HK$29.9 million for the year ended 31 December 2014, which was mainly due to more promotional campaigns in the first half of 2013 to celebrate the 20th anniversary of Convoy. We will continue to explore more business promotion campaigns and marketing channels in bid to keep the momentum in the coming years.

Other expenses increased by approximately 51.9% from HK$33.9 million for the year ended 31 December 2013 to HK$51.6 million for the year ended 31 December 2014. This was attributable to our business growth and expansion. We believe that the other expenses were increased at a reasonable pace and were within our cost control.

Mainland China

The Group entered Mainland China in January 2011, and has now successfully commenced operations in Beijing, Guangdong, Jiangxi and Sichuan. The impact of slower economic growth, continuing market reforms and regulatory changes in the Mainland China has inevitably affected the financial performance of our businesses in Mainland China a bit and we recognised an impairment of goodwill of approximately HK$39.8 million for the year ended 31 December 2014. Though Mainland China's economy was full of challenges, with the Group's persistent efforts in operation, total revenue increased by approximately 25.2% from HK$96.5 million for the year ended 31 December 2013 to HK$120.9 million for the year ended 31 December 2014. Excluding the one-off impairment of goodwill, cost-to-revenue ratio was improved from approximately 134.0% to 113.1% for the year ended 31 December 2014.

MANAGEMENT DISCUSSION AND ANALYSIS

Currently, the development of the Mainland China business is in line with expectations. The Group will continue our efforts in the sales and product diversification, while implementing effective and stringent cost control. We aim at achieving market and product sales expansion as well as breakeven, and even starting to make profit contribution to the Group.

Mainland China operating expenses increased by 36.5% from HK$129.3 million for the year ended 31 December 2013 to HK$176.5 million for the year ended 31 December 2014. The increase in operating expenses was mainly due to the implementation of Mainland China expansion strategies and certain costs were incurred for the setup of our nationwide network and platform for long term development and the one-off impairment of goodwill of approximately HK$39.8 million. Excluding the one-off impairment of goodwill of HK$39.8 million, cost-to-revenue ratio has been improved from approximately 134.0% for the year ended 31 December 2013 to approximately 113.1% for the year ended 31 December 2014, signaling our effective sales and cost control strategies. In addition, effective space planning strategies and staff restructuring scheme also contributed to the improvement in cost-to-revenue ratio. Such ratio would be expected to further improve in the year ahead, while revenue growth would outpace the cost to a great extend particularly following the operating platform established by the Group during the year and upon economy of scale achieved.

Revenue by Mainland China geographical region:	**2014 HK$'000**	**2014 %**	2013 HK$'000	2013 %
Beijing	**36,178**	**29.9%**	31,217	32.3%
Guangdong province	**49,824**	**41.2%**	30,076	31.2%
Jiangxi province	**9,638**	**8.0%**	16,201	16.8%
Sichuan province	**25,235**	**20.9%**	19,024	19.7%
Total	**120,875**	**100.0%**	96,518	100.0%

Revenue mix analysis (Mainland China operations):	**2014 HK$'000**	2013 HK$'000	**Increase/ (decrease) HK$'000**	**% Change %**
Investment brokerage commission income	**31,471**	18,045	**13,426**	**74.4%**
Insurance brokerage commission income	**67,921**	51,772	**16,149**	**31.2%**
Advisory income	**21,483**	26,701	**(5,218)**	**(19.5)%**
Total	**120,875**	96,518	**24,357**	**25.2%**

Operating expenses (Mainland China operations)	**2014 HK$'000**	**2014 Margin (%)**	2013 HK$'000	2013 Margin (%)
Commission expenses	**67,421**	**55.8%**	61,832	64.1%
Staff costs	**26,871**	**22.2%**	32,528	33.7%
Rental and related expenses	**16,208**	**13.4%**	17,866	18.5%
Depreciation	**4,368**	**3.6%**	4,079	4.2%
Marketing expenses	**868**	**0.7%**	882	0.9%
Other expenses	**60,800**	**50.3%**	12,142	12.6%
Total	**176,536**	**146.1%**	129,329	134.0%

Macau

For the year ended 31 December 2014, our Macau operations have achieved growth in revenue. This was due to business growth as a result of scaled up operations and increased brand recognition in Macau.

Money lending business

In 2014, the Group allocated more resources in the investment of money lending business and achieved considerable profit contribution. Interest income increased by approximately 176.4% from approximately HK$5.7 million for the year ended 31 December 2013 to approximately HK$15.7 million for the year ended 31 December 2014. Interest income received increased since our well-established brand name and complementary IFA products differentiated us from our competitors, resulting in the healthy growth in loan portfolio. It reflected that money lending business of the Group is becoming mature and is able to provide stable financial contribution consistently. Moreover, we recorded nil doubtful debt in all money lending from 2013 to now, reflecting our stringent credit policies.

Proprietary investment business

Proprietary investment business operated by the Group recorded significant growth during the year. The Group recorded realised and unrealised fair value gain on financial investments, dividend income and interest income of approximately HK$242.8 million for the year ended 31 December 2014. Such significant increase was mainly due to good performance of our investment portfolio, reflecting strengths and experience of our investment team and effectiveness of diversified investment strategies, which facilitated investment in a diversified portfolio of listed equities. In particular, it mitigated the Group's equity and investment fund price risk and generated income under volatile market condition and unstable global market. The net profit margin was approximately 58.7% for the year ended 31 December 2014 and the aggregate fair value of the Group's investments classified as financial assets at fair value through profit or loss amounted to approximately HK$483.6 million for the year ended 31 December 2014.

Asset management business

Following the development of our new strategic investment team and the acquisition of CAM, the Group began asset management business in 2014. For fund distribution business, CAM's platform currently offers more than 550 funds for selection, and AUM reached US$635.0 million, representing a year-on-year increase of nearly 60%. During the year, we introduced competitive fund products for exclusive sales once again. For the investment portfolio management business, we reactivated promotion of our DPMS under ILAS in 2014 and introduced diversified investment manager model. With these two pillars, DPMS was enjoying a new wave of growth. In the second half of 2014, the Group began to reinforce its promotion of investment portfolio management service "iCON" on its fund distribution platform and launched a brand-new and highly competitive investment portfolio. For the year ended 31 December 2014, the Group recorded asset management service income of approximately HK$11.3 million and achieved operating results of approximately HK$3.5 million from provision of asset management services. We expect that CAM will continue to generate substantial value for our shareholders by means of generating stable and recurring income to the Group.

Financial position

Total consolidated assets of the Group increased by approximately 162.2% from HK$716.0 million as at 31 December 2013 to HK$1,877.3 million as at 31 December 2014. Total consolidated current assets of the Group increased by approximately 175.9% from HK$577.1 million as at 31 December 2013 to HK$1,592.1 million as at 31 December 2014. This was mainly driven by the development of the money lending and proprietary investment businesses and the acquisitions of CAM and Kerberos in 2014.

PROSPECTS AND FUTURE DEVELOPMENT

In order to pursue our vision of becoming the leading IFA across Asia, we have formulated three short term missions, (i) to establish an all-rounded financial services platform in Asia, in particular in Hong Kong and Mainland China; (ii) to materialise the synergies among the different business lines and locations; and (iii) to improve the capital structure of our Group by increasing the loan-to-equity ratio. For the first mission, we shall keep on adding new business lines to the Group, e.g. overseas property investment consultancy business, investment banking, banking deposit, corporate finance business etc. For the second mission, more cross-selling programs would be organised among different business lines and locations, e.g. loans to VIP clients, cross-border branding promotion and talent development programs, etc. For the third mission, the Company would increase its leverage by issuing unlisted bonds to secure stable and reasonable cost funding to finance its long term capital-intensive business development, e.g. money lending, strategic investments in banking and asset management sectors.

Hong Kong operations

The Group expects to maintain its leading position in the IFA industry in Hong Kong by the way of strengthening consultancy force; enlarging the product range; and adding strategic business partners. In 2013, we have devoted large capital resources to start various new business lines, including money lending, proprietary investment and asset management. In 2014, the efforts and capital resources spent in developing various new business operations have been well reflected in our 2014 annual report. The completion of acquisitions of CAM and Kerberos which specialises in fund distributions and asset management has equipped our Group with comprehensive investment business. We have also newly developed investment funds for professional investors. In addition, the Group has completed the acquisition of a company which is licensed by the SFC to carry out Type 6 (advising on corporate finance) regulated activities under the SFO.

Hong Kong

IFA business

With the Guidance Note published by the Office of the Commissioner of Insurance in July 2014, ILAS market, a major product type of IFA in Hong Kong, will go through a big change of commission payment mode, costing and commission disclosure, which may have adverse effect on commission income and net profit of the Group for its financial year ending 31 December 2015. As a result of the new rule, we expect that there might be a market consolidation or withdrawals of certain insurance agents. Nevertheless, we expect that our revenue and net profit derived from our business of provision of advisory services on ILAS ("our ILAS Business") would decrease significantly for its financial year ending 31 December 2015. Please note that there is no assurance that we will be able to improve or maintain our revenue and net profit derived from our ILAS Business subsequently. If we continue to have a decrease in the revenue and net profit derived from our ILAS Business in the future, it could have a material adverse effect on operations and prospects of our IFA business.

We have set up our diversification objectives years ago and continued to drive the growth of non-linked insurance, general insurance and MPF business. We will continue to carry out targeted cross-selling projects to boost sales from customers and will relocate more resources to our service contributor in bid to strengthen our consultant team to attain further growth in the future. Our experienced management team and energetic consultancy force are prepared to embrace the market change and we have confidence to maintain our leading position in the IFA industry in Hong Kong.

It is always our objective to seize more business opportunities from Mainland China, where there is an increasing demand for wealth management and financial planning services.

In order to further strengthen our cross-border network and tap new business opportunities, during 2014, we rolled out "PayEco Project" to provide a convenient payment gateway for targeted Mainland China customers to collect initial and subsequent premium payment directly from their bank accounts in Mainland China. We shall continue to conduct marketing activities to further enhance customers' awareness of Convoy's brand name and international platform in the Mainland China.

MPF business

In 2014, we had accelerated the automation of new deals, so as to boost the efficiency in providing services to clients by consultants and thereby drastically reducing the costs in MPF business. Going forward, we will promote the relevant arrangements to other key providers. Meanwhile, we will continue to promote our one-stop shop services and approach employers for MPF business and group insurance business as we believe that employer segment is the major MPF market for ECA and can create different cross-selling opportunities. We expect that our market share will grow gradually.

Money lending and proprietary investment businesses

In 2013, we successfully expanded into money lending and proprietary investment through the acquisition of Convoy Collateral Limited. The high profit margin for these businesses has enhanced the Group's profitability. In 2015, the Group will continue to expand them to create an all-rounded IFA which manages wealth and provides liquidity for customers.

Money lending business will continue to be one of the major operations of the Group. Although market competition is keen, we believe that our well-established brand name and complementary IFA products differentiate us from our competitors. We will further drive this business by achieving healthy loan growth in corporate and individual segment, while at the same time maintaining strong credit quality and credit risk management. We shall continue this strategy to accumulate a stable income stream.

Our proprietary investment business has primarily invested in a diversified portfolio of listed and unlisted equities. Adopting a prudent investment strategy, our investment team achieved impressive results from investment in a diversified portfolio of listed and unlisted equities in 2014. In addition to aiming at high returns, the investment team also pays close attention to the risk management to minimise the impact of market volatility. We shall continue to invest and re-invest in investments with good value for long-term gain.

Asset management business

CAM had approximately US$390.0 million asset under management ("AUM") as at 31 December 2014 which would contribute a recurring income to the Group. We intend to grow AUM continuously to accumulate a stable income stream. Riding on the successful experience of discretionary portfolio management services provided to ILAS customers, we will increase effort to develop discretionary mandate through nominee platform.

Following the development of our Strategic Investment Department in 2013, we have kicked off developing several investment funds for professional investors. We will continue to develop and manage investment portfolio for high net-worth individuals and dedicated mandates in order to capture another source of income.

We will continue to introduce competitive fund products for exclusive sales and reinforce our promotion in portfolio management business "iCON" on our fund distribution platform in the coming year. The new funds are expected to be a new driving force for the Group's income growth in coming year and to enhance asset management scale.

Oversea property investment consulting business

In view of increasing number of investors investing in overseas properties, particularly increasing number of Chinese residents who immigrated overseas or study abroad, demand for overseas property is increasing. In 2014, we have partnered with various property agents and developers to provide investment options in different locations around the world to Hong Kong and Mainland China customers. We believe this new business will gain benefit to the Group.

Mainland China operations

In the past few years, the Group has devoted huge capital and resources in Mainland China business. We shall continue to look for opportunities arising from the continuous reform of the financial sector in Mainland China in the future.

We will partner with one leading wealth management institution in Mainland China in bid to further capture business opportunities from Greater China (including the Beijing-Tianjin-Hebei region, Yangtze River Delta and Pearl River Delta).

Through effective cost control strategies to control expenses, it is expected that China operations will contribute to the Group's profit this year. Apart from the direct contribution, there are indirect merits from Mainland China operations with the continuous increase of Mainland China customers in Hong Kong.

Macau operations

Our Macau operations achieved growth in revenue for the year ended 31 December 2014, reflecting the increasing demand for wealth management services in Macau. We will continue to scale up our operations in Macau to support business growth and to enhance regional connectivity to tap new business opportunities.

Apart from the developments in the aforesaid locations, we are open for any good opportunities in other locations in Asia.

All of the business developments above are undertaken with one aim in mind; to become the leading IFA across Asia.

In line with the Group's development strategies of multi-regional and diversified financial products and services, several appointments of new management were announced last year, laying a solid foundation for Convoy's long-term development in the future. Looking ahead, the Group will further expand its customer network and consolidate its resources into optimising the entire business platform through cooperation with strategic partners, to provide more comprehensive investment tools to our customers and create a bright future for development.

LIQUIDITY AND FINANCIAL RESOURCES

The Group mainly relies upon the shareholders' fund, placing of bonds and cash generated from its business operations to finance its operations and expansion. As at 31 December 2014, the Group had cash and cash equivalents of approximately HK$366.8 million (31 December 2013: HK$275.0 million). The Group had bond payables of HK$260.8 million (31 December 2013: Nil). The gross gearing ratio, calculated on the basis of the Group's interest bearing bond payables divided by equity attributable to owners of the Company was 30.9% (31 December 2013: n/a). As at 31 December 2014, the net current assets of the Group amounted to approximately HK$820.4 million (31 December 2013: HK$273.7 million) and the current ratio (current assets/current liabilities) was approximately 2.1 (31 December 2013: 1.9).

On 27 May 2014, the Company has completed the placing of 39,800,000 placing shares, raising net proceeds of approximately HK$44.5 million to the Group. The net proceeds were utilised by the Group for the general working capital and for business development of the Group. On 15 October 2014, the Company has also completed the placing of 95,820,000 placing shares, raising net proceeds of approximately HK$92.2 million to the Group. The net proceeds were intended to apply as to around 25% for brand building and marketing campaign, as to around 20% for enhancement of the Group's online operating platform, as to around 30% for the development of the Group's newly acquired corporate finance business and as to around 25% for the general working capital of the Group. Further details are contained in the Company's announcements dated 8 May 2014 and 30 September 2014, respectively.

In addition, during the year, the Company raised net proceeds of approximately HK$260.8 million (31 December 2013: Nil) from placing of bonds which were utilised for money lending business and business development of the Group and to finance any potential investment opportunities of the Group that may arise from time to time. Further details are contained in the Company's announcement dated 16 September 2014.

HUMAN RESOURCES AND REMUNERATION POLICIES

As at 31 December 2014, the Group employed 441 (31 December 2013: 353) supporting staff and 11 (31 December 2013: 11) salary-based trainees. The total remuneration of the employees (including the Directors' remuneration) was approximately HK$165.2 million for the year ended 2014 (2013: approximately HK$104.2 million).

The Group offered competitive market remuneration packages for employees and granted bonuses with reference to employees' performance during the reporting periods according to the general rules of the Group's remuneration policy.

The emoluments of the Directors are in accordance with the remuneration policy of our Group that it is our Group's remuneration objective to, in consultation with the remuneration committee of our Company, remunerate Directors fairly but not excessively for their efforts, time and contributions made to the Group and the remuneration of the Directors would be determined with reference to various factors such as duties and level of responsibilities of each Director, the available information in respect of companies of comparable business or scale, the performance of each Director and the Group's performance for the financial year concerned and the prevailing market conditions.

In addition, the Company's share award scheme (the "Scheme"), was adopted pursuant to a resolution passed on 25 January 2011 for the primary purpose of recognising the contributions by certain selected participants and giving incentives thereto in order to retain them for the continual operation and development of the Group and attracting suitable personnel for further development of the Group. A trustee, as an independent third party, was appointed by the Company for the administration of the Scheme. The trustee shall purchase the Company's shares from the market out of cash contributed by the Company and shall hold in trust for the relevant selected participants with the provisions of the Scheme.

RISK MANAGEMENT

The Group adopts very stringent risk management policies and monitoring systems to mitigate the risks associated with interest rate, credit, liquidity, foreign currency and equity price in all its major operations.

Interest rate risk

The Group is exposed to interest rate risk through the impact of rate changes on interest-bearing financial assets. Cash at banks earns interest at floating rates based on daily bank deposit rates.

The Group reviews interest rate risk regularly and monitors closely the fluctuation of interest rates and will make proper adjustments if necessary.

Credit risk

The Group conducts business only with recognised and creditworthy third parties. Receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

Even though there is no significant credit risk exposure, the Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management.

The Group has also adopted stringent credit policies on money lending business. The credit policies specify the credit approval, review and monitoring processes. A credit committee was set up and authorised by the Board to have full authority to handle all credit matters.

Liquidity risk

In the management of liquidity risk, the Group monitors and maintains its level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

Foreign currency risk

The Group mainly operates in Hong Kong and Mainland China with most of the Group's monetary assets, liabilities and transactions principally denominated in Hong Kong dollars and Renminbi, respectively. Majority of the commission revenue and expenditure incurred by the operating units of the Group were denominated in the units' functional currency and as a result, the Group does not anticipate significant transactional currency exposure. The Group has not used any derivative to hedge its exposure to foreign currency risk.

Equity price risk

The Group is exposed to equity price risk through its investments in listed securities. The management manages this exposure by maintaining a portfolio of investments with different risks. The Group has a special team to monitor the price risk and will consider hedging the risk exposure should the need arise.

The Group is also exposed to concentration risk and liquidity risk through its investments in listed securities, resulting from significant changes in equity prices in any one of its investment in listed equity securities and changes in market liquidity which may affect the ability to sell the investment. The Group has a special team to monitor these risks and will consider taking appropriate action to minimise these risks.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

Except for the acquisitions of CAM, Kerberos, Wonderful Job Limited ("Wonderful") and DRL Capital as disclosed in note 34 to the consolidated financial statements, there was no material acquisition and disposal of subsidiaries for the year ended 31 December 2014.

SIGNIFICANT INVESTMENT HELD

As at 31 December 2014, the fair value of the Group's investments classified as financial assets at fair value through profit or loss amounted to approximately HK$483,599,000 (31 December 2013: HK$97,166,000).

Except for the above, the Group did not have any other significant investment held during the year ended 31 December 2014.

FUTURE PLANS RELATING TO MATERIAL INVESTMENT OR CAPITAL ASSET

On 7 January 2015, Rich Victory (Hong Kong) Limited, the purchaser, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company, has entered into the provisional agreement for sale and purchase of the whole of the 20th floor of the development to be erected on Sha Tin Town Lot No. 412 (also known as No. 3 On Kwan Street), Shatin, New Territories, Hong Kong (the "Property"), with Speedy Tact Development Limited, the vendor, a company incorporated in Hong Kong with limited liability, at the consideration of HK$107,413,770. The Group intends to hold the Property for investment purposes and/or self-use as back office and will, depending on the then market circumstances, lease out all or part of the Property for rental income. The consideration is funded by the Group's internal resources and/or borrowings.

Except for the above, the Group has not executed any agreement in respect of material investment or capital asset and did not have any other future plans relating to material investment or capital assets as at the date of this annual report.

CONTINGENT LIABILITIES

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

CAPITAL EXPENDITURES

The Group's capital expenditures primarily consisted of expenditures on leasehold improvements, acquisitions of computer equipment and systems, office equipment and motor vehicle. For the years ended 31 December 2014 and 2013, the Group incurred capital expenditures in the amounts of approximately HK$36.4 million and HK$25.2 million, respectively.

COMMITMENTS

The Group's contractual commitments are primarily related to the operating lease commitments of its office premises, staff quarters and certain of its office equipment under operating lease arrangements and other commitments related to capital contribution to an available-for-sale investment and capital contributions payable to a joint venture.

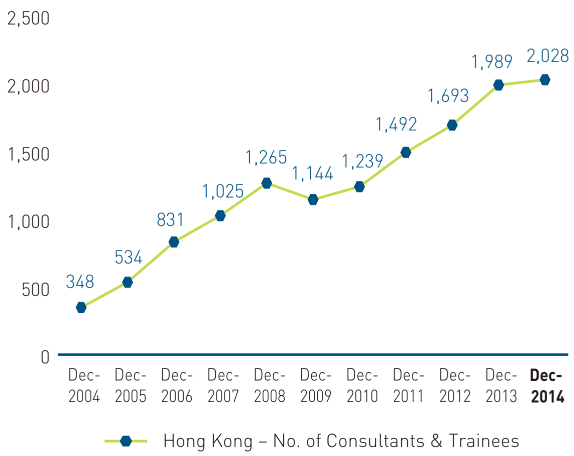
The Group's operating lease commitments amounted to approximately HK$166.0 million and HK$130.0 million in the aggregate as at 31 December 2014 and 31 December 2013, respectively.

The Group's other commitments related to an available-for-sale investment amounted to approximately HK$6.3 million (31 December 2013: HK$7.5 million). As at 31 December 2013, the Group also had capital commitment to a joint venture amounting to HK$12.6 million.

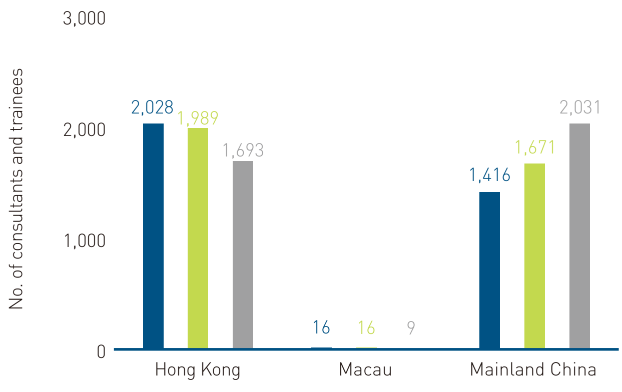
OPERATION REVIEW

Change in the number of consultants and trainees:

Hong Kong –
No. of Consultants & Trainees



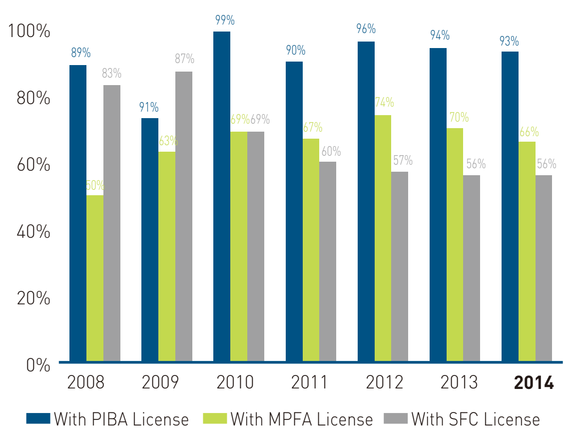
Hong Kong and other regions –
No. of Consultants & Trainees



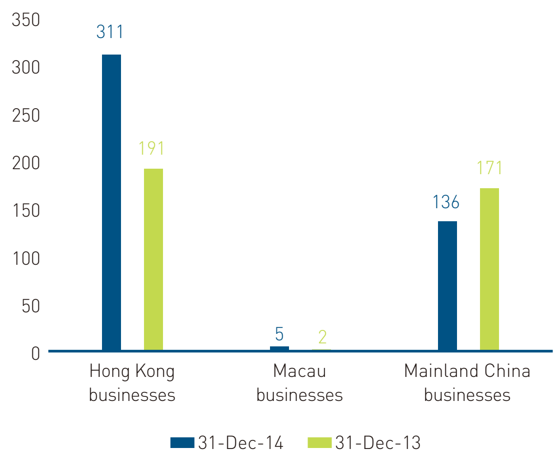
	Hong Kong	Macau	Mainland China
31-Dec-14	2,028	16	1,416
31-Dec-13	1,989	16	1,671
31-Dec-12	1,693	9	2,031

Licensing profile of consultants and trainees:

Hong Kong –
License records of consultants and trainees



Number of employees:



BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Wong Lee Man

Mr. Wong Lee Man ("Mr. Wong") aged 46, was appointed as an executive Director and Chairman of our Company on 12 March 2010. Mr. Wong is the director of 6 subsidiaries of the Company. Mr. Wong joined the Group in November 1998 and led the Group transforming into an IFA company, which is a pioneer in personal financial planning business. He served in different functions in the Group, including consultancy force, operations and regional expansions. He is now responsible for the overall management and strategic development of the Group. Over 20 years experience in financial service industry, Mr. Wong has gained all-round experience and has established a strong network through working with both international and local financial companies in Hong Kong. Moreover, he is the Founding Member and Honorary Secretary of the Independent Financial Advisors Association Limited in Hong Kong.

Ms. Fong Sut Sam

Ms. Fong Sut Sam ("Ms. Fong") aged 46, was appointed as an executive Director on 12 March 2010. Ms. Fong is the vice chairman of the Group and the director of 6 subsidiaries of the Company. She has also been an executive director of CFS. Ms. Fong joined our Group in November 1998 and has led various functions, including the consultancy force, corporate communications, sales and marketing, training and operation. Her exceptional achievements in the financial industry and contribution to the community earned her the title of "Benchmark Most Extraordinary Women in Finance 2009" from the Benchmark magazine and "Excellence in Achievement of World Chinese Young Entrepreneurs 2014". Ms. Fong graduated from the South Bank University in London in June 1992 with a Bachelor of Science degree. In December 2002, she graduated with a Master's Degree in Business Administration from The Chinese University of Hong Kong and was placed on the Dean's List. Ms. Fong has been appointed as a panel member of the Appeal Board under the Betting Duty Ordinance (Chapter 108 of the Laws of Hong Kong) since 2010, as a panel member of the Appeal Boards under the Amusement Game Centres Ordinance (Chapter 435 of the Laws of Hong Kong) since 2010. She has been also appointed as the advisory board member of the CUHK Center for Entrepreneurship and as the panel member of the Municipal Services Appeal Board under the Municipal Services Appeals Board Ordinance (Chapter 220 of the Laws of Hong Kong) by Chief Executive of the Government of the Hong Kong Special Administrative Region since 2011. She has been also appointed as a lay member of Solicitors Disciplinary Tribunal Panel since 2013. She has been appointed as a member of the Appeal Panel (Housing) of Office of the Secretary for Transport and Housing Government Secretariat since 2014. Ms. Fong is the member of Marketing Management Committee of Hong Kong Management Association and executive committee member of Green Monday.

Mr. Mak Kwong Yiu

Mr. Mak Kwong Yiu ("Mr. Mak"), aged 40, was appointed as an executive Director on 16 March 2010. Mr. Mak is the Chief Executive Officer of the Group and the director of 17 subsidiaries of the Company. He joined our Group in May 2002 as the chief financial officer and is responsible for the accounting and finance functions of our Group. Mr. Mak graduated from The Hong Kong University of Science and Technology with a Bachelor of Business Administration degree in Finance in November 1996 and a Master of Business Administration degree in November 2004. He earned the Chartered Financial Analyst designation in September 2000. He has been a Certified Public Accountant in the United States since May 2002 and a member of the Hong Kong Institute of Certified Public Accountants ("HKICPA") since May 2003. Mr. Mak is currently an independent non-executive director of GR Properties Limited (formerly known as Buildmore International Limited) (stock code: 108) and Lerado Group (Holding) Company Limited (stock code: 1225), whose shares are listed on the Main Board of the Stock Exchange and was appointed as an executive director of China Mobile Games and Cultural Investment Limited (formerly known as Computech Holdings Limited), whose shares are listed on the Growth Enterprise Market of the Stock Exchange (stock code: 8081) from 30 July 2008 to 27 April 2014.

Mr. Tan Ye Kai, Byron

Mr. Tan Ye Kai, Byron, aged 46, was appointed as an executive Director on 2 April 2015 and the director of 5 subsidiaries of the Company. He was graduated from the Deakin University in Australia with a bachelor degree with major in Information System and Finance in 1993. He was admitted as a member of the Australian Society of Certified Practising Accountants in 1995 and was qualified as a Chartered Financial Analyst of The Institute of Chartered Financial Analysts in 1997. Since February 2015, he has been the chief executive officer of Convoy Capital Hong Kong Limited which is an indirect wholly-owned subsidiary of the Company and is licensed by the SFC to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. He has over 20 years of experience in the investment banking and financial services industry and has gained all-round experience through working for both international and local financial institutions including Carr Indosuez Asia Limited, Dao Heng Securities Limited, First Shanghai Securities Limited and Kingsway Financial Services Group Limited.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Wu Ka Chee, Davy

Dr. Wu Ka Chee, Davy ("Dr. Wu"), aged 46, was appointed as an independent non-executive Director on 16 March 2010. Dr. Wu has been a senior lecturer of the Department of Accountancy and Law at The Hong Kong Baptist University since September 2009. He attained a doctorate degree in law in December 2003, a postgraduate certificate in law in June 1994 and a bachelor degree in law in November 1993, all from The University of Hong Kong. He also obtained a master's degree in business administration from The Hong Kong Polytechnic University in November 2013. His writings include the second edition of his co-authored book on financial services that was published in early 2015. He is a member of the Advisory Group on Modernisation of Corporate Insolvency Law on appointment by the Financial Services and Treasury Bureau of the Hong Kong Government. He has been serving the HKICPA as a director of a professional diploma programme for training insolvency practitioners since 2012.

Mr. Ma Yiu Ho, Peter

Mr. Ma Yiu Ho, Peter ("Mr. Ma"), aged 50, was appointed as an independent non-executive Director on 16 March 2010. He is currently the financial controller of Chyau Fwu Properties Limited, a company principally engaged in property development and hospitality. He has been a member of the Hong Kong Institute of Certified Public Accountants since February 1990 and a fellow member of the Association of Chartered Certified Accountants (UK) since April 1994. Mr. Ma obtained a Master Degree of Business Administration from the Hong Kong University of Science and Technology in November 1995. He is also an associate member of the Hong Kong Institute of Directors. He has over 20 years of experience in the finance and accounting field and had been the financial controller and company secretary of The Hong Kong Parkview Group Limited (now named as Joy City Property Limited, stock code: 207) and the financial controller of VODone Limited (now named as V1 Group Limited, stock code: 82), shares of these two companies are listed on the Stock Exchange. He had also served as the chief financial officer of Superior Fastening Technology Limited, a Singapore listed company. Mr. Ma had also worked for Standard Chartered Equitor Trustee HK Limited and the Hong Kong Government's Audit Department. Mr. Ma is currently and has been an independent non-executive director of China Packaging Holdings Development Limited (stock code: 1439), Huisheng International Holdings Limited (stock code: 1340) and Sky Forever Supply Chain Management Group Limited (formerly known as Rising Power Group Holdings Limited) (stock code: 8047) since December 2013, February 2014 and July 2014 respectively. Shares of these three companies are listed on the Stock Exchange.

Mr. Lam Chi Keung

Mr. Lam Chi Keung ("Mr. Lam"), aged 44, was appointed as an independent non-executive Director on 31 March 2014. Mr. Lam is currently the chief financial officer of m-Finance Limited. He is an independent non-executive director of Universe International Holdings Limited (stock code: 1046) whose shares are listed on the Main Board of the Stock Exchange. Mr. Lam was the group financial controller and company secretary of Ngai Shun Holdings Limited (stock code: 1246) from January 2014 to October 2014 whose shares are listed on the Main Board of the Stock Exchange. He holds a bachelor's degree of science in accounting awarded by Brigham Young University-Hawaii in 1996. He also obtained a master's degree of science in e-commerce from The Chinese University of Hong Kong in 2002. Mr. Lam is a fellow of the HKICPA, a holder of the specialist designation in insolvency of the HKICPA, a member of the American Institute of Certified Public Accountants and a certified fraud examiner of the Association of Certified Fraud Examiners. Mr. Lam has over 16 years of experience in corporate finance, accounting and insolvency field.

Mr. Chan Ngai Sang, Kenny

Mr. Chan Ngai Sang, Kenny, aged 50, was appointed as an independent non-executive Director on 2 April 2015. He is a partner and founder of Kenny Chan & Co., a firm of Certified Public Accountants (Practising). He has over 25 years of experience in accounting, taxation, auditing and corporate finance and was involved in several merger and acquisition and initial public offering projects. He holds a Bachelor of Commerce degree in Accounting and Finance from the University of New South Wales in Australia and is a member of the Institute of Chartered Accountants of New Zealand, the Association of International Accountants, CPA Australia, the HKICPA and the Taxation Institute of Hong Kong. He presently serves as the President of the Association of International Accountants – Hong Kong Branch and has been accredited as an Authorized Supervisor of the HKICPA. He also serves on several tribunals of the Government of the Hong Kong Special Administrative Region which includes the Youth Programme Co-ordinating Committee of the Commission on Youth, the Mandatory Provident Fund Schemes Appeal Board, the Tsuen Wan District Fight Crime Committee and is a Honorary President of the Tsuen Wan District Junior Police Call. He served as the District Governor of Lions Clubs International District 303 – Hong Kong & Macao, China in the year 2009/2010. He is currently an independent non-executive director of TSC Group Holdings Limited (stock code: 206), a company whose shares are listed on the Main Board of the Stock Exchange, and an independent non-executive director of Combest Holdings Limited (stock code: 8190) and WLS Holdings Limited (stock code: 8021), both are listed on the Growth Enterprise Market of the stock Exchange.

CORPORATE GOVERNANCE REPORT

The Board hereby presents this Corporate Governance Report in the Company's annual report for the year ended 31 December 2014.

The Board is committed to maintaining good corporate governance standard and procedures to safeguard the interests of the Company's shareholders and to enhance accountability and transparency.

CORPORATE GOVERNANCE PRACTICES

The Directors of the Company recognise the importance of good corporate governance in the management of the Group. During the year ended 31 December 2014, the Company has complied with the code provisions of the Corporate Governance Code and Corporate Governance Report (the "CG Code") as set out in Appendix 14 to the Listing Rules.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules. Having made specific enquiry of all Directors, all Directors have complied with the required standard set out in the Model Code and its code of conduct regarding Directors' securities transactions by the Directors adopted by the Company throughout the year ended 31 December 2014.

BOARD OF DIRECTORS

Composition

As at 31 December 2014, the Board comprises four executive Directors and three independent non-executive Directors. The list of Directors during the year is set out in the section headed "Directors' Report" of this annual report. Dr. Hui Ka Wah, Ronnie, *JP* was appointed as an executive Director on 13 June 2014 and resigned on 26 March 2015. Mr. Tan Ye Kai, Byron was appointed as an executive Director on 2 April 2015. Mr Chan Ngai Sang, Kenny was appointed as an independent non-executive Director on 2 April 2015.

The Board includes a balanced composition of executive and non-executive Directors so that there is a strong independent element on the Board, which can effectively exercise independent judgement.

The non-executive Directors are of sufficient calibre and number for their views to carry weight. The functions of non-executive Directors include, but not limited to:

- bringing an independent judgement at Board meetings;
- taking the lead where potential conflicts of interests arise;
- serving on Board committees if invited; and
- scrutinising the Company's performance in achieving agreed corporate goals and objectives, and monitoring performance reporting.

The Board members have no financial, business, family or other material/relevant relationships with each other.

The Board has a balance of skills and experience appropriate for the requirements of the business of the Company. The Directors' biographical information is set out in the section headed "BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT" of this annual report.

Composition of the Board, including names of independent non-executive Directors of the Company, is disclosed in all corporate communications to shareholders.

The Company has maintained on its website and on the Stock Exchange's website an updated list of its Directors identifying their role and function and whether they are independent non-executive Directors.

Role and Function

The Board is responsible for overall strategic formulation and performance monitoring of the Group. It delegates day-to-day operations of the Company to the senior management within the control and authority framework set by the Board. In addition, the Board has also delegated various responsibilities to the audit committee, the remuneration committee, the nomination committee and the corporate governance committee. Further details of these committees are set out in this annual report.

Board Meetings

The Board is going to meet at least four times a year. Additional meetings would be arranged, if and when required. The Directors can attend meetings in person or through other means of electronic communication in accordance with the Articles.

The company secretary of the Company (the "Company Secretary") assists the chairman in drawing the agenda of each meeting and each Director may request inclusion of matters in the agenda. Generally, at least 14 days' notice of a regular Board meeting is given and the Company aims at giving reasonable notice for all other Board meetings. The Company also aims at sending the agenda and the accompanying board papers, which are prepared in such form and quality as will enable the Board to make an informed decision on matters placed before it, to all Directors at least 3 days before the intended date of a Board meeting.

All Directors have access to the Company Secretary who is responsible for ensuring that Board procedures are complied with and all applicable rules and regulations are followed.

The Company Secretary is responsible for taking minutes of Board and Board committee meetings, drafts and final versions of which would be sent to Directors for comments and records respectively, in both cases within a reasonable time after each meeting. Minutes are recorded in sufficient detail regarding the matters considered by the Board and decisions reached, including any concerns raised by Directors or dissenting views (if any) expressed. Minutes of the Board and the Board committees meetings are kept by the Company Secretary and are open for inspection by any Director/committee member.

If a substantial shareholder or a Director has a conflict of interest in a matter (including material transaction with connected persons) which the Board has determined to be material, a Board meeting will be held instead of by way of circulation.

Change in Directors' information

Pursuant to the relevant requirement under the Listing Rules, the changes in Directors' information since the date of 2014 interim report of the Company are set out below:

1. Ms. Fong Sut Sam was appointed as Vice Chairman of the Group and resigned as the Chief Executive Officer. She earned her title of "Excellence in Achievement of World Chinese Young Entrepreneurs 2014". She was also appointed a member of the Appeal Panel (Housing) of Office of the Secretary for Transport and Housing Government Secretariat, a member of Marketing Management Committee of Hong Kong Management Association and an executive member of Green Monday.

2. Mr. Mak Kwong Yiu, was redesignated from the Deputy Chief Executive Officer to the Chief Executive Officer of the Group. He was appointed as an independent non-executive director of Lerado Group (Holding) Company Limited (stock code: 1225).

3. Dr. Hui Ka Wah, Ronnie, *JP* was redesignated from the co-chief executive officer to the chief executive officer of Town Health International Medical Group Limited (stock code: 3886). He resigned as an executive Director and a member of the Corporate Governance Committee with effect from 26 March 2015.

4. Mr. Lam Chi Keung is currently the chief financial officer of m-Finance Limited. He was the group financial controller and company secretary of Ngai Shun Holdings Limited (stock code: 1246) from January 2014 to October 2014 whose shares are listed on the Main Board of the Stock Exchange.

Attendance Records

During the financial year ended 31 December 2014, the Directors have made active contribution to the affairs of the Group and 9 Board meetings were held to consider, among other things, various projects contemplated by the Group and to review and approve the final results for the year ended 31 December 2013 and the interim results for the six months ended 30 June 2014 of the Group.

Details of Directors' attendance records in 2014 are as follows:

	Meetings attended/Eligible to attend
Executive Directors	
Mr. Wong Lee Man	8/9
Ms. Fong Sut Sam	9/9
Mr. Mak Kwong Yiu	9/9
Dr. Hui Ka Wah, Ronnie, *JP (Note 1)*	4/4
Non-Executive Directors	
Mr. Kwok Shun Tim *(Note 2)*	5/5
Independent Non-Executive Directors	
Mr. Ma Yiu Ho, Peter	9/9
Mrs. Fu Kwong Wing Ting, Francine *(Note 3)*	3/3
Dr. Wu Ka Chee, Davy	9/9
Mr. Lam Chi Keung *(Note 4)*	6/6

Notes:

1. Dr. Hui Ka Wah, Ronnie, *JP* was appointed as an Executive Director on 13 June 2014 and hence he has not attended any Board meetings held on or before;

2. Mr. Kwok Shun Tim was appointed as an Executive Director on 30 April 2013 and redesigned as a Non-Executive Director on 23 April 2014. He resigned as a Non-Executive Director with effect from 2 July 2014. Hence he has not attended any Board meetings hold on or after 2 July 2014;

3. Mrs. Fu Kwong Wing Ting, Francine, Independent Non-Executive Director, retired from office of Director by rotation and was not offer herself for re-election at annual general meeting on 26 May 2014 and hence she has not attended any Board meetings held on or after;

4. Mr. Lam Chi Keung was appointed as an Independent Non-Executive Director on 31 March 2014 and hence he has not attended any Board meetings held on or before.

Access to Information

The Directors may seek independent professional advice in appropriate circumstances, at the Company's expenses. The Company will, upon request, provide separate independent professional advice to Directors to assist the relevant Directors to discharge their duties to the Company.

The Board is supplied with relevant information by the senior management pertaining to matters to be brought before the Board for decision as well as reports relating to operational and financial performance of the Group before each Board meeting. Where any Director requires more information than is volunteered by the management, each Director has the right to separately and independently access to the Company's senior management to make further enquiries if necessary.

Appointments and Re-Election of Directors

Appointment of new Directors is a matter for consideration by the nomination committee. The nomination committee will review the profiles of the candidates and make recommendations to the Board on the appointment, re-nomination and retirement of Directors.

According to the Articles, any Director so appointed by the Board shall hold office, in the case of filling a casual vacancy, only until the next following general meeting of the Company or, in the case of an addition to their number, until the next following annual general meeting of the Company who shall then be eligible for re-election at such general meeting. Every Director (including Non-Executive Director) is appointed for a specific term and is subject to retirement by rotation at least once every three years.

Induction and Continuing Professional Development of Directors

Each newly appointed Director is provided with necessary induction and information to ensure that he has a proper understanding of the Company's operations and businesses as well as his responsibilities under the relevant statutes, laws, rules and regulations.

Every newly appointed Director will be given an introduction of regulatory requirements. The Directors are continually updated on the latest development of the Listing Rules and other applicable statutory requirements to ensure compliance and upkeep of good corporate governance practice.

Under code provision A.6.5, Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant.

During the year ended 31 December 2014, all Directors, namely Mr. Wong Lee Man, Ms. Fong Sut Sam, Mr. Mak Kwong Yiu, Dr. Hui Ka Wah, Ronnie, *JP*, Mr. Ma Yiu Ho, Peter, Dr. Wu Ka Chee, Davy and Mr. Lam Chi Keung have participated in continuous professional development by attending training courses organised by professional firms/institutions.

Independent Non-Executive Directors

Pursuant to Rules 3.10 and 3.10A of the Listing Rules during the year, the Company has appointed three independent Non-Executive Directors representing at least one-third of the Board and at least one of the Independent Non-Executive Directors has appropriate professional qualifications or accounting or related financial management expertise.

The Company has received from each of its Independent Non–Executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and the Company considers that all of the Independent Non-Executive Directors are independent. Dr. Wu Ka Chee, Davy and Mr. Ma Yiu Ho, Peter, the Independent Non-Executive Directors has entered into a letter of appointment with the Company for a fixed term of three years commencing from 13 July 2013. Mr. Lam Chi Keung, an Independent Non-Executive Director has entered into a letter of appointment with the Company for a fixed term of three years commencing from 31 March 2014.

Directors' and Officers' Liability

Appropriate insurance cover on directors' and officers' liabilities has been in force to protect the Directors and officers of the Group from their risk exposure arising from the businesses of the Group.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Code provision A.2.1 stipulates that the roles of Chairman and Chief Executive Officer should not be performed by the same individual. To ensure a balance of power and authority, the roles of Chairman and the Chief Executive Officer are separate and are not performed by the same individual to reinforce their independence and accountability. Mr. Wong Lee Man assumes the role of the Chairman, Ms. Fong Sut Sam and Mr. Mak Kwong Yiu serves as the Vice Chairman and the Chief Executive Officer of the Company respectively. The Chairman provides leadership for the Board and overall strategic formulation for the Group. The Vice Chairman has overall the direction and strategic formulation for the Group. The Chief Executive Officer has overall chief executive responsibility for the Group's business development and day-to-day management generally. The division of responsibilities between the Chairman and the Chief Executive Officer is clearly established and set out in writing.

With the support of Executive Directors and the Company Secretary, the Chairman seeks to ensure that all Directors are properly briefed on issues arising at the Board meetings and receive adequate and reliable information in a timely manner.

BOARD COMMITTEES

The Board has established the following committees to oversee particular aspects of the Company's affairs and to assist in the execution of the Board's responsibilities. All committees have their own terms of reference. All resolutions passed by the committees will be reported to the Board at the next Board meeting.

AUDIT COMMITTEE

The Company established an Audit Committee (the "Audit Committee") on 23 June 2010 with written terms of reference in compliance with the Listing Rules. The primary duties of the Audit Committee are mainly to make recommendation to the Board on the appointment and removal of external auditor; review the financial statements and material advice in respect of financial reporting; and oversee internal control procedures of the Company. The full terms of reference are available on the Company's website and the Stock Exchange's website.

The members of the Audit Committee during the year and their attendance were as follows:

	Meetings attended/Eligible to attend
Independent Non-Executive Directors	
Mr. Ma Yiu Ho, Peter *(Chairman of Audit Committee)*	2/2
Mrs. Fu Kwong Wing Ting, Francine *(Note 5)*	1/1
Dr. Wu Ka Chee, Davy	2/2
Mr. Lam Chi Keung *(Note 6)*	1/1

Notes:

5. Mrs. Fu Kwong Wing Ting, Francine, Independent Non-Executive Director and Audit Committee member of the Company, retired from office of Director by rotation and was not offer herself for re-election at annual general meeting on 26 May 2014 and hence she has not attended any Audit Committee meeting held on or after;

6. Mr. Lam Chi Keung was appointed as an Independent Non-Executive Director and member of Audit Committee on 31 March 2014 and hence he has not attended any Audit Committee meetings held on or before.

During the year, 2 meetings of the Audit Committee were held for, amongst other things:

- Reviewing the final results of the Group for the year ended 31 December 2013 and interim results of the Group for the six months ended 30 June 2014;
- Reviewing the Group's financial information;
- Reviewing the continuing connected transactions as set forth on pages 59 and 60 of this annual report;
- Reviewing the effectiveness of the Group's internal control system; and
- Reviewing of the status of all business.

During the year, the Board had no disagreement with the Audit Committee's view on the selection, appointment, resignation or dismissal of the external auditor.

NOMINATION COMMITTEE

The Company established a Nomination Committee (the "Nomination Committee") on 23 June 2010 with written terms of reference in compliance with the CG Code. The primary function of the Nomination Committee is to make recommendations to the Board regarding candidates to fill vacancies on the Board. The full terms of reference are available on the Company's website and the Stock Exchange's website.

Board Diversity

The Board adopted a board diversity policy on 28 August 2013 in compliance with a new code provision on board diversity in the CG Code, which came into effect on 1 September 2013. In designing the Board's composition, the diversity of members of the Board has been considered from a number of aspects, including but not limited to gender, age, educational background, professional experience and qualifications, relevant industry experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy, and candidates will be considered and selected based on a range of diversity perspectives including but not limited to the said aspects.

The members of the Nomination Committee during the year and their attendance were as follows:

	Meetings attended/Eligible to attend
Executive Directors	
Mr. Wong Lee Man *(Chairman of Nomination Committee) (Note 7)*	3/3
Independent Non-Executive Directors	
Mrs. Fu Kwong Wing Ting, Francine *(Note 8)*	1/1
Dr. Wu Ka Chee, Davy	3/3
Mr. Lam Chi Keung *(Note 9)*	2/2

Notes:

7. Mr. Wong Lee Man has been appointed as Chairman of Nomination Committee of the Company with effect from 26 May 2014;

8. Mrs. Fu Kwong Wing Ting, Francine, independent non-executive Director and Nomination Committee member of the Company, retired from office of Director by rotation and was not offer herself for re-election at annual general meeting on 26 May 2014 and hence she has not attended any Nomination Committee meeting held on or after;

9. Mr. Lam Chi Keung was appointed as an independent non-executive Director and member of Nomination Committee on 31 March 2014 and hence he has not attended any Nomination Committee meetings held on or before.

During the year, 3 meetings of the Nomination Committee were held for, amongst other things:

- Reviewing the structure, size and composition of the Board;
- Assessing the independence of the independent non–executive Directors; and
- Making recommendation to the Board on matters relating to the appointment of Directors.

REMUNERATION COMMITTEE

The Company established a remuneration committee (the "Remuneration Committee") on 23 June 2010 with written terms of reference in compliance with the CG Code. The primary duties of the Remuneration Committee are to make recommendation to the Board on the overall remuneration policy and structure relating to all Directors and senior management of our Group; review performance-based remuneration; and ensure none of our Directors determine their own remuneration. The full terms of reference are available on the Company's website and the Stock Exchange's website.

The members of the Remuneration Committee during the year and their attendance were as follows:

	Meetings attended/Eligible to attend
Independent Non-Executive Directors	
Dr. Wu Ka Chee, Davy *(Chairman of Remuneration Committee) (Note 10)*	3/3
Mrs. Fu Kwong Wing Ting, Francine *(Note 11)*	1/1
Mr. Lam Chi Keung *(Note 12)*	2/2
Executive Directors	
Mr. Wong Lee Man	3/3

Notes:

10. Dr. Wu Ka Chee, Davy has been appointed as Chairman of Remuneration Committee of the Company with effect from 26 May 2014;

11. Mrs. Fu Kwong Wing Ting, Francine, independent non-executive Director and Remuneration Committee member of the Company, retired from office of Director by rotation and was not offer herself for re-election at annual general meeting on 26 May 2014 and hence she has not attended any Remuneration Committee meeting held on or after;

12. Mr. Lam Chi Keung was appointed as an independent non-executive Director and member of Remuneration Committee on 31 March 2014 and hence he has not attended any Remuneration Committee meetings held on or before.

During the year, 3 meetings of the Remuneration Committee were held for, amongst other things:

- Reviewing the remuneration and terms of service contracts of the executive Directors;
- Determining the bonuses of the executive Directors for the year 2014; and
- Making recommendations to the Board on the directors' fee of the independent non-executive Directors for the year 2014.

Details of the Company's remuneration policies are set out in the Management Discussion and Analysis on pages 36 and 37 and Directors' emoluments are disclosed in note 7 to the financial statements.

CORPORATE GOVERNANCE COMMITTEE

The Company established a compliance committee (the "Compliance Committee") on 23 June 2010. The primary function of the Compliance Committee is to make recommendations to the Board regarding regulatory and compliance matters relating to our Group. With effect from 1 January 2012, the Board has established a corporate governance committee (the "Corporate Governance Committee") in place of the existing Compliance Committee.

The Corporate Governance Committee is established for the purpose of developing and reviewing the Group's policies and practices on corporate governance and making recommendations to the Board; and reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements. The full terms of reference are available on the Company's website and the Stock Exchange's website.

The members of the Corporate Governance Committee during the year and their attendance were as follows:

	Meetings attended/Eligible to attend
Independent Non-Executive Directors	
Dr. Wu Ka Chee, Davy *(Chairman of Corporate Governance Committee)*	2/2
Mrs. Fu Kwong Wing Ting, Francine *(Note 13)*	0/0
Executive Directors	
Mr. Wong Lee Man	2/2
Ms. Fong Sut Sam	2/2
Dr. Hui Ka Wah, Ronnie, *JP (Note 14)*	2/2

Notes:

13. Mrs. Fu Kwong Wing Ting, Francine, independent non-executive Director and member of Corporate Governance Committee of the Company, retired from office of Director by rotation and was not offer herself for re-election at annual general meeting on 26 May 2014 and hence she has not attended any Corporate Governance Committee meeting held on or after. No meeting of Corporate Governance Committee was held on or before 26 May 2014;

14. Dr. Hui Ka Wah, Ronnie, *JP* was newly appointed as an executive Director and member of Corporate Governance Committee on 13 June 2014 and hence he has not attended any Corporate Governance meeting held on or before.

During the year, 2 meetings of the Corporate Governance Committee were held for, amongst other things:

- Discussing on and reviewing of regulatory and compliance matters relating to the Group.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors understand and acknowledge their responsibility for making sure that the financial statements for each financial year are prepared to reflect the true and fair view of the state of affairs, results and cash flows of the Group and in compliance with relevant law and disclosure provisions of the Listing rules. In preparing the financial statements for the year ended 31 December 2014, the Directors have selected appropriate accounting policies and applied them consistently; made judgements and estimates that are prudent and reasonable, and have prepared the financial statements on a going concern basis. The Directors also ensure that the financial statements of the Group are published in a timely manner.

The statement of the auditor of the Company, Ernst & Young, about its reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report on pages 61 to 62 of this annual report.

AUDITOR'S REMUNERATION

During the year, the remuneration paid and payable to the Company's auditor, Ernst & Young, are approximately HK$2,000,000 for audit services and HK$300,000 for non-audit services.

COMPANY SECRETARY

Mr. Chow Kim Hang ("Mr. Chow"), was appointed as the Company Secretary and the authorised representative of the Company on 16 March 2010. Mr. Chow is a Partner of Ma Tang & Co., Solicitors, a corporate and commercial law firm in Hong Kong. He is a practicing solicitor in Hong Kong and a member of The Law Society of Hong Kong. His primary contact person at the Company is Mr. Mak Kwong Yiu, the Chief Executive Officer and the executive Director of the Company.

During the year ended 31 December 2014, Mr. Chow has taken no less than 15 hours of relevant professional trainings to update his skills and knowledge.

INTERNAL CONTROL

The Board is responsible for maintaining a sound and effective internal control system in order to safeguard the interests of the shareholders and the assets of the Company against unauthorised use or disposition, ensuring maintenance of proper books and records for the provision of reliable financial information, and ensuring compliance with the relevant rules and regulations.

The Group has engaged a firm of certified public accountants, namely Messrs. Dominic K.F. Chan & Co. to perform an internal control review of the Group's internal control system.

The Directors acknowledge their responsibility for reviewing the Group's internal control systems and would communicate regularly with the Audit Committee and the certified public accountants. The Board was satisfied to the effectiveness of the Company in managing risks based on the internal audit report and the findings performed by the certified public accountants.

COMMUNICATION WITH SHAREHOLDERS

The Company considers effective communication with shareholders is essential to enable them to have a clear assessment of the Group's performance as well as accountability of the board of directors. Major means of communication with shareholders of the Company include the followings:

Information Disclosure on Company's Website

The Company maintains a corporate website at www.convoy.com.hk where important information of the Group's activities and corporate matters, such as annual reports, interim reports to shareholders, announcements and corporate governance practices are available for review by shareholders.

When announcements are made through the Stock Exchange, the same information will be made available on the Company's website.

During 2014, the Company has issued announcements which can be viewed on the Company's website.

General Meetings With Shareholders

The annual general meeting (the "AGM") provides a useful forum for shareholders to exchange views with the Board. The Company's Directors (including independent non-executive Directors) are available at the AGM to answer questions from shareholders about the business and performance of the Company. In addition, the Company's external auditor is also invited to attend the AGM to answer questions about the conduct of the audit, and the preparation and contents of the auditor's report. Separate resolutions are proposed at general meetings for each substantial issue. An explanation of the detailed procedures of conducting poll was provided to shareholders at the AGM, to ensure that shareholders are familiar with such procedures.

The Company's last AGM was held on Monday, 26 May 2014 at 39/F., @CONVOY, 169 Electric Road, Hong Kong. All the resolutions proposed at that meeting were approved by shareholders by poll voting. The poll results were posted on the websites of the Stock Exchange and the Company respectively on the same day as the poll.

The next AGM will be held on Tuesday, 9 June 2015, the notice of which will be sent to shareholders at least 20 clear business days before the said meeting.

In addition to the AGM, 1 extraordinary general meetings (the "EGM") was held by the Company on Wednesday, 20 August 2014 during the year. All the resolutions proposed at EGM were also approved by shareholders by poll voting. The poll results of each of these meetings were also posted on the websites of the Stock Exchange and the Company respectively.

Details of Directors' attendance at the general meetings held for the year ended 31 December 2014 were as follow:

	Meetings attended/Eligible to attend	
	AGM	**EGM**
Executive Directors		
Mr. Wong Lee Man	1/1	1/1
Ms. Fong Sut Sam	1/1	1/1
Mr. Mak Kwong Yiu	1/1	1/1
Dr. Hui Ka Wah, Ronnie, *JP* *(Note 16)*	0/0	0/1
Non-executive Directors		
Mr. Kwok Shun Tim *(Note 15)*	1/1	0/0
Independent non-executive Directors		
Mr. Ma Yiu Ho, Peter	1/1	0/1
Mrs. Fu Kwong Wing Ting, Francine *(Note 17)*	1/1	0/0
Dr. Wu Ka Chee, Davy	1/1	0/1
Mr. Lam Chi Keung	1/1	1/1

Notes:

15. Mr. Kwok Shun Tim was appointed as an executive Director on 30 April 2013 and redesigned as a non-executive Director on 23 April 2014. He resigned as a non-executive Director with effect from 2 July 2014. Hence he has not attended any general meetings hold on or after 2 July 2014;

16. Dr. Hui Ka Wah, Ronnie, *JP* was appointed as an executive Director on 13 June 2014 and hence he has not attended any general meeting held on or before;

17. Mrs. Fu Kwong Wing Ting, Francine, independent non-executive Director, retired from office of Director by rotation and was not offer herself for re-election at annual general meeting on 26 May 2014 and hence she has not attended any general meetings held on or after.

Investor Relations

Information of the Group is delivered to the shareholders and investors through a number of channels, which includes annual report, interim report and announcements. The latest information of the Group together with the published documents are also available on the Company's website at http://www.convoy.com.hk.

The Company recognises its responsibility to explain its activities to those with a legitimate interest and to respond to their questions. The Company's Chairman, Vice Chairman, Chief Executive Officer and Chief Financial Officer also made presentations and held meetings with investors and analysts to keep them abreast of the Company's development, subject to compliance with the applicable laws and regulations.

In addition, questions received from the general public and individual shareholders are answered promptly.

SHAREHOLDERS' RIGHTS

Convening of Extraordinary General Meeting on Requisition by Shareholders

To safeguard shareholders' interests and rights, separate resolutions are proposed at shareholders' meetings on each substantial issue. Besides, pursuant to the Articles, shareholder(s) holding not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Procedures for Directing Shareholders' Enquiries to the Board

Shareholders may send written enquiries to the Company for putting forward any enquiries or proposals to the Board of the Company. Contact details are as follows:

Address:	39/F, @CONVOY, 169 Electric Road, Hong Kong
Email:	IR_Info@convoy.com.hk

For the avoidance of doubt, shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

Procedures for Putting Forward Proposals at General Meeting by Shareholders

Pursuant to Article 85, no person other than a retiring director shall be eligible for election to the office of Director at any general meeting unless (a) such person is recommended by the Directors for election; or (b) such person is nominated by notice in writing by a shareholder (other than the person to be proposed) entitled to attend and vote at the meeting. The notice of nomination shall be accompanied by a notice signed by that person indicating his willingness to be elected to the office of Director and shall be lodged at the head office from time to time or at the registration office within the seven day period commencing from the day after the dispatch of the notice of the meeting (or such other period, being a period of not less than seven days, commencing no earlier than the day after the dispatch of the notice of the general meeting appointed for such election and ending no later than seven days prior to the date of such meeting, as may be determined by the Directors from time to time.)

CONSTITUTIONAL DOCUMENTS

At the 2012 AGM, amendments to the Articles were approved by the shareholders of the Company. An updated version of the Articles is available on the websites of the Company and the Stock Exchange.

DIRECTORS' REPORT

The Board is pleased to present the annual report and the audited financial statements of the Company and the Group for the year ended 31 December 2014.

CORPORATE REORGANISATION

The Company is a limited liability company incorporated in the Cayman Islands on 12 March 2010. The address of the Company's registered office is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

Pursuant to the Reorganisation to rationalise the structure of the Group in preparation for the Listing, the Company became the direct/indirect holding company of the subsidiaries comprising the Group on 21 June 2010. Details of the Reorganisation were set out in the section headed "Corporate Reorganisation" in Appendix V to the Prospectus issued by the Company.

The Company's Shares have been listed on the Stock Exchange since 13 July 2010.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The Group is principally engaged in the IFA business, money lending business, proprietary investment business, asset management business and corporate finance advisory services. The activities of its principal subsidiaries are set out in note 16 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2014 and the state of affairs of the Company and the Group as at that date are set out in the financial statements on pages 61 to 137.

In order to maintain adequate cashflow of the Group to combat the challenges to be brought by the change in the regulations of ILAS market, the Directors do not recommend the payment of a final dividend for the year ended 31 December 2014 (31 December 2013: HK2.0 cents per share).

CLOSURE OF REGISTER OF MEMBERS

For the purpose of ascertaining shareholders who are entitled to attend and vote at the annual general meeting to be held on Tuesday, 9 June 2015 (or any adjournment thereof), the register of members of the Company will be closed from Thursday, 4 June 2015 to Tuesday, 9 June 2015 (both days inclusive). In order to qualify for the right to attend and vote at the meeting (or any adjournment thereof), all transfers accompanied by the relevant share certificates should be lodged with the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, of Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on Wednesday, 3 June 2015.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 33 to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES OF THE COMPANY

At 31 December 2014, the Company's reserves available for distribution, calculated in accordance with the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of Cayman Islands, amounted to HK$394.9 million (2013: HK$242.7 million). The amount of HK$394.9 million (2013: HK$242.7 million) includes the Company's share premium account which may be distributable provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

CHARITABLE DONATIONS

During the year, the Group made charitable donations amounting to HK$448,000 (2013: HK$1,466,000).

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group are set out in note 13 to the financial statements.

SHARE CAPITAL

Details of movements in the Company's share capital during the year are set out in note 31 to the financial statements.

MAJOR PRODUCTS ISSUERS AND SUPPLIERS

In the year under review, revenue from the Group's five largest product issuers accounted for 57.1% (2013: 79.7%) of the total revenue for the year and revenue from the largest product issuer included therein amounted to 37.3% (2013: 49.1%). For the purpose of identifying major product issuers of the Group, revenue derived from the proprietary investment segment, including unrealised fair value gains on financial investments at fair value through profit or loss, net; realised losses on disposals of financial investments at fair value through profit or loss, net; gains on disposals of available-for-sale investments; interest income from debt investments and dividend income from financial investments at fair value through profit or loss, are excluded.

Commission expenses attributable to the 5 highest paid consultants of the Group accounted for less than 30% of the Group's total commission expenses for the year under review.

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

SUMMARY FINANCIAL INFORMATION

A summary of the published results, assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the consolidated financial statements and the Prospectus, is set out on page 138. This summary does not form part of the audited financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

SHARE OPTION SCHEME

The share option scheme (the "Share Option Scheme") of the Company was conditionally approved by written resolutions of the sole shareholder of the Company dated 23 June 2010 and shall be valid and effective for a period of 10 years to 22 June 2020.

According to the Share Option Scheme, the Board may at its absolute discretion, offer to grant option to any Employee, Business Associate and the trustee (whether family, discretionary or otherwise) whose beneficiaries or objects include any Employee or Business Associate of the Group (collectively, the "Participants").

For the purpose of this section, Employee means (i) any full-time employee and director (including executive director, non-executive director and independent non-executive director or proposed executive director, non-executive director and independent non–executive director) of any member of the Group; and (ii) any part-time employee with weekly working hours of 10 hours or above of the Group; and Business Associate means (a) any adviser, consultant or agent (in the areas of legal, technical, financial or corporate managerial) to the Group; (b) any provider of goods and/or services to the Group; or (c) any other person who, at the sole discretion of the Board, has contributed or may contribute to the Group (the assessment criterion of which are (i) such person's contribution to the development and performance of the Group; (ii) the quality of work performed by such person for the Group; (iii) the initiative and commitment of such person in performing his or her duties; and (iv) the length of service or contribution of such person to the Group).

The purpose of the Share Option Scheme is to encourage the Participants to perform their best in achieving the goals of the Group and at the same time allow the Participants to enjoy the results of the Company attained through their efforts and contributions and to provide the Participants with incentives and help the Company in retaining its existing Employees and recruiting additional Employees.

The subscription price in respect of any particular option shall be such price as determined by the Board in its absolute discretion at the time of the grant of the options but in any case the subscription price shall not be less than the higher of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a trading day; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the 5 trading days immediately preceding the date of grant; or (iii) the nominal value of a Share. Each of the grantee is required to pay HK$1.00 as consideration for the grant of share options in accordance with the Share Option Scheme and the offer of share options must be accepted within 21 days from the date of the offer.

The maximum number of Shares in respect of which options may be granted under the Share Option Scheme and any other schemes must not, in aggregate, exceed 40,000,000 Shares, which represented 10% of the total issued share capital of the Company as at the date of approval of the Share Option Scheme.

No Participant shall be granted an option if the total number of Shares issued and to be issued upon exercise of the options granted and to be granted (including both exercised and outstanding options) in 12-month period up to and including the date of grant to such Participant would exceed 1% of the Shares for the time being in issue unless the proposed grant has been approved by the shareholders of the Company in general meeting with the proposed grantee and his associates (as defined in the Listing Rules) abstaining from voting.

An option may be exercised in accordance with the terms and conditions of the Share Option Scheme at any time during such period as the Board may in its absolute discretion determine, save that such period shall not be more than 10 years from the date of grant of the option and the Board may provide restrictions on the exercise of an option during the period an option may be exercised. There is no requirement that an option must be held for any minimum period before it can be exercised but the Board are empowered to impose at its discretion any such minimum period at the time of grant of any option.

During the year ended 31 December 2014, no share options were granted, exercised or cancelled by the Company under the Share Option Scheme.

SHARE AWARD SCHEME

The Company's share award scheme (the "Award Scheme"), was adopted pursuant to a resolution passed on 25 January 2011 for the primary purpose of recognising the contributions by certain selected participants and giving incentives thereto in order to retain them for the continual operation and development of the Group and attracting suitable personnel for further development of the Group.

Details of the Award Scheme are disclosed in note 32 to the financial statements.

DIRECTORS

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

Executive Directors

Mr. Wong Lee Man *(Chairman)*
Ms. Fong Sut Sam
Mr. Mak Kwong Yiu
Dr. Hui Ka Wah, Ronnie, *JP (appointed on 13 June 2014 and resigned on 26 March 2015)*

Independent Non-Executive Directors

Mrs. Fu Kwong Wing Ting, Francine
Dr. Wu Ka Chee, Davy
Mr. Ma Yiu Ho, Peter
Mr. Lam Chi Keung *(appointed on 31 March 2014)*

Biographical details of the above Directors are set out in the section headed "BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT" on pages 40 to 43 of this report.

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non–executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive Directors are independent.

DIRECTORS' SERVICE CONTRACTS

The Directors have entered into service contracts with the Company for a term of three years commencing from 13 July 2013 (except Dr. Hui Ka Wah, Ronnie, *JP* and Mr. Lam have entered into service contracts with the Company for a term of three years commencing from 13 June 2014 and 31 March 2014 respectively) and to continue thereafter until terminated by a three months' notice in writing served by either party on the other without payment of compensation.

Each of the executive Directors shall also be entitled to a bonus for each financial year of the Company which is at the discretion of the Board and determined by reference to performance of each Director concerned and the Group's performance for the financial year concerned and based on the recommendation from the remuneration committee of our Company.

Save as disclosed above, none of the Directors being proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

REMUNERATION OF THE DIRECTORS

Details of the remuneration of the Directors are set out in note 7 to the financial statements.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contract of significance, to which the Company, its holding companies, fellow subsidiaries or subsidiaries 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.

CONTRACT OF SIGNIFICANCE

There is no contract of significance between the Company or any of its subsidiaries, and a controlling shareholder or any of its subsidiaries.

MANAGEMENT CONTRACT

Other than the service contracts of the Directors, the Company has not entered into any contract with any individual, firm or body corporate to manager or administer the whole or any substantial part of any business of the Company.

INTERESTS IN COMPETITORS

As at the date of this report, (a) the Group is in the process of acquiring a company which is a corporation licensed to carry out business in type 1 (dealing in securities) regulated activity under the SFO; and (b) Convoy Asset Management Limited, an indirectly wholly owned subsidiary of the Company is a licensed corporation under the SFO and is principally engaged in the provision of investment advisory, funds dealing, introducing broker and asset management services in Hong Kong and is licensed by the SFC to carry out type 1 (dealing in securities), type 4 (advising on securities) and type 9 (asset management) regulated activities under the SFO, while Convoy Investment Services Limited, a controlled corporation of Ultimate Honour Holdings Limited which is, in turn, owned as to approximately 35.06%, 29.62% and 4.96% by Mr. Wong Lee Man, Mr. Mak Kwong Yiu and Ms. Fong Sut Sam respectively, is also a licensed corporation under the SFO and is principally engaged in (i) equity capital market related services; (ii) brokerage services; (iii) margin and initial public offering financing services; and (iv) the Capital Investment Entrant Scheme related services and is licensed by the SFC to carry out type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities) and type 9 (asset management) regulated activities under the SFO. Mr. Mak Kwong Yiu is also a director of Convoy Investment Services Limited.

Save as disclosed above, the Directors were not aware of any business or interest of the Directors and their respective associates (as defined under the Listing Rules) that had competed or might compete with the business of the Group and any other conflicts of interests which any such person had or might have with the Group.

INTERESTS AND/OR SHORT POSITIONS OF THE DIRECTORS AND CHIEF EXECUTIVES IN THE SHARE CAPITAL OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 December 2014, so far as the Directors are aware, the interests or short positions of the Directors or chief executives in Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO", Chapter 571 of the Laws of Hong Kong)) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") contained in the Listing Rules, are as follows:

Name of Directors or chief executive	Capacity	Long/ Short position	Number of Shares held	Approximate percentage of the issued share capital
Wong Lee Man	Beneficial owner	Long position	34,054,398	5.54%
Mak Kwong Yiu	Beneficial owner	Long position	32,308,916	5.26%

INTERESTS AND/OR SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN THE SHARE CAPITAL OF THE COMPANY

Save as disclosed in the section headed "INTERESTS AND/OR SHORT POSITIONS OF THE DIRECTORS AND CHIEF EXECUTIVES IN THE SHARE CAPITAL OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS", as at 31 December 2014, so far as the Directors are aware, the following corporations had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Name of shareholder	Capacity	Long/ Short position	Number of Shares held	Approximate percentage of the issued share capital
Town Health International Medical Group Limited (formerly known as Town Health International Investments Limited) (Note 1)	Interests of a controlled corporation	Long position	130,106,000	21.16%
Town Health Corporate Advisory and Investments Limited (Note 1)	Beneficial owner	Long position	130,106,000	21.16%

Note:

1. The entire issued share capital of Town Health Corporate Advisory and Investments Limited is indirectly beneficially owned by Town Health International Medical Group Limited. By virtue of SFO, Town Health International Medical Group Limited is deemed to have interest in 130,106,000 Shares owned by Town Health Corporate Advisory and Investments Limited.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Save as disclosed in the "Interests and/or Short Positions of the Directors and Chief Executives in the Share Capital of the Company and its Associated Corporations" above and in the "Share Option Scheme" disclosed on pages 55 to 56 of this report, at no time during the year was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

CONTINUING CONNECTED TRANSACTIONS

The Group has entered into certain agreements and arrangements with its connected persons in the ordinary and usual course of business of the Group during the reporting period. Details of these transactions are set out below.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Service Fees Paid to Connected Persons

Reference is made to the Prospectus of the Company, in which it was disclosed that CFS had entered into contracts for services (the "Shin Family Service Contracts") with three associates (as defined under the Listing Rules) of Mr. Shin Kin Man (the "Shin Family") pursuant to which the Company agreed to pay commission to the Shin Family for their acting as consultants of CFS to provide the insurance and MPF scheme brokerage services in Hong Kong for a period of three years from 1 January 2010 to 31 December 2013. The Shin Family Service Contracts have been expired on 31 December 2012.

On 11 March 2013, CFS entered into contracts for services (the "New Shin Family Service Contracts") with Shin Family with a view to renew the terms and conditions of the Shin Family Service Contracts. Mr. Shin Kin Man is the executive director of CFS (an indirect wholly-owned subsidiary of the Company) and thus the Shin Family, being the three associates (as defined under the Listing Rules) of Mr. Shin Kin Man, are connected persons of the Company under Chapter 14A of the Listing Rules. Accordingly, the transactions contemplated under the New Shin Family Service Contracts constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules. Pursuant to the New Shin Family Service Contracts, in consideration for the Shin Family acting as consultants of CFS to provide the insurance and MPF scheme brokerage services in Hong Kong, CFS agreed to pay to the Shin Family commission which shall be calculated in accordance with the terms of the New Shin Family Service Contracts and be payable monthly. Such commission to be paid to the Shin Family represent normal commission applicable to all other consultants of CFS, and would not include payment of any kind to which all other consultants would not be entitled.

The New Shin Family Service Contracts are for a term of three years commencing from 1 January 2013 and ending on 31 December 2015 (both days inclusive), with the proposed annual caps amounts to HK$8,300,000, HK$8,750,000 and HK$9,200,000 for each of three financial years ending 31 December 2013, 2014 and 2015 respectively. Details of the transactions were disclosed in the Company's announcement dated 11 March 2013.

During the year, the commission expenses paid to the Shin Family amounted to approximately HK$7,391,000.

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

Ernst & Young, the Company's auditors, were 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. Ernst & Young have issued their unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditors' letter has been provided by the Company to the Stock Exchange.

The auditor has reported to the Directors that (i) nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions have not been approved by the Company's Board of Directors; (ii) for transactions involving the provision of services by the Group, nothing has come to their attention that causes them to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Company; (iii) nothing has come to their attention that causes them to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and (iv) with respect to the aggregate amount of the continuing connected transactions, nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions have exceeded the maximum aggregate annual value disclosed in the announcement dated 11 March 2013 made by the Company in respect of the disclosed continuing connected transactions.

AUDIT COMMITTEE

The Company established an audit committee on 23 June 2010 (the "Audit Committee) with written terms of reference in compliance with the Listing Rules. The Audit Committee of the Company comprised of three independent non-executive Directors of the Company in 2013, namely Mr. Ma Yiu Ho, Peter (the Chairman of the Audit Committee), Mrs. Fu Kwong Wing Ting, Francine (for the period from 1 January 2014 to 26 May 2014), Dr. Wu Ka Chee, Davy and Mr. Lam Chi Keung (for the period from 31 March 2014 to present).

The Audit Committee has reviewed together with the management of the Company the accounting principles, accounting standards and methods adopted by the Company, discussed the matters concerning internal control, auditing and financial reporting matters and has reviewed the consolidated financial statements of the Group for the year ended 31 December 2014.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the best knowledge of the Directors, at least 25% of the Company's issued share capital were held by members of the public as at the date of this report as required under the Listing Rules.

EVENTS AFTER THE REPORTING PERIOD

Details of significant events occurring after the reporting period are set out in note 43 to the financial statements.

AUDITORS

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board

Wong Lee Man
Chairman

Hong Kong, 25 March 2015

INDEPENDENT AUDITORS' REPORT

EY 安永

To the shareholders of Convoy Financial Holdings Limited
(formerly known as Convoy Financial Services Holdings Limited)
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Convoy Financial Holdings Limited (formerly known as Convoy Financial Services Holdings Limited) (the "Company") and its subsidiaries (together, the "Group") set out on pages 63 to 137, which comprise the consolidated and company statements of financial position as at 31 December 2014, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

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

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' 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 auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

INDEPENDENT AUDITORS' REPORT

OPINION

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

Ernst & Young
Certified Public Accountants

22/F, CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong
25 March 2015

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
REVENUE	4	**1,590,601**	1,018,983
Other income and gains, net	4	**1,340**	6,924
Commission and advisory expenses		**(838,206)**	(622,691)
Staff costs	6	**(165,218)**	(104,185)
Depreciation	13	**(20,924)**	(18,737)
Commission clawback		**(11,601)**	(8,412)
Other expenses		**(244,002)**	(160,479)
Profit attributable to non-controlling investors of an investment fund	28	**(461)**	–
Finance costs	5	**(3,086)**	–
PROFIT BEFORE TAX	6	**308,443**	111,403
Income tax expense	9	**(66,965)**	(19,825)
PROFIT FOR THE YEAR		**241,478**	91,578
OTHER COMPREHENSIVE INCOME/(LOSS)			
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**66**	(179)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**241,544**	91,399
Profit/(loss) for the year attributable to:			
Owners of the Company	10	**246,173**	97,704
Non-controlling interests		**(4,695)**	(6,126)
		241,478	91,578
Total comprehensive income/(loss) attributable to:			
Owners of the Company		**246,239**	97,572
Non-controlling interests		**(4,695)**	(6,173)
		241,544	91,399
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	12		
Basic		**HK47.3 cents**	HK22.8 cents
Diluted		**HK47.3 cents**	HK19.7 cents

Details of the dividends payable and proposed for the year are disclosed in note 11 to the financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**57,029**	42,478
Goodwill	14	**9,922**	39,840
Intangible assets	15	**982**	1,525
Available-for-sale investments	17	**40,136**	12,984
Loans receivable	20	**142,450**	4,736
Prepayments, deposits and other receivables	21	**15,352**	22,559
Restricted cash	23	**1,250**	1,611
Deferred tax assets	18	**18,024**	13,173
Total non-current assets		**285,145**	138,906
CURRENT ASSETS			
Accounts receivable	19	**260,250**	91,806
Loans receivable	20	**291,765**	85,963
Prepayments, deposits and other receivables	21	**29,734**	26,232
Financial assets at fair value through profit or loss	22	**483,599**	97,166
Due from a fellow subsidiary	39(c)	**–**	19
Tax recoverable		**–**	215
Restricted cash	23	**799**	692
Cash held on behalf of clients	25	**159,186**	–
Cash and cash equivalents	24	**366,803**	275,025
Total current assets		**1,592,136**	577,118
CURRENT LIABILITIES			
Accounts payable	26	**356,059**	210,900
Account payables to clients	25	**159,186**	–
Other payables and accruals	27	**179,205**	69,364
Net assets attributable to redeemable participation rights	28	**24,896**	–
Due to a fellow subsidiary	39(c)	**–**	115
Financial liabilities at fair value through profit or loss	22	**19,822**	–
Tax payable		**21,350**	15,114
Commission clawback	29	**11,229**	7,905
Total current liabilities		**771,747**	303,398
NET CURRENT ASSETS		**820,389**	273,720
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,105,534**	412,626
NON-CURRENT LIABILITIES			
Other payables and accruals	27	**6,113**	7,013
Deferred tax liability	18	**38,521**	–
Bond payables	30	**260,810**	–
Total non-current liabilities		**305,444**	7,013
Net assets		**800,090**	405,613

	Notes	2014 HK$'000	2013 HK$'000
EQUITY			
Equity attributable to owners of the Company			
Issued capital	31	**61,472**	46,300
Reserves		**781,714**	360,885
		843,186	407,185
Non-controlling interests		**(43,096)**	(1,572)
Total equity		**800,090**	405,613

Wong Lee Man
Director

Fong Sut Sam
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2014

		Attributable to owners of the Company												
	Notes	Issued capital HK$'000	Share premium account HK$'000 (note 31)	Capital reserve HK$'000 (note 33(a))	Merger reserve HK$'000 (note 33(a))	Shares held for share award scheme HK$'000 (note 32)	Warrant reserve HK$'000 (note 31)	Exchange fluctuation reserve HK$'000	Reserve funds HK$'000 (note 33(a))	Other reserves HK$'000 (note 33(a))	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2013		40,000	133,396	(64,379)	(956)	(3,250)	–	(28)	141	(4,068)	75,190	176,046	7,957	184,003
Profit/(loss) for the year		–	–	–	–	–	–	–	–	–	97,704	97,704	(6,126)	91,578
Other comprehensive loss for the year:														
Exchange differences on translation of foreign operations		–	–	–	–	–	–	(132)	–	–	–	(132)	(47)	(179)
Total comprehensive income/(loss) for the year		–	–	–	–	–	–	(132)	–	–	97,704	97,572	(6,173)	91,399
Issue of new shares, net of issue expenses	31	6,300	115,944	–	–	–	–	–	–	–	–	122,244	–	122,244
Acquisition of a subsidiary under common control	39(b)	–	–	–	(964)	–	–	–	–	–	–	(964)	–	(964)
Shares purchased for share award scheme	32	–	–	–	–	(3,250)	–	–	–	–	–	(3,250)	–	(3,250)
Equity-settled share-based payment	32	–	–	–	–	3,529	–	–	–	–	–	3,529	–	3,529
Issue of warrants, net of expenses	31	–	–	–	–	–	776	–	–	–	–	776	–	776
Transfer to reserve funds		–	–	–	–	–	–	–	444	–	(444)	–	–	–
Waiver of an amount due to the immediate holding company	33(a)	–	–	–	–	–	–	–	–	7,876	–	7,876	–	7,876
Gain on deemed disposal of interests in subsidiaries, net	33(a)	–	–	–	–	–	–	–	–	3,356	–	3,356	(3,356)	–
At 31 December 2013		46,300	249,340*	(64,379)*	(1,920)*	(2,971)*	776*	(160)*	585*	7,164*	172,450*	407,185	(1,572)	405,613

	Notes	Issued capital HK$'000	Share premium account HK$'000 (note 31)	Capital reserve HK$'000 (note 33(a))	Merger reserve HK$'000 (note 33(a))	Shares held for share award scheme HK$'000 (note 32)	Warrant reserve HK$'000 (note 31)	Exchange fluctuation reserve HK$'000	Reserve funds HK$'000 (note 33(a))	Other reserves HK$'000 (note 33(a))	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
		Attributable to owners of the Company												
At 1 January 2014		46,300	249,340	(64,379)	(1,920)	(2,971)	776	(160)	585	7,164	172,450	407,185	(1,572)	405,613
Profit/(loss) for the year		-	-	-	-	-	-	-	-	-	246,173	246,173	(4,695)	241,478
Other comprehensive income for the year: Exchange differences on translation of foreign operations		-	-	-	-	-	-	66	-	-	-	66	-	66
Total comprehensive income/(loss) for the year		-	-	-	-	-	-	66	-	-	246,173	246,239	(4,695)	241,544
Issue of new shares, net of issue expenses	31	15,172	146,276	-	-	-	-	-	-	-	-	161,448	-	161,448
Equity-settled share-based payment	32	-	-	-	-	1,863	-	-	-	-	-	1,863	-	1,863
Transfer to reserve funds		-	-	-	-	-	-	-	75	-	(75)	-	-	-
Gain on deemed disposal of interests in subsidiaries, net	33(a)	-	-	-	-	-	-	-	-	36,829	-	36,829	(36,829)	-
2013 final dividend	11	-	-	-	-	-	-	-	-	-	(10,378)	(10,378)	-	(10,378)
At 31 December 2014		61,472	395,616*	(64,379)*	(1,920)*	(1,108)*	776*	(94)*	660*	43,993*	408,170*	843,186	(43,096)	800,090

* These reserve accounts comprise the consolidated reserves of HK$781,714,000 (2013: HK$360,885,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2014

	Notes	**2014 HK$'000**	2013 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**308,443**	111,403
Adjustments for:			
Bank interest income	4	**(178)**	(195)
Other interest income	4	**–**	(384)
Dividend income	4	**(1,880)**	(11,559)
Fair value gains on financial investments at fair value through profit or loss, net	4	**(237,666)**	(34,861)
Gain on disposal of available-for-sale investments	4	**(2,449)**	–
Gain on disposal of deposits paid for purchasing of properties, net	4	**–**	(2,737)
Loss on disposal of items of property, plant and equipment	6	**713**	–
Write-off of items of property, plant and equipment	6	**–**	66
Depreciation	13	**20,924**	18,737
Amortisation of intangible assets	6	**543**	544
Impairment of loans receivables	6	**413**	–
Impairment of other receivables, net	6	**3,585**	1,733
Reversal of impairment of other receivables	6	**(543)**	(2,356)
Impairment of an amount due from a fellow subsidiary	6	**–**	994
Impairment of a deposit paid for a fund investment	6	**19,619**	–
Impairment of goodwill	6	**39,840**	–
Equity-settled share-based payment	6	**1,863**	3,529
Commission clawback		**11,601**	8,412
		164,828	93,326
Increase in accounts receivable		**(163,918)**	(37,670)
Increase in loans receivable		**(343,929)**	(86,764)
Decrease in prepayments, deposits and other receivables		**6,426**	14,261
Increase in financial assets at fair value through profit or loss		**(68,036)**	(60,206)
Increase in cash held on behalf of clients		**(21,186)**	–
Increase in accounts payable		**135,719**	80,450
Increase in accounts payable to client		**21,186**	–
Increase/(decrease) in other payables and accruals		**70,237**	(2,031)
Increase in net assets attributable to redeemable participation rights		**461**	–
Increase/(decrease) in an amount due to a fellow subsidiary		**(96)**	96
Decrease in an amount due to the immediate holding company		**–**	(915)
Decrease in commission clawback		**(8,278)**	(7,246)
Cash used in operations		**(206,586)**	(6,699)
Other interest income received		**–**	384
Hong Kong profits tax paid		**(27,716)**	(5,009)
Mainland China taxes paid		**(383)**	(100)
Net cash flows used in operating activities		**(234,685)**	(11,424)

	Notes	2014 HK$'000	2013 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Bank interest received		**178**	195
Dividend income received		**1,880**	11,559
Acquisition of a subsidiary under common control	39(b)	**–**	(964)
Acquisition of subsidiaries, net	34	**23,418**	–
Deposits paid for purchases of items of property, plant and equipment		**(4,227)**	(12,093)
Purchases of items of property, plant and equipment		**(36,060)**	(20,880)
Proceeds from disposal of items of property, plant and equipment		**57**	–
Proceeds from disposal of deposits paid for purchasing of properties, net		**–**	36,455
Purchase of available-for-sale investments		**(27,117)**	(8,008)
(Decrease)/increase in restricted cash		**216**	(193)
Deposit paid for a fund investment		**(19,619)**	–
Net cash flows from/(used in) investing activities		**(61,274)**	6,071
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of new shares, net of issue expenses	31	**136,809**	122,244
Proceeds from placement of warrants, net of issue expenses	31	**–**	776
Proceeds from issue of bonds, net of issue expenses	30	**267,280**	–
Shares purchased for share award scheme	32	**–**	(3,250)
Interest paid		**(5,250)**	–
Dividend paid		**(10,378)**	–
Net cash flows from financing activities		**388,461**	119,770
NET INCREASE IN CASH AND CASH EQUIVALENTS		**92,502**	114,417
Cash and cash equivalents at beginning of year		**275,025**	159,584
Effect of foreign exchange rate changes, net		**(724)**	1,024
CASH AND CASH EQUIVALENTS AT END OF YEAR		**366,803**	275,025
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	24	**360,571**	268,915
Non-pledged time deposits with original maturity of less than three months when acquired	24	**6,232**	6,110
		366,803	275,025

STATEMENT OF FINANCIAL POSITION

31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
NON-CURRENT ASSETS			
Investments in subsidiaries	16	**66,435**	66,435
CURRENT ASSETS			
Due from subsidiaries	16	**719,742**	306,098
Prepayments	21	**2,920**	41
Cash and cash equivalents	24	**29,634**	14,591
Total current assets		**752,296**	320,730
CURRENT LIABILITIES			
Due to subsidiaries	16	**92,380**	97,577
Other payables and accruals	27	**9,478**	2,779
Total current liabilities		**101,858**	100,356
NET CURRENT ASSETS		**650,438**	220,374
TOTAL ASSETS LESS CURRENT LIABILITIES		**716,873**	286,809
NON-CURRENT LIABILITIES			
Bond payables	30	**260,810**	–
Net assets		**456,063**	286,809
EQUITY			
Issued capital	31	**61,472**	46,300
Reserves	33(b)	**394,591**	240,509
Total equity		**456,063**	286,809

Wong Lee Man
Director

Fong Sut Sam
Director

NOTES TO FINANCIAL STATEMENTS

31 December 2014

1.1 CORPORATE INFORMATION

Convoy Financial Holdings Limited (the "Company") (formerly known as Convoy Financial Services Holdings Limited) is a limited liability company incorporated in the Cayman Islands on 12 March 2010. The address of the Company's registered office is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

During the year, the Group was principally engaged in independent financial advisory ("IFA") business, money lending business, proprietary investment business, asset management business and corporate finance advisory services.

The asset management business is a new business segment of the Group through acquisitions of subsidiaries during the current year.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong. These financial statements also comply with the applicable requirements of the Hong Kong Companies Ordinance relating to the preparation of financial statements, which for this financial year and the comparative period continue to be those of the predecessor 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. The financial statements have been prepared under the historical cost convention, except for financial assets and liabilities at fair value through profit or loss and certain available-for-sale investments which have been measured at fair value. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2014. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries below. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised standards and new interpretation for the first time for the current year's financial statements.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	*Investment Entities*
Amendments to HKAS 32	*Offsetting Financial Assets and Financial Liabilities*
Amendments to HKAS 36	*Recoverable Amount Disclosures for Non-Financial Assets*
Amendments to HKAS 39	*Novation of Derivatives and Continuation of Hedge Accounting*
HK(IFRIC)-Int 21	*Levies*
Amendment to HKFRS 2 included in *Annual Improvements 2010-2012 Cycle*	*Definition of Vesting Condition*[1]
Amendment to HKFRS 3 included in *Annual Improvements 2010-2012 Cycle*	*Accounting for Contingent Consideration in a Business Combination*[1]
Amendment to HKFRS 13 included in *Annual Improvements 2010-2012 Cycle*	*Short-term Receivables and Payables*
Amendment to HKFRS 1 included in *Annual Improvements 2011-2013 Cycle*	*Meaning of Effective HKFRSs*

1 Effective from 1 July 2014

The nature and the impact of each amendment and interpretation which is relevant and applicable to the Group's operation is described below:

(a) Amendments to HKFRS 10 include a definition of an investment entity and provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. Investment entities are required to account for subsidiaries at fair value through profit or loss rather than consolidate them. Consequential amendments were made to HKFRS 12 and HKAS 27 (2011). The amendments to HKFRS 12 also set out the disclosure requirements for investment entities. The amendments have had no impact on the Group as the Company does not qualify as an investment entity as defined in HKFRS 10.

(b) The HKAS 32 Amendments clarify the meaning of "currently has a legally enforceable right to set off" for offsetting financial assets and financial liabilities. The amendments also clarify the application of the offsetting criteria in HKAS 32 to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments have had no impact on the Group as the Group does not have any offsetting arrangement.

(c) The HKFRS 13 Amendment clarifies that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. The amendment has had no impact on the Group.

2.3 NEW AND REVISED HKFRSs AND NEW DISCLOSURE REQUIREMENTS UNDER THE HONG KONG COMPANIES ORDINANCE NOT YET ADOPTED

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

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

1 Effective for annual periods beginning on or after 1 July 2014
2 Effective for annual periods beginning on or after 1 January 2016
3 Effective for annual periods beginning on or after 1 January 2017
4 Effective for annual periods beginning on or after 1 January 2018
5 Effective for an entity that first adopts HKFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group

In addition, the Hong Kong Companies Ordinance (Cap. 622) will affect the presentation and disclosure of certain information in the consolidated financial statements for the year ending 31 December 2015. The Group is in the process of making an assessment of the impact of these changes.

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application, but is not yet in a position to state whether these new and revised HKFRSs would have a significant impact on the Group's results of operations and financial position.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(i) the contractual arrangement with the other vote holders of the investee;

(ii) rights arising from other contractual arrangements; and

(iii) the Group's voting rights and potential voting rights.

The results of subsidiaries are included in the Company's profit or loss to the extent of dividends received and receivable. The Company's investments in subsidiaries are stated at cost less any impairment losses.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed 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. For each business combination, the Group elects whether to measures the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets of the subsidiary acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of these circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

The Group measures its equity investments at fair value at the end of each reporting period. 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 fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1	–	based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2	–	based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
Level 3	–	based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than financial assets, goodwill and deferred tax assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

  (i) has controls or joint control over the Group;

  (ii) has significant influence over the Group; or

  (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties (continued)

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is a joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a); and

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold improvements	Over the lease terms
Furniture, fixtures and equipment	20%
Computer equipment	30%
Motor vehicles	30%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

NOTES TO FINANCIAL STATEMENTS

31 December 2014

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Rentals payable under operating leases net of any incentives received from the lessor are charged to profit or loss on the straight-line basis over the lease terms.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investments, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes recognised in profit or loss. These net fair value changes do not include any dividends earned on these financial assets, which are recognised in accordance with the policy set out for "Revenue recognition" below.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation and the loss arising from impairment is recognised in profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investments and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in profit or loss, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to the statement of profit or loss in other gains or losses. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognised in profit or loss in accordance with the policies set out for "Revenue recognition" below.

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial assets (continued)

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated Group's continuing involvement. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

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. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is removed from other comprehensive income and recognised in profit or loss.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss – is removed from other comprehensive income and recognised in profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income.

The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss or loans and borrowings, as appropriate

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in HKAS 39 are satisfied.

Subsequent measurement of loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Shares held under the share award scheme

Where shares of the Company are purchased from the market for a restricted share award scheme, the consideration paid, including any directly attributable incremental costs, is presented as "Shares held under the share award scheme" and deducted from equity.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents

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

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

Deferred revenue

Deferred revenue represents service fees received in advance from the rendering of the corresponding services. Revenue is recognised and deferred revenue is released to profit or loss when the corresponding services have been rendered.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of each reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) investment brokerage commission income, on an accrual basis when brokerage services are rendered and in accordance with the terms of the underlying agreements with the product issuers;

(b) insurance and pension scheme brokerage commission income, on an accrual basis based on the commissioning of the respective insurance policies and pension schemes;

(c) advisory income and service income, on an accrual basis when services have been rendered;

(d) income from sales of equity and debt securities, on a trade-date basis;

(e) dividend income, when the shareholders' right to receive payment has been established; and

(f) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payments

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

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined based on the quoted market price of the equity instruments at the date at which they are granted, further details of which are given in note 32 to the financial statements.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled in employee benefit expense. The cumulative expense recognised for equity-settled transactions at the end of each reporting period reflects the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

Other employee benefits

Pension scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme, except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF Scheme.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in central pension schemes operated by the respective local municipal governments. These subsidiaries are required to contribute a certain percentage of its payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

Social security scheme

The employees of the Group's subsidiary which operates in Macau are required to participate in a central social security scheme operated by the Macau SAR Government. The subsidiary is required to contribute a fixed amount of its payroll costs to the central social security scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central social security scheme.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Other employee benefits (continued)

Paid leave carried forward

The Group provides paid annual leave to its employees under their employment contracts on a calendar year basis. Under certain circumstances, such leave which remains untaken as at the end of the reporting period is permitted to be carried forward and utilised by the respective employees in the following year. An accrual is made at the end of each reporting period for the expected future cost of such paid leave earned during the year by the employees and carried forward.

Dividends

Final dividends proposed by the Directors after the end of the reporting period are not recognised as a liability at the end of the reporting period. When these dividends have been approved by the shareholders and declared in a general meeting, they are recognised as a liability.

Interim dividends were simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends were recognised immediately as a liability when they are proposed and declared.

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of certain overseas subsidiaries are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates prevailing at the end of the reporting period and profit or loss are translated into Hong Kong dollars at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in a separate component of equity. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

2.5 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgement

In the process of applying the Group's accounting policies, management has made the following judgement, apart from those involving estimations, which has the most significant effect on the amounts recognised in the financial statements:

Income tax provisions

Determining income tax provisions involves judgements on the future tax treatment of certain transactions. The Group carefully evaluates the tax implications of transactions and tax provisions are made accordingly. The tax treatment of such transactions is assessed periodically to take into account all the changes in the tax legislations and practices.

Assessment of fund investments as structured entities

Management has assessed whether the funds in which it invests should be classified as structured entities. Management has considered the voting rights and other similar rights afforded to investors in these funds, including the rights to remove the fund manager or redeem holdings. Judgement is made on an individual investment in each fund where the Group has ownership interest or acts as fund manager or both. Management has evaluated whether these rights of investors are the dominant factor in controlling the funds, or whether the contractual agreement with the fund manager is the dominant factor in controlling these funds. As at 31 December 2014, having considered the fact patterns surrounding each of investment fund in which the Group has interest or acts as a fund manager, the Group considers that it controls an investment fund, further details of which are set out in notes 28 and 34(c) to the financial statements.

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 described below.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

2.5 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Impairment of loans and receivables

The Group assesses at the end of the reporting period whether there is any objective evidence that a loan and receivable is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics.

The Group maintains an allowance for estimated impairment of receivables arising from the inability of its debtors to make the required payments. The Group makes its estimates based on the ageing of its receivable balances, debtors' creditworthiness, past repayment history and historical write-off experience. If the financial condition of its debtors was to deteriorate so that the actual impairment loss might be higher than expected, the Group would be required to revise the basis of making the allowance.

Deferred tax assets

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Estimation of commission clawback

The Group reviews the carrying amount of commission clawback at the end of the reporting period and estimates the expected cash outflows related to commission clawback. The estimation requires the Group to make estimates of the expected future occurrence of commission clawback by the product issuers and the expenditure required to settle the obligations. Details of the commission clawback are set out in note 29 to the financial statements.

3. SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their services and has the following reportable operating segments:

(a) the IFA segment engages in insurance brokerage business and the provision of IFA services;

(b) the money lending segment engages in the provision of loan financing in Hong Kong;

(c) the proprietary investment segment engages in investment in listed and unlisted investments; and

(d) the asset management segment engages in the provision of asset management services.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that other income and gains, net, as well as head office and corporate expenses are excluded from this measurement.

3. SEGMENT INFORMATION (continued)

Revenue and results

Years ended 31 December

	IFA segment		Money lending segment		Proprietary investment segment		Asset management segment		Total	
	2014 HK$'000	2013 HK$'000	**2014 HK$'000**	2013 HK$'000	**2014 HK$'000**	2013 HK$'000	**2014 HK$'000**	2013 HK$'000	**2014 HK$'000**	2013 HK$'000
Revenue										
Segment revenue	**1,320,693**	966,896	**15,665**	5,667	**242,825**	46,420	**11,317**	–	**1,590,500**	1,018,983
Other revenue									**101**	–
									1,590,601	1,018,983
Results										
Segment results	**136,106**	80,517	**1,414**	3,030	**175,365**	35,534	**3,523**	–	**316,408**	119,081
Unallocated income									**1,441**	6,924
Unallocated corporate expenses									**(9,406)**	(14,602)
Profit before tax									**308,443**	111,403
Income tax expense									**(66,965)**	(19,825)
Profit for the year									**241,478**	91,578

Other segment information

Years ended 31 December

	IFA segment		Money lending segment		Proprietary investment segment		Asset management segment		Total	
	2014 HK$'000	2013 HK$'000	**2014 HK$'000**	2013 HK$'000	**2014 HK$'000**	2013 HK$'000	**2014 HK$'000**	2013 HK$'000	**2014 HK$'000**	2013 HK$'000
Capital expenditure (other than goodwill)*										
– Operating segment	**35,359**	23,659	**789**	1,587	**-**	–	**-**	–	**36,148**	25,246
– Unallocated									**240**	–
									36,388	25,246
Depreciation of items of property, plant and equipment										
– Operating segment	**20,110**	18,544	**755**	–	**-**	–	**22**	–	**20,887**	18,544
– Unallocated									**37**	193
									20,924	18,737
Amortisation of intangible assets	**543**	544	**-**	–	**-**	–	**-**	–	**543**	544
Impairment losses recognised in profit or loss	**43,425**	2,727	**413**	–	**19,619**	–	**-**	–	**63,457**	2,727
Impairment loss reversed in profit or loss	**543**	2,356	**-**	–	**-**	–	**-**	–	**543**	2,356

* Capital expenditure represented additions to items of property, plant and equipment, including assets acquired through acquisitions of subsidiaries during the year.

3. SEGMENT INFORMATION (continued)

Segment assets and liabilities

31 December

	2014 HK$'000	2013 HK$'000
Segment assets		
IFA segment	528,054	224,459
Money lending segment	435,892	90,699
Proprietary investment segment	523,735	110,150
Asset management segment	2,610	–
Total segment assets	1,490,291	425,308
Unallocated assets	386,990	290,716
Total assets	1,877,281	716,024
Segment liabilities		
IFA segment	689,062	290,427
Money lending segment	267,859	812
Proprietary investment segment	55,051	–
Asset management segment	–	–
Total segment liabilities	1,011,972	291,239
Unallocated liabilities	65,219	19,172
Total liabilities	1,077,191	310,411

For the purposes of monitoring segment performance and allocating resources between segments:

(a) all assets are allocated to operating segments other than unallocated assets, tax recoverable, cash and cash equivalents and deferred tax; and

(b) all liabilities are allocated to operating segments other than unallocated liabilities, tax payable, deferred tax liabilities and other head office and corporate liabilities as these liabilities are managed on a group basis.

3. SEGMENT INFORMATION (continued)

Geographical information

(a) Revenue from external customers

	2014 HK$'000	2013 HK$'000
Hong Kong	1,220,064	871,714
Mainland China	120,875	96,518
Macau	6,837	4,331
	1,347,776	972,563

The revenue information above is based on the location of the operations. For the purpose of identifying major external customers, revenue derived from the proprietary investment segment, including unrealised fair value gains on financial investments at fair value through profit or loss, net; realised losses on disposals of financial investments at fair value through profit or loss, net; gains on disposals of available-for-sale investments; interest income from debt investments and dividend income from financial investments at fair value through profit or loss, are excluded.

(b) Non-current assets

	2014 HK$'000	2013 HK$'000
Hong Kong	62,115	45,489
Mainland China	8,092	50,986
Others	1,315	81
	71,522	96,556

The non-current asset information above is based on the location of the assets and excludes financial instruments, restricted cash and deferred tax assets.

Information about product issuers/fund houses/customers

Revenue from major product issuers/fund houses/customers, each of them contributing to 10% or more of the Group's revenue derived from the IFA segment, money lending segment and asset management segment, is set out below:

	2014 HK$'000	2013 HK$'000
Product issuer A	597,179	474,558

For the purpose of identifying major external customers, revenue derived from the proprietary investment segment, including unrealised fair value gains on financial investments at fair value through profit or loss, net; realised losses on disposals of financial investments at fair value through profit or loss, net; gains on disposals of available-for-sale investments; interest income from debt investments and dividend income from financial investments at fair value through profit or loss, are excluded.

4. REVENUE, OTHER INCOME AND GAINS, NET

Revenue, which is also the Group's turnover, represents the aggregate of (i) commission income from the brokerage business and advisory income from IFA services; (ii) interest income from loan financing; (iii) fair value gains or losses on listed and unlisted financial investments, dividend and interest income from the proprietary investment business; and (iv) the value of service rendered from asset management and corporate finance services, earned during the year.

An analysis of revenue, other income and gains, net is as follows:

	2014 HK$'000	2013 HK$'000
Revenue		
Investment brokerage commission income	1,079,101	798,771
Insurance brokerage commission income	210,160	127,972
Pension scheme brokerage commission income	9,949	13,452
Advisory income	21,483	26,701
Interest income from loan financing	15,665	5,667
Unrealised fair value gains on financial investments at fair value through profit or loss, net	238,342	36,106
Realised losses on disposals of financial investments at fair value through profit or loss, net	(676)	(1,245)
Gains on disposal of available-for-sale investments	2,449	–
Interest income from debts investments	830	–
Dividend income from financial investments at fair value through profit or loss, net	1,880	11,559
Asset management service income	11,317	–
Corporate finance service fee income	101	–
	1,590,601	1,018,983
Other income and gains, net		
Bank interest income	178	195
Other interest income	–	384
Referral income	253	212
Gain on disposal of deposits paid for purchasing of properties, net	–	2,737*
Foreign exchange differences, net	228	755
Others	681	2,641
	1,340	6,924

* The aggregate consideration for the disposal of deposits amounted to HK$36,455,000, comprising deposits paid for purchasing of properties in the People's Republic of China ("PRC") and Hong Kong. The deposit for property in Hong Kong was held by a wholly-owned subsidiary of the Group, which represented its entire asset and was disposed of by the Group through the disposal of that subsidiary during the year ended 31 December 2013.

5. FINANCE COSTS

An analysis of finance costs is as follows:

	2014 HK$'000	2013 HK$'000
Interest on bond payables not wholly repayable within five years (note 30)	3,055	–
Interest on interest-bearing other borrowings wholly repayable within five years	31	–
	3,086	–

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Notes	2014 HK$'000	2013 HK$'000
Minimum lease payments under operating leases in respect of:			
Land and buildings		61,257	65,272
Equipment		841	1,845
		62,098	67,117
Employee benefit expense (including directors' remuneration (note 7)):			
Salaries, allowances, bonuses and benefits in kind		155,302	95,596
Pension scheme contributions@		9,916	8,589
		165,218	104,185
Equity-settled share-based payment (included in other expenses)		1,863	3,529
Auditors' remuneration		2,000	1,350
Impairment of goodwill*	14	39,840	–
Amortisation of intangible assets*	15	543	544
Impairment of loans receivables	20	413	–
Impairment of other receivables	21(a)	3,585	1,733
Reversal of impairment of other receivables	21(a)	(543)	(2,356)
Impairment of an amount due from a fellow subsidiary		–	994
Impairment of a deposit paid for a fund investment	21(b)	19,619	–
Loss on disposal of items of property, plant and equipment		713	–
Write-off of items of property, plant and equipment	13	–	66

* The impairment of goodwill and amortisation of intangible assets are included in "Other expenses" in the consolidated statement of comprehensive income.

@ As at 31 December 2014, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (2013: Nil).

7. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") and section 78 of Schedule 11 to the Hong Kong Companies Ordinance (Cap. 622), with reference to section 161 of the predecessor Hong Kong Companies Ordinance (Cap. 32), is as follows:

	Group	
	2014 HK$'000	2013 HK$'000
Fees	**808**	1,104
Other emoluments:		
Salaries, allowances and benefits in kind	**7,467**	6,586
Discretionary bonuses	**7,000**	3,415
Pension scheme contributions	**1,001**	476
	15,468	10,477
	16,276	11,581

Included in the directors' remuneration were rental benefits for accommodation provided to directors of HK$369,000 (2013: HK$360,000) during the year.

(a) Independent non-executive directors

The fees paid and payable to independent non-executive directors during the year are as follows:

	2014 HK$'000	2013 HK$'000
Dr. Wu Ka Chee, Davy	**174**	144
Mr. Ma Yiu Ho, Peter	**151**	144
Mr. Lam Chi Keung#	**97**	–
Mr. Kwok Shun Tim*	**12**	–
Mrs. Fu Kwong Wing Ting, Francine**	**70**	166
	504	454

\# Appointed as an independent non-executive director of the Company on 31 March 2014.

* Re-designated to and resigned as a non-executive director of the Company on 23 April 2014 and 2 July 2014, respectively.

** Retired as an independent non-executive director of the Company on 26 May 2014.

There were no other emoluments payable to the independent non-executive directors during the year (2013: Nil).

7. DIRECTORS' REMUNERATION (continued)

(b) Executive directors

	Fees HK$'000	Salaries, allowances, and benefits in kind HK$'000	Discretionary bonuses HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
2014					
Mr. Wong Lee Man	**113**	**2,007**	**2,588**	**150**	**4,858**
Ms. Fong Sut Sum	**67**	**2,503**	**1,692**	**188**	**4,450**
Mr. Mak Kwong Yiu	**67**	**2,221**	**2,658**	**645**	**5,591**
Mr. Kwok Shun Tim*	**20**	**121**	**–**	**9**	**150**
Dr. Hui Ka Wah, Ronnie, *JP****	**37**	**615**	**62**	**9**	**723**
	304	**7,467**	**7,000**	**1,001**	**15,772**
2013					
Mr. Wong Lee Man	245	1,876	983	140	3,244
Ms. Fong Sut Sum	181	2,392	1,238	177	3,988
Mr. Mak Kwong Yiu	181	2,122	1,169	144	3,616
Mr. Kwok Shun Tim	43	196	25	15	279
	650	6,586	3,415	476	11,127

* Re-designated to and resigned as a non-executive director of the Company on 23 April 2014 and 2 July 2014, respectively.

*** Appointed as an executive director of the Company on 13 June 2014.

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2013: Nil).

8. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three directors (2013: three), details of whose remuneration are disclosed in note 7 above. Details of the remuneration of the remaining two (2013: two) non-director, highest paid employees for the year are as follows:

	2014 HK$'000	2013 HK$'000
Salaries, allowances and bonuses	7,990	5,033
Pension scheme contributions	297	223
	8,287	5,256

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

	Number of employees	
	2014	2013
HK$2,000,001 to HK$2,500,000	–	1
HK$3,000,001 to HK$3,500,000	1	1
Over HK$5,000,000	1	–
	2	2

9. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2013: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries or jurisdictions in which the Group operates.

	2014 HK$'000	2013 HK$'000
Group:		
Current – Hong Kong		
Charge for the year	33,910	21,951
Under/(over)provision in prior years	99	(932)
Current – Elsewhere		
Charge for the year	250	1,529
Overprovision in prior years	(933)	–
Deferred (note 18)	33,639	(2,723)
Total tax charge for the year	66,965	19,825

9. INCOME TAX EXPENSE (continued)

A reconciliation of the tax expense applicable to profit before tax at the Hong Kong statutory rate in which the Group's major operating subsidiaries are domiciled to the tax charge at the Group's effective tax rate is as follows:

	Group			
	2014 HK$'000	**%**	2013 HK$'000	%
Profit before tax	**308,443**		111,403	
Tax at the Hong Kong statutory tax rate	**50,893**	**16.5**	18,382	16.5
Higher tax rate enacted in Mainland China	**(9,255)**		(3,965)	
Lower tax rate enacted in Macau	**(9)**		(7)	
Adjustments in respect of current tax of previous periods	**(834)**		(932)	
Income not subject to tax	**(9,966)**		(9,918)	
Expenses not deductible for tax	**8,753**		4,810	
Tax losses not recognised	**27,497**		13,107	
Tax losses utilised from previous periods	**(54)**		(1,617)	
Others	**(60)**		(35)	
Tax charge at the Group's effective rate	**66,965**	**21.7**	19,825	17.8

10. PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated profit attributable to owners of the Company for the year ended 31 December 2014 includes a loss of HK$3,679,000 (2013: loss of HK$9,348,000), which was arrived at after deducting dividend income from a subsidiary of HK$20,000,000 (2013: HK$1,732,000), that has been dealt with in the financial statements of the Company (note 33(b)).

11. DIVIDEND

	2014 HK$'000	2013 HK$'000
Proposed 2014 final – Nil (2013: HK2.0 cents) per ordinary share	**–**	9,260

The directors do not recommend the payment of a final dividend for the year ended 31 December 2014 (2013: HK2.0 cents per ordinary share).

12. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of the basic earnings per share amount is based on the profit for the year attributable to owners of the Company, and the weighted average number of ordinary shares of 520,769,249 (2013: 428,726,027) in issue during the year.

The exercise price of the warrants of the Company outstanding during the year was higher than the average market price of the ordinary shares of the Company and, accordingly, they had no dilutive effect of basic earnings per ordinary share.

The calculation of the diluted earnings per share amount in the prior year was based on the profit for that year attributable to owners of the Company. The weighted average number of ordinary shares used in the calculation was the number of ordinary shares in issue during that year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all dilutive potential ordinary shares into ordinary shares.

The calculations of the basic and diluted earnings per share are based on:

	2014 HK$'000	2013 HK$'000
Earnings		
Profit for the year attributable to owners of the Company, used in the basic and diluted earnings per share calculation	**246,173**	97,704

	Number of shares	
	2014	2013
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**520,769,249**	428,726,027
Effect of dilution – weighted average number of ordinary shares:		
Warrants	**–**	67,945,205
Weighted average number of ordinary shares in issue during the year used in the diluted earnings per share calculation	**520,769,249**	496,671,232

13. PROPERTY, PLANT AND EQUIPMENT

Group

	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Computer equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
31 December 2014					
At 31 December 2013 and 1 January 2014:					
Cost	55,982	22,057	57,091	5,505	140,635
Accumulated depreciation	(25,710)	(17,631)	(49,507)	(5,309)	(98,157)
Net carrying amount	30,272	4,426	7,584	196	42,478
At 1 January 2014, net of accumulated depreciation	30,272	4,426	7,584	196	42,478
Additions	14,164	2,944	18,791	–	35,899
Disposal	(137)	(454)	(179)	–	(770)
Acquisition of subsidiaries (note 34)	171	44	107	167	489
Depreciation provided during the year	(12,983)	(1,603)	(5,975)	(363)	(20,924)
Exchange realignment	(55)	(45)	(43)	–	(143)
At 31 December 2014, net of accumulated depreciation	31,432	5,312	20,285	–	57,029
At 31 December 2014:					
Cost	70,128	24,199	75,818	6,363	176,508
Accumulated depreciation	(38,696)	(18,887)	(55,533)	(6,363)	(119,479)
Net carrying amount	31,432	5,312	20,285	–	57,029

NOTES TO FINANCIAL STATEMENTS

31 December 2014

13. PROPERTY, PLANT AND EQUIPMENT (continued)

Group

	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Computer equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
31 December 2013					
At 1 January 2013:					
Cost	36,659	20,392	52,580	5,505	115,136
Accumulated depreciation	(14,329)	(15,207)	(44,693)	(5,031)	(79,260)
Net carrying amount	22,330	5,185	7,887	474	35,876
At 1 January 2013, net of accumulated depreciation	22,330	5,185	7,887	474	35,876
Additions	19,141	1,625	4,480	–	25,246
Write-off	–	(37)	(29)	–	(66)
Depreciation provided during the year	(11,222)	(2,437)	(4,800)	(278)	(18,737)
Exchange realignment	23	90	46	–	159
At 31 December 2013, net of accumulated depreciation	30,272	4,426	7,584	196	42,478
At 31 December 2013:					
Cost	55,982	22,057	57,091	5,505	140,635
Accumulated depreciation	(25,710)	(17,631)	(49,507)	(5,309)	(98,157)
Net carrying amount	30,272	4,426	7,584	196	42,478

14. GOODWILL

	Group	
	2014 HK$'000	2013 HK$'000
Cost at 1 January	**39,840**	39,840
Acquisition of subsidiaries (note 34)	**9,922**	–
Impairment during the year (note 6)	**(39,840)**	–
Cost and net carrying amount at 31 December	**9,922**	39,840

Impairment testing of goodwill

Goodwill acquired through business combinations is allocated to the following cash-generating units for impairment testing:

- Provision of insurance brokerage services
- Provision of investment brokerage services
- Provision of corporate finance advisory services

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

	Insurance brokerage		Investment brokerage		Corporate finance advisory		Total	
	2014 HK$'000	2013 HK$'000	**2014 HK$'000**	2013 HK$'000	**2014 HK$'000**	2013 HK$'000	**2014 HK$'000**	2013 HK$'000
Carrying amount of goodwill	**-**	39,840	**8,530**	-	**1,392**	-	**9,922**	39,840

Insurance brokerage services cash-generating unit

The recoverable amount of the insurance brokerage services cash-generating unit as at 31 December 2014 has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period (2013: a five-year period) approved by senior management. The discount rate applied to insurance brokerage services cash-generating units is at 19.8% (2013: 18.5% to 19.4%) and the growth rate used to extrapolate the cash flows of the insurance brokerage services cash-generating units beyond the five-year period is 3% (2013: 3%).

Assumptions were used in the value in use calculation of the insurance brokerage services cash-generating unit for 31 December 2014 and 31 December 2013. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Budgeted commission rate – The basis used to determine the value assigned to the budgeted commission rate is the average commission rate charged to product issuers in the period immediately before the budget year.

Discount rates – The discount rates used are before tax and reflect specific risks relating to the relevant units.

Price inflation – The basis used to determine the value assigned to operating expenses price inflation is the price index in the period immediately before the budget year for Mainland China where the operating expenses are incurred.

14. GOODWILL (continued)

Insurance brokerage services cash-generating units (continued)

The values assigned to the key assumptions are consistent with external information sources.

Due to slower economic growth and the change in the regulatory environment in Mainland China during the current year, it was concluded that the value in use of the insurance brokerage services cash-generating unit of HK$19,879,000 was lower than its carrying amount. As a result of this analysis, management has recognised a full impairment against goodwill with a carrying amount of HK$39,840,000 as at 31 December 2014. The impairment loss is recorded within "Other expenses" in the consolidated statement of comprehensive income.

Investment brokerage services and corporate finance advisory services cash-generating units

The recoverable amounts of the investment brokerage services and corporate finance advisory services cash-generating units as at 31 December 2014 have been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to investment brokerage services and corporate finance advisory services cash-generating units is 19.8% and the growth rate used to extrapolate the cash flows of the investment brokerage services and corporate finance advisory services cash-generating units beyond the five-year period is 3%.

Assumptions were used in the value in use calculation of the investment brokerage services and corporate finance advisory services cash-generating units for 31 December 2014. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Budgeted commission rate – The basis used to determine the value assigned to the budgeted commission rate is the average commission rate charged to product issuers in the period immediately before the budget year.

Discount rates – The discount rates used are before tax and reflect specific risks relating to the relevant units.

Price inflation – The basis used to determine the value assigned to operating expenses price inflation is the price index in the period immediately before the budget year for Hong Kong where the operating expenses are incurred.

The values assigned to the key assumptions are consistent with external information sources.

15. INTANGIBLE ASSETS

	2014 HK$'000	2013 HK$'000
Cost at 1 January, net of accumulated amortisation	**1,525**	2,069
Amortisation provided during the year (note 6)	**(543)**	(544)
At 31 December	**982**	1,525
At 31 December:		
Cost	**2,173**	2,173
Accumulated amortisation	**(1,191)**	(648)
Net carrying amount	**982**	1,525

The intangible assets represented customers' contracts with definite useful lives and are amortised on the straight-line basis over 4 years.

16. INVESTMENTS IN SUBSIDIARIES

	Company	
	2014 HK$'000	2013 HK$'000
Unlisted investments, at cost	**66,435**	66,435

The amounts due from and to subsidiaries included in the Company's current assets and current liabilities of HK$719,742,000 (2013: HK$306,098,000) and HK$92,380,000 (2013: HK$97,577,000), respectively, are unsecured, interest-free and repayable on demand.

Particulars of the subsidiaries are as follows:

Name	Place of incorporation/ registration and business	Issued ordinary/ paid-up share capital	Percentage of equity attributable to the Company		Principal activities
			2014	2013	
Directly owned					
Convoy China Limited	British Virgin Islands/ Hong Kong	HK$8	**100**	100	Investment holding
Convoy (BVI) Limited	British Virgin Islands/ Hong Kong	HK$10,000	**100**	100	Investment holding
Convoy Financial Services Holdings Limited (formerly known as Convoy Financial Holdings Limited)	Hong Kong	HK$1	**100**	100	Management of business development
Prosper Ocean Investments Limited	British Virgin Islands/ Hong Kong	HK$8	**100**	100	Investment holding
CFSH (Macau) Limited	Hong Kong	HK$100	**100**	100	Investment Holding

NOTES TO FINANCIAL STATEMENTS

31 December 2014

16. INVESTMENTS IN SUBSIDIARIES (continued)

Name	Place of incorporation/ registration and business	Issued ordinary/ paid-up share capital	Percentage of equity attributable to the Company 2014	2013	Principal activities
Indirectly owned					
Convoy Financial Services Limited	Hong Kong	HK$1,000,000	**100**	100	Provision of insurance and MPF scheme brokerage services
Convoy Insurance Brokers (Macau) Limited*	Macau	MOP100,000	**100**	100	Provision of insurance brokerage services
CCIA Holdings Limited (note a)	British Virgin Islands/ Hong Kong	HK$106,447	**46.6**	91.4	Investment holding
CIB Holdings Limited ("CIB Holdings")	Hong Kong	HK$1	**51**	100	Provision of referral services
Convoy China Insurance Agency Co., Limited (note a)	Hong Kong	HK$2	**46.6**	91.4	Investment holding and management of business development
Convoy China Financial Services Holdings Limited	Hong Kong	HK$10	**46.6**	91.4	Investment holding
康宏財富投資管理(北京)有限公司**@ (note a)	PRC/ Mainland China	RMB10,000,000	**46.6**	91.4	Provision of investment advisory and corporate marketing services
深圳康宏信息諮詢有限公司("康宏信息")**@	PRC/ Mainland China	RMB500,000	**100**	100	Provision of administrative services
深圳康宏保險經紀有限公司("深圳康宏")***@ (note a)	PRC/ Mainland China	RMB50,000,000	**46.6**	96.6	Provision of insurance brokerage services
江西康宏泛誠保險代理有限公司("康宏江西")***@ (note a)	PRC/ Mainland China	RMB20,000,000	**35.4**	69.5	Provision of insurance brokerage services

16. INVESTMENTS IN SUBSIDIARIES (continued)

Name	Place of incorporation/ registration and business	Issued ordinary/ paid-up share capital	Percentage of equity attributable to the Company 2014	2013	Principal activities
Indirectly owned (continued)					
康宏碧升保險代理有限公司 (“康宏碧升”) *****^@ (note a)	PRC/ Mainland China	RMB50,000,000	**35.4**	69.5	Provision of insurance brokerage services
DRL Capital Investment Management Limited	Cayman Islands/ Hong Kong	HK$8	**70**	70	Provision of capital investment and advisory services
Convoy Asset Management Limited (“CAM”)	Hong Kong	HK$14,160,000	**100**	–	Provision of investment advisory, funds dealing, introducing broker and asset management services
Kerberos (Nominee) Limited (“Kerberos”)	Hong Kong	HK$1	**100**	–	Provision of nominee services
Convoy Capital Hong Kong Limited (formerly known as Aviate Beijing Capital Limited)	Hong Kong	HK$1,876,000	**100**	–	Provision of corporate finance advisory services
Convoy International Property Consulting Company Limited	Hong Kong	HK$1	**100**	–	Provision of overseas real estate brokerage services
Convoy Collateral Limited (“CCL”)	Hong Kong	HK$100,000	**100**	100	Provision of money lending and proprietary investment
康宏保險銷售服務(深圳)有限公司 (formerly known as 康宏保險銷售服務(江蘇)有限公司)**@ (note a)	PRC/ Mainland China	RMB 10,000,000	**46.6**	91.4	Provision of insurance brokerage services
深圳前海康宏匯資產管理有限公司 (“康宏前海”)**^^@	PRC/ Mainland China	RMB20,000,000	**100**	91.4	Provision of asset management services

16. INVESTMENTS IN SUBSIDIARIES (continued)

Name	Place of incorporation/ registration and business	Issued ordinary/ paid-up share capital	Percentage of equity attributable to the Company		Principal activities
			2014	2013	
Indirectly owned (continued)					
DRL Capital (note b)	Cayman Islands	HK$55,399,430	N/A	–	Investment fund
Convoy Opportunities Fund (note b)	Cayman Islands	HK$30,585,453	N/A	–	Investment fund
康宏匯(深圳)股權投資基金管理有限公司**@	PRC/Mainland China	HK$15,500,000	100	–	Provision of equity investment management services

* Share capital of MOP10,000 is held in trust by two directors of the subsidiary.

** Registered as wholly-foreign-owned enterprises under PRC law.

*** Registered as domestic enterprises under PRC law.

**** Registered as a non-wholly-foreign-owned enterprise under PRC law.

^ Share capital of RMB38,000,000 (2013: RMB38,000,000), representing 76% of the equity interest, is held in trust by a member of senior management of the subsidiary.

^^ Share capital of RMB20,000,000, representing the entire equity interest, is held in trust by a business partner of the Company.

@ Not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

Note a To rationalise the corporate structure in the PRC and provide incentives to employees of the Group, the Group underwent reorganisation activities for its entities in the PRC, which involved (i) allotment and issue of new shares by Convoy China Group Limited to certain employees of the Group, representing 49% equity interests of the enlarged share capital of Convoy China Group Limited, the Group's interest thereby reduced from 100% to 51%; and (ii) transfer of certain non-wholly-owned subsidiaries (which were either 91.4%-owned or 69.5%-owned by the Group) to Convoy China Group Limited.

Upon the completion of the reorganisation, these subsidiaries are effectively owned by the Group as to 46.6% or 35.4% and are non-wholly-owned subsidiaries of Convoy China Group Limited. Accordingly, these companies are accounted for as subsidiaries by virtue of the Group's control over them.

Note b The Group considers that it has ability to control through its representatives on the board of these investment funds and acting as a fund manager.

The above table lists 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.

17. AVAILABLE-FOR-SALE INVESTMENTS

	Group	
	2014	2013
	HK$'000	HK$'000
Unlisted fund investments, at fair value	**4,949**	–
Unlisted equity investments, at cost		
Hong Kong	**28,183**	7,750
Elsewhere	**6,139**	4,976
	34,322	12,726
Unlisted debt investments, at cost		
Elsewhere	**865**	258
	40,136	12,984

Available-for-sale investments represented the Group's investments in unlisted fund, equity and debt investments.

As at 31 December 2014, unlisted equity and debt investments with an aggregate carrying amount of HK$35,187,000 (2013: HK$12,984,000) were stated as cost less impairment because the range of reasonable fair value estimates is so significant that the directors are of the opinion that the fair value cannot be measured reliably. The Group does not intend to dispose of these investments in the near future.

Unconsolidated structured entity

Included in the available-for-sale investments is an investment in a private open-ended fund (the "Fund") which is primarily invested in equity investments in the PRC. The Group also acts as an investment manager of the Fund. The Group is exposed to a variable return in the Fund through holding a direct interest of 2.20% and receipt of management fee and performance fee.

The directors consider that the Fund meets the definition of a structured entity which is not consolidated into the financial statements of the Company. As at 31 December 2014, the net asset value of the Fund was approximately HK$236,000,000 and was funded solely by equity. The Group's interest in the Fund as at 31 December 2014 was approximately HK$4,949,000, which is equal to the Group's maximum exposure to loss.

18. DEFERRED TAX

The movements in deferred tax assets/liabilities during the year are as follows:

Deferred tax assets

Group

	Depreciation in excess of related depreciation allowance/ (accumulated depreciation allowance) HK$'000	Commission clawback HK$'000	Provision for other receivables HK$'000	Losses available for offsetting against future taxable profits HK$'000	Total HK$'000
Deferred tax assets at at 1 January 2013	140	1,108	1,897	7,305	10,450
Deferred tax credited to the profit or loss during the year (note 9)	805	188	313	1,417	2,723
Deferred tax assets at 31 December 2014 and 1 January 2013	945	1,296	2,210	8,722	13,173
Acquisition of business (note 34(a))	(31)	–	–	–	(31)
Deferred tax credited/(charged) to the profit or loss during the year (note 9)	(1,166)	544	301	5,203	4,882
Deferred tax assets at 31 December 2014	(252)	1,840	2,511	13,925	18,024

Deferred tax liabilities

Group

	Unrealised fair value gains on financial investments at fair value through profit or loss HK$'000
Deferred tax charged to the profit or loss during the year (note 9) and deferred tax liabilities as at 31 December 2014	38,521

The Group has estimated tax losses arising in Mainland China of HK$150,268,000 (2013: HK$40,279,000) that will expire in five years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these losses due to unpredictability of taxable income streams.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

19. ACCOUNTS RECEIVABLE

	Group	
	2014 HK$'000	2013 HK$'000
Accounts receivable	**260,250**	91,806

Receivables arise from provision of brokerage services are generally settled within 45 days upon the execution of the insurance policies/investment products subscription agreements and/or receipt of statements from product issuers. Credit terms with customers of investment advisory, funds dealing, asset management services and corporate finance advisory services are mainly 30 to 60 days or a credit period mutually agreed between the contracting parties.

The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its accounts receivable balances. Accounts receivable are non-interest-bearing.

Accounts receivable as at the end of the reporting period, based on the date of recognition of revenue and net of provisions, are aged within one month and neither past due nor impaired.

The Group's accounts receivables relate to a number of reputable product issuers for whom there has been no recent history of default.

20. LOANS RECEIVABLE

	Group	
	2014 HK$'000	2013 HK$'000
Loans receivable	**435,284**	91,355
Impairment	**(1,069)**	(656)
	434,215	90,699
Less: Balances due within one year included in current assets	**(291,765)**	(85,963)
Non-current portion	**142,450**	4,736

Loans receivable represent receivables arising from the money lending business of the Group, and bear interest at rates ranging from 5% per annum to 20% per annum (2013: 5% per annum to 24% per annum). The grants of these loans were approved and monitored by the Group's management.

Certain loans receivable with an aggregate carrying amount of HK$192,416,000 (2013: HK$65,400,000) were secured by the pledge of collateral or personal guarantees by certain independent third parties.

20. LOANS RECEIVABLE (continued)

An aged analysis of the loans receivable that are not considered to be impaired as at the end of the reporting period, based on the payment due date, is as follows:

	Group	
	2014 HK$'000	2013 HK$'000
Neither past due nor impaired	**369,506**	89,863
1 to 3 months past due	**33,305**	423
Over 3 months past due	**31,404**	413
	434,215	90,699

The movements in provision for impairment of loans receivable are as follows:

	Group	
	2014 HK$'000	2013 HK$'000
At 1 January	**656**	656
Impairment loss recognised (note 6)	**413**	–
31 December	**1,069**	656

Included in the above provision for impairment of loans receivable was a provision for individually impaired loans receivable of HK$1,069,000 (2013: HK$656,000) with an aggregate carrying amount of HK$1,069,000 (2013: HK$656,000). The individually impaired loans receivables relate to borrowers that were in default and were not expected to be recoverable.

Loan receivables that were neither pass due nor impaired relate to a number of diversified borrowers for whom there was no recent history of default.

21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Notes	Group 2014 HK$'000	Group 2013 HK$'000
Deposits paid for purchases of items of plant and equipment		**4,227**	12,093
Deposit paid for a fund investment		**19,619**	–
Rental and utility deposits		**15,745**	16,885
Other receivables		**34,277**	27,296
Prepaid expenses		**9,299**	7,630
Deferred expenses		**–**	307
		83,167	64,211
Impairment for other receivables	(a)	**(18,462)**	(15,420)
Impairment of a deposit paid for a fund investment	(b)	**(19,619)**	–
		45,086	48,791
Prepayments, deposits and other receivables analysed into:			
Non-current assets		**15,352**	22,559
Current assets		**29,734**	26,232
		45,086	48,791

	Company 2014 HK$'000	Company 2013 HK$'000
Prepayments	**2,920**	41

Notes:

(a) The movements in the provision for impairment of other receivables are as follows:

	Group 2014 HK$'000	Group 2013 HK$'000
At 1 January	**15,420**	25,863
Impairment losses recognised (note 6)	**3,585**	1,733
Amount written off as uncollectible	**–**	(9,820)
Impairment losses reversed (note 6)	**(543)**	(2,356)
At 31 December	**18,462**	15,420

Included in the above provision for impairment of other receivables is a provision for individually impaired other receivables of HK$18,462,000 (2013: HK$15,420,000) with an aggregate carrying amount before provision of HK$18,462,000 (2013: HK$15,420,000). This provision was determined after taking into account the age of the respective receivable balances, the creditworthiness of the debtors, their repayment history and their historical write-off experience. The Group does not hold any collateral or other credit enhancements over these balances.

21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (continued)

Note: (continued)

(a) (continued)

The aged analysis of other receivables that are not considered to be impaired is as follows:

	Group	
	2014 HK$'000	2013 HK$'000
Neither past due nor impaired	**8,257**	6,375
Less than 1 month past due	**3,256**	1,103
1 month to 2 months past due	**614**	1,265
2 months to 3 months past due	**–**	132
Over 3 months past due	**3,688**	3,001
	15,815	11,876

Other receivables that were neither past due nor impaired relate to a large number of debtors for whom there has been no recent history of default.

Other receivables that were past due but not impaired relate to a number of independent debtors that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

(b) During the year, a deposit of HK$19,619,000 was paid to a financial intermediary in the PRC for subscription of a Renminbi-denominated investment fund product, which was to be classified as "Available-for-sale investment" upon completion of necessary statutory registration with the relevant authority in the PRC. In the opinion of the directors, the deposit is not expected to be recoverable and a full impairment of HK$19,619,000 was made accordingly.

22. FINANCIAL ASSETS/LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets at fair value through profit or loss

	Group	
	2014 HK$'000	2013 HK$'000
Long position		
Hong Kong listed equity investments, at market value	**380,194**	97,166
Hong Kong unlisted debt investments, at market value	**58,695**	–
Overseas listed equity investments, at market value	**4,247**	–
Overseas fund investments, at market value	**40,463**	–
	483,599	97,166

22. FINANCIAL ASSETS/LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

Financial liabilities at fair value through profit or loss

	Group	
	2014 HK$'000	2013 HK$'000
Short position		
Hong Kong listed derivative instruments, at market value	55	–
Hong Kong listed equity investments, at market value	15,645	–
Overseas listed equity investments, at market value	4,122	–
	19,822	–

The above equity, debt and fund investments and derivative instruments were classified as held for trading and were, upon initial recognition, designated by the Group as financial assets/liabilities as at fair value through profit or loss.

23. RESTRICTED CASH

At the end of the reporting period, the Group had bank balances of approximately HK$2,049,000 (2013: HK$2,303,000) which was restricted as to use. The restricted cash of HK$1,250,000 (2013: HK$1,611,000) was placed in a bank in the PRC to comply with the requirements of the PRC authority for insurance brokerage operation in Mainland China. The restricted cash is not expected to be released within the next 12 months from the end of the reporting period and accordingly, the entire restricted cash was classified under non-current assets. The remaining balance represented the client monies arising from insurance brokerage business that is segregated in licensed banks. The Group is not allowed to use the clients' monies to settle its own obligations and accordingly, the Group has classified the client monies as restricted cash under the current assets.

24. CASH AND CASH EQUIVALENTS

	Group		Company	
	2014 HK$'000	2013 HK$'000	2014 HK$'000	2013 HK$'000
Cash and bank balances	360,571	268,915	23,402	8,481
Time deposits	6,232	6,110	6,232	6,110
Cash and cash equivalents	366,803	275,025	29,634	14,591

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$29,382,000 (2013: HK$24,645,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and one month depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and time deposits are deposited with creditworthy banks with no recent history of default.

25. CASH HELD ON BEHALF OF CLIENTS/ACCOUNT PAYABLES TO CLIENTS

The Group maintains segregated trust accounts with licensed banks to hold clients' monies arising from the asset management business. The Group has classified the clients' monies as cash held on behalf of customers under the current assets section of the consolidated statement of financial position and recognised the corresponding accounts payable to respective clients on grounds that it is liable for any loss or misappropriation of clients' monies. The Group is not allowed to use the clients' monies to settle it own obligations.

26. ACCOUNTS PAYABLE

	Group	
	2014 HK$'000	2013 HK$'000
Commission payables	**356,059**	210,900

Commission payables represent payables for the provision of IFA services which are generally settled within 30 days to 120 days upon receipt of payments from product issuers by the Group.

An aged analysis of accounts payable as at the end of each reporting period is as follows:

	Group	
	2014 HK$'000	2013 HK$'000
Within 1 month	**218,962**	83,602
1 to 2 months	**64,360**	53,345
2 to 3 months	**25,194**	19,708
Over 3 months	**47,543**	54,245
	356,059	210,900

Accounts payable are non-interest-bearing. Included in the accounts payable were commission payables to the spouse, a brother and a cousin of a director of the Group's operating subsidiary who are consultants of the Group, totalling HK$815,000 (2013: HK$1,048,000), which are payable on similar terms to other consultants of the Group.

27. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2014 HK$'000	2013 HK$'000	**2014 HK$'000**	2013 HK$'000
Other payables	**73,140**	20,857	**1,500**	–
Accruals	**94,826**	45,493	**7,978**	2,779
Deferred revenue	**8,857**	1,371	**–**	–
Provision for reinstatement costs	**8,495**	8,656	**–**	–
	185,318	76,377	**9,478**	2,779
Other payables and accruals analysed into:				
Current liabilities	**179,205**	69,364	**9,478**	2,779
Non-current liabilities	**6,113**	7,013	**–**	–
	185,318	76,377	**9,478**	2,779

Other payables are unsecured, non-interest-bearing and have an average term of three months, except for an amount due to a non-controlling shareholder of HK$700,000 as at 31 December 2013 which was payable on demand.

During the year, the net reductions in provision for reinstatement costs amounted to HK$161,000 (2013: additions of HK$4,608,000)

28. NET ASSETS ATTRIBUTABLE TO REDEEMABLE PARTICIPATION RIGHTS

	Group	
	2014 HK$'000	2013 HK$'000
Business acquisition (note 34(c))	**24,435**	–
Profit attributable to non-controlling investors of an investment fund	**461**	–
	24,896	–

Net assets attributable to redeemable participation rights represents the non-controlling interest of an investment fund which are consolidated by the Group as a subsidiary. The non-controlling investors in the investment fund have the rights to put the participation rights back at any time and therefore the economic substance of the non-controlling interest is that of a liability. The non-controlling investment is classified as a current liability in the Group's consolidated statement of financial position.

29. COMMISSION CLAWBACK

The Group is entitled to receive investment brokerage commission income from various product issuers for business referral and introduction. The commission is calculated based on pre-determined percentages of the regular contributions by the Group's customers to these product issuers. Pursuant to the terms of the agreements entered into between the Group and these product issuers, the commission paid by the product issuers to the Group is subject to a commission clawback by the product issuers on a pro-rata basis over an indemnified period. The indemnified period is generally from 6 months to 24 months. In the event that a customer terminates the regular contribution within the indemnified period, the product issuers will clawback the relevant commission. The amount of the commission clawback represents expected cash outflows which are estimated with reference to the sales volume, past experience of the levels of clawback, and the directors' best estimates of the expenditure required to settle the obligations. The estimation basis is reviewed on an ongoing basis and revised by the directors where appropriate.

30. BOND PAYABLES

	2014 HK$'000	2013 HK$'000
Unsecured unlisted bonds, repayable after five years, at nominal value	**282,000**	–
Discount and issue costs	**(21,190)**	–
	260,810	–

Pursuant to a placing agreement dated 8 July 2014, the Company, through an independent placing agent namely Gransing Securities Co., Limited ("Gransing"), issued 7-year 6% coupon unlisted bonds for an aggregate principal amount of up to HK$50,000,000 (the "Straight Bonds A"). The Straight Bonds A are unsecured, contain no conversion feature and will mature on the date falling on the 7th anniversary of the date of the issue of the Straight Bonds A.

Pursuant to a placing agreement dated 16 September 2014, the Company, also through Gransing, issued 7-year 6% coupon unlisted bonds for an aggregate principal amount of up to HK$300,000,000 (the "Straight Bonds B"). The Straight Bonds B are unsecured, contain no conversion feature and will mature on the date falling on the 7th anniversary of the date of the issue of the Straight Bonds B.

Pursuant to a placing agreement dated 14 November 2014, the Company, also through Gransing, issued 7-year 9% coupon unlisted bonds for an aggregate principal amount of up to HK$16,000,000 (the "Straight Bonds C"). The Straight Bonds C are unsecured, contain no conversion feature and will mature on the date falling on the 7th anniversary of the date of the issue of the Straight Bonds C.

As at 31 December 2014, the Straight Bond A, Straight Bond B and Straight Bond C were issued to and subscribed by bondholders for an aggregate principal amount of HK$50,000,000, HK$216,000,000 and HK$16,000,000 with effective interest rate of approximately 7.53%, 7.53% and 9.02%, respectively.

31. SHARE CAPITAL

Shares

	2014 HK$'000	2013 HK$'000
Authorised: 1,000,000,000 ordinary shares of HK$0.10 each	**100,000**	100,000
Issued and fully paid: 614,724,000 (2013: 463,000,000) ordinary shares of HK$0.10 each	**61,472**	46,300

A summary of the movements in the Company's issued share capital and share premium account is as follows:

	Notes	Number of shares in issue	Issued capital HK$'000	Share premium account HK$'000	Total HK$'000
At 1 January 2013		400,000,000	40,000	133,396	173,396
Issue of new shares in May 2013	(i)	19,000,000	1,900	41,800	43,700
Issue of new shares in August 2013	(ii)	44,000,000	4,400	77,000	81,400
		63,000,000	6,300	118,800	125,100
Share issue expenses		–	–	(2,856)	(2,856)
At 31 December 2013 and 1 January 2014		463,000,000	46,300	249,340	295,640
Issue of new shares in March 2014	(iii)	16,104,000	1,610	23,029	24,639
Issue of new shares in May 2014	(iv)	39,800,000	3,980	41,790	45,770
Issue of new shares in October 2014	(v)	95,820,000	9,582	86,238	95,820
		151,724,000	15,172	151,057	166,229
Share issue expenses		–	–	(4,781)	(4,781)
		614,724,000	61,472	395,616	457,088

(i) On 23 May 2013, the Company completed the allotment and issuance of 19,000,000 ordinary shares of HK$0.1 each to an independent third party at a subscription price of HK$2.3 per share, giving rise to an increase in share premium of approximately HK$41,800,000.

(ii) On 12 August 2013, the Company completed the allotment and issuance of 44,000,000 ordinary shares of HK$0.1 each to six independent third parties at a subscription price of HK$1.85 per share, giving rise to an increase in share premium of approximately HK$77,000,000.

(iii) On 3 March 2014, the Company issued 16,104,000 ordinary shares of HK$0.1 each to Convoy Financial Group Limited ("CFG"), the then holding company of the Company, on the completion of the acquisitions of CAM and Kerberos. Further details of the acquisitions are disclosed in note 34(a) to the financial statements.

(iv) On 27 May 2014, the Company completed the allotment and issuance of 39,800,000 ordinary shares of HK$0.1 each to not less than six independent third parties at a subscription price of HK$1.15 each, giving rise to an increase in share premium of approximately HK$41,790,000.

31. SHARE CAPITAL (continued)

Shares (continued)

(v) On 15 October 2014, the Company completed the allotment and issuance of 95,820,000 ordinary shares of HK$0.1 each to not less than six independent placees at HK$1.0 per share, giving rise to an increase in share premium of approximately HK$86,238,000.

Warrants

During the year ended 31 December 2013, the Company entered into a warrant placing agreement in connection with the warrant placing, pursuant to which the placing agents conditionally agreed to place, on a best effort basis, up to 80,000,000 warrants conferring rights to subscribe for 80,000,000 warrant shares at the exercise price of HK$1.41 per warrant to not less than six warrant placees who, and their respective ultimate beneficial owners are independent third parties. The warrants were to be placed at a warrant placing price of HK$0.01 each. The proceeds from warrant placing of HK$776,000, net of warrant placing expenses of HK$24,000, were recorded as a component of shareholders' equity in warrant reserve.

During the years ended 31 December 2014 and 2013, no warrants were exercised.

At the end of the reporting period, the Company had 80,000,000 warrants outstanding. The exercise in full of such warrant would, under the present capital structure of the Company, result in the issue of 80,000,000 additional shares.

32. SHARE AWARD SCHEME

On 25 January 2011, the Company adopted a share award scheme (the "Award Scheme") under which shares of the Company (the "Awarded Shares") may be awarded to selected participants, including employees, consultants and business associates of the Group (the "Selected Participants") in accordance with the provisions of the Award Scheme and an irrevocable trust (the "Trust") was also established by the Company for the purpose of the Award Scheme. The Award Scheme became effective on the adoption date and, unless otherwise terminated or amended, will remain in force for 10 years from that date. Further details of the Award Scheme are also set out in an announcement of the Company dated 25 January 2011.

The aggregate number of Awarded Shares currently permitted to be awarded under the Award Scheme throughout the duration of the Award Scheme is limited to 10% of the issued share capital of the Company as at 25 January 2011, i.e., 40,000,000 shares.

Pursuant to the rules governing the operation of the Award Scheme (the ''Scheme Rules''), the board of directors of the Company (the ''Board'') shall select the Selected Participants and determine the number of Awarded Shares to be awarded. The Board shall cause to pay the trustee of the Trust (the ''Trustee'') the purchase price and the related expenses from the Company's resources for the shares of the Company to be purchased by the Trustee. The Trustee is an independent third party appointed by the Board for the administration of the Award Scheme. The Trustee shall purchase from the market such number of shares of the Company awarded as specified by the Board and shall hold such shares until they are vested in accordance with the Scheme Rules.

32. SHARE AWARD SCHEME (continued)

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

The Trustee shall not exercise the voting rights in respect of any shares of the Company held under the Trust, including, inter alia, the Awarded Shares and further shares of the Company acquired out of the income derived therefrom.

During the year ended 31 December 2014, an aggregate number of 1,605,326 (2013: 1,802,000) Awarded Shares were awarded, fully vested at the grant dates, to certain consultants and employees of the Group, which were transferred to the consultants and employees at nil consideration. The fair value of the Awarded Shares awarded was based on the market value of the Company's shares at the grant date and the Group recognised an equity-settled share-based payment expense of HK$1,863,000 (2013: HK$3,529,000) for the year with a corresponding credit to the shares held for share award scheme account of the Company with the same amount.

The fair value of the Awarded Shares awarded was based on the market value of the Shares on the grant date.

During the year, the Trustee did not acquire any ordinary shares of the Company under the Award Scheme. During the year ended 31 December 2013, the Trustee acquired under the Award Scheme 2,420,000 ordinary shares of the Company through purchases on the open market at a total cost (including related transaction costs) of HK$3,250,000 which was credited to the shares held for share award scheme account of the Company as an equity component of the Company.

33. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 66 and 67 of the financial statements.

Capital reserve

The Group's capital reserve represents (i) the issued paid-up capital of a subsidiary of the Company; and (ii) the excess of the nominal value of the shares of a subsidiary acquired pursuant to the reorganisation in the prior year, over the investment cost of the Company's shares issued in exchange therefor.

Merger reserve

Merger reserve relates to business combination under common control and represents the difference in the fair value of the consideration paid to CFG and the share capital of the Prosper Ocean Investments Limited and its subsidiary acquired during the year ended 31 December 2011 and CCL acquired during the year ended 31 December 2013.

Reserve funds

Pursuant to the relevant laws and regulations applicable to Mainland China, the Group's subsidiaries established in Mainland China are required to transfer part of their net profit after tax to the reserve funds, which are non-distributable and restricted as to use.

Other reserves

Other reserves represents (i) the net gain on deemed disposal of interests in subsidiaries amounting to HK$65,000 in 2011, HK$3,356,000 in 2013 and HK$36,829,000 in 2014, respectively; (ii) the net loss on acquisition of additional interests in subsidiaries amounting to HK$4,648,000 in 2012; and (iii) the waiver of amounts due to CFG amounting to approximately HK$515,000 in 2011 and HK$7,876,000 in 2013, respectively.

33. RESERVES (continued)

(b) Company

	Notes	Share premium HK$'000	Shares held for share award scheme HK$'000	Warrant reserve HK$'000	Retained profits/ (accumulated losses) HK$'000	Total equity HK$'000
At 1 January 2013		133,396	(3,250)	–	980	131,126
Loss for the year and total comprehensive loss for the year		–	–	–	(7,616)	(7,616)
Share purchased for share award scheme	32	–	(3,250)	–	–	(3,250)
Equity-settled share-based payment	32	–	3,529	–	–	3,529
Issue of new shares, net of issue expenses	31	115,944	–	–	–	115,944
Issue of warrants, net of issue expenses	31	–	–	776	–	776
At 31 December 2013 and 1 January 2014		249,340	(2,971)	776	(6,636)	240,509
Profit for the year and total comprehensive income for the year		–	–	–	16,321	16,321
Equity-settled share-based payment	32	–	1,863	–	–	1,863
Issue of new shares, net of issue expenses	31	146,276	–	–	–	146,276
Dividend		–	–	–	(10,378)	(10,378)
At 31 December 2014		395,616	(1,108)	776	(693)	394,591

34. BUSINESS COMBINATION

(a) Acquisitions of CAM and Kerberos

On 3 March 2014, the Group completed the acquisitions of entire equity interests in CAM and Kerberos from CFG and Convoy Inc., the former immediate holding company and ultimate holding company of the Company, at a consideration of HK$30,000,000 and HK$101,000, respectively. The purchase consideration for the acquisitions were satisfied by allotment and issue of 16,050,000 and 54,000 new ordinary shares of the Company.

CAM is principally engaged in the provision of investment advisory, funds dealing, introducing broker and asset management services, which are licensed activities under Securities and Future Commission ("SFC") of Hong Kong. Kerberos is involved in the provision of nominee services on behalf of CAM.

The acquisitions were made as part of the Group's strategy to expand into and develop its asset management business which is essential for building an all-rounded financial services platform.

34. BUSINESS COMBINATION (continued)

(a) Acquisitions of CAM and Kerberos (continued)

The aggregate fair value of the identifiable assets and liabilities of CAM and Kerberos as at date of acquisitions were as follows:

	Notes	**HK$'000**
Property, plant and equipment	13	249
Available-for-sale investment		35
Accounts receivable		1,799
Prepayment, deposits and other receivables		561
Amount due from a fellow subsidiary		115
Cash and bank balances		32,047
Cash held on behalf of clients		138,000
Accounts payable		(9,144)
Account payables to clients		(138,000)
Other payables and accruals		(8,281)
Tax payable		(1,241)
Deferred tax liabilities	18	(31)
Total identifiable net assets at fair value		16,109
Goodwill on acquisition	14	8,530
Satisfied by allotment and issue of 16,104,000 new shares of the Company at HK$1.53 each at the date of completion based on market quotation	31(iii)	24,639

An analysis of the cash flows in respect of the acquisitions of CAM and Kerberos is as follows:

	HK$'000
Cash and bank balances acquired and net inflow of cash and cash equivalents included in cash flows from investing activities	32,047

In the opinion of the directors, the goodwill recognised represented the expected synergy from combining operations of the Group, CAM and Kerberos.

Since the acquisition, CAM and Kerberos contributed HK$92,632,000 to the Group's revenue and profit of HK$10,337,000 to the consolidated profit for the year ended 31 December 2014.

Had the acquisition taken place at the beginning of the year, the revenue of the Group and the profit of the Group for the year would have been HK$1,604,634,000 and HK$241,401,000, respectively.

34. BUSINESS COMBINATION (continued)

(b) Acquisition of Wonderful Job Limited ("Wonderful")

On 30 May 2014, the Group entered into a sale and purchase agreement with an independent third party pursuant to which the Group would acquire the entire equity interest in Wonderful and its wholly-owned subsidiaries, at an aggregate consideration of HK$1,965,000.

Wonderful and its subsidiaries (the "Wonderful Group") are principally engaged in provision of the corporate finance advisory services, which are licensed activities under SFC.

The acquisition was made as part of the Group's strategy to expand into and develop the corporate finance advisory services which is essential for building an all-rounded financial services platform.

The fair value of the identifiable assets and liabilities of the Wonderful Group as at date of acquisition were as follows:

	Notes	**HK$'000**
Property, plant and equipment	13	240
Accounts receivable		247
Prepayment, deposits and other receivables		242
Cash and bank balances		192
Other payables and accruals		(348)
Amount due to former shareholder		(3,887)
Total identifiable net liabilities		(3,314)
Waiver on amount due to former shareholder		3,887
Adjusted identifiable net assets		573
Goodwill on acquisition	14	1,392
Satisfied by cash consideration		1,965

An analysis of the cash flows in respect of the acquisitions of the Wonderful Group is as follows:

	HK$'000
Cash consideration	(1,965)
Cash and bank balances acquired	192
Net outflow of cash and cash equivalents included in cash flows used in investing activities	(1,773)

In the opinion of the directors, the goodwill recognised represented the expected synergy from combining operations of the Group and the Wonderful Group.

Since the acquisition, the Wonderful Group contributed HK$59,875 to the Group's revenue and loss of HK$1,137,571 to the consolidated profit for the year ended 31 December 2014.

Had the acquisition taken place at the beginning of the year, the revenue of the Group and the profit of the Group for the year would have been HK$1,591,508,000 and HK$244,195,000, respectively.

34. BUSINESS COMBINATION (continued)

(c) Acquisition of DRL Capital

DRL Capital is an open-ended investment fund incorporated in the Cayman Islands on 6 March 2013 under the laws of the Cayman Islands as an exempted company with limited liability. DRL Capital is not a regulated mutual find for the purposes of the Mutual Funds Law (Revised) of the Cayman Islands.

DRL Capital has appointed DRL Capital Investment Management Limited, a 70%-owned subsidiary of the Group, to act as the manager pursuant to the management agreement whose then appointed CAM as a sub-manager to make investment decision and manage the assets of DRL Capital on a discretionary basis.

On 3 October 2014, the Group through its wholly-owned subsidiary subscribed 3,002,325 redeemable participating shares of DRL Capital at a cash consideration of HK$30,000,000, representing 55.06% of the outstanding redeemable participating shares of DRL Capital on the subscription date. In the opinion of the directors, the Group has ability to control through its representatives on the board of DRL Capital and acting as its fund manager immediately following the completion of subscription, accordingly, the results of DRL capital was consolidated to the Group's profit or loss thereafter.

The subscription for shares of DRL Capital is considered as a strategy to diversify the Group's investment portfolio.

The fair values of the identifiable assets and liabilities of DRL Capital as at date of subscription were as follows:

	Note	**HK$'000**
Financial assets at fair value through profit or loss		58,961
Dividend receivables		843
Prepayment and other receivables		50
Amount due from broker		2,609
Cash and bank balances		23,144
Financial liabilities at fair value through profit or loss		(501)
Amount due to broker		(364)
Management fee and other payables		(30,307)
Net assets attributable to redeemable participation rights	28	(24,435)
Total identifiable net assets and satisfied by cash consideration		30,000

34. BUSINESS COMBINATION (continued)

(c) Acquisition of DRL Capital (continued)

An analysis of the cash flows in respect of the acquisitions of DRL Capital is as follows:

	HK$'000
Cash consideration	(30,000)
Cash and bank balances acquired	23,144
Net outflow of cash and cash equivalents included in cash flows used in investing activities	(6,856)

Since the acquisition, DRL Capital contributed HK$1,538,000 to the Group's revenue and profit of HK$1,023,000 to the consolidated profit for the year ended 31 December 2014.

Had the acquisition taken place at the beginning of the year, the revenue of the Group and the profit of the Group for the year would have been HK$1,583,202,000 and HK$234,921,000, respectively.

35. CONTINGENT LIABILITIES

At the end of each reporting period, neither the Group nor the Company had any significant contingent liabilities.

36. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Major non-cash transaction

The Group entered into rental agreements in respect of its office premises located in Hong Kong and Beijing under operating leases. Pursuant to the terms and conditions of the rental agreements, the Group is required to restore the office premises to the conditions as stipulated in the rental agreements. During the year, the Group has accrued and capitalised the estimated restoration cost of HK$8,495,000 (2013: HK$4,366,000) for this obligation.

37. OPERATING LEASE COMMITMENTS

The Group leases its office properties, staff quarters, and certain equipment under operating lease arrangements. Leases for properties, staff quarters, and equipment are negotiated for terms ranging from four months to five years.

At 31 December 2014, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2014 HK$'000	2013 HK$'000
Within one year	**54,604**	47,264
In the second to fifth years, inclusive	**111,319**	82,620
Over five years	**–**	113
	165,923	129,997

38. COMMITMENTS

In addition to the operating lease commitments detailed in note 37 above, the Group had the following commitments at the end of the reporting period:

	2014 HK$'000	2013 HK$'000
Contracted, but not provided for:		
Acquisition of an available-for-sale investment	**6,278**	7,469
Capital contributions payable to a joint venture	**–**	12,603
	6,278	20,072

39. RELATED AND CONNECTED PARTY TRANSACTIONS

In addition to the transactions and balances detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year:

(a) Transactions with related parties in ordinary course of business:

	Notes	**2014 HK$'000**	2013 HK$'000
Commission expenses to:			
Spouse of a director of the Group's operating subsidiaries	(i)	**1,049**	1,062
Brother of a director of the Group's operating subsidiaries	(i)	**1,155**	840
Cousin of a director of the Group's operating subsidiaries	(i)	**5,909**	3,126
Commission and brokerage fee from securities dealings paid to a related party/a then fellow subsidiary	(ii)	**62**	417
Warrant placing commission fee to a fellow subsidiary	(iii)	**–**	24

Notes:

(i) The commission expenses were paid to the related parties who are also the Group's consultants and were determined based on the volume of brokerage transactions executed by them for the accounts of the Group. The commissions offered are substantially in line with those offered to other consultants of the Group.

(ii) The commission and brokerage fees were paid to Convoy Investment Services Limited ("CIS"), a fellow subsidiary and became a related party during the year (common director of the Company), for securities brokerage services rendered. The terms and conditions associated with the dealing of securities were made according to the terms and conditions offered to external customers of the then fellow subsidiary/related party.

(iii) The warrant placing commission fee was paid to CIS, based on the warrant placing agreement signed on 25 February 2013 as disclosed in note 31 to the financial statements. The terms and conditions associated with warrant placing commission was made according to the terms and conditions offered to the external customers of that fellow subsidiary/related party.

39. RELATED AND CONNECTED PARTY TRANSACTIONS (continued)

(b) Other transactions with related parties:

On 5 March 2013, the Group entered into the instrument of transfer with CFG, whereby the Group agreed to purchase and CFG agreed to sell the entire interests in CCL at a consideration of approximately HK$964,000, equivalent to the unaudited net asset value of CCL as at 31 January 2013. The transaction was completed on 5 March 2013.

(c) Outstanding balances with related parties:

The balance with a fellow subsidiary as at 31 December 2013 was unsecured, interest-free and repayable on demand.

(d) Compensation of key management personnel of the Group:

	2014 HK$'000	2013 HK$'000
Salaries, allowances, bonuses and benefits in kind	**15,275**	11,105
Pension scheme contributions	**1,001**	476
Total compensation paid to key management personnel	**16,276**	11,581

Further details of directors' emoluments are included in note 7 to the financial statements.

40. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of the categories of financial instruments as at the end of the reporting period are as follows:

Group

Financial assets

	Financial assets at fair value through profit or loss-held for trading		Loans and receivables		Available-for-sale investments		Total	
	2014 HK$'000	2013 HK$'000	2014 HK$'000	2013 HK$'000	2014 HK$'000	2013 HK$'000	2014 HK$'000	2013 HK$'000
Available-for-sale investments	–	–	–	–	40,136	12,984	40,136	12,984
Loans receivable	–	–	434,215	90,699	–	–	434,215	90,699
Accounts receivable	–	–	260,250	91,806	–	–	260,250	91,806
Deposits and other receivables	–	–	31,560	28,781	–	–	31,560	28,781
Financial assets at fair value through profit or loss	483,559	97,166	–	–	–	–	483,559	97,166
Due from a fellow subsidiary	–	–	–	19	–	–	–	19
Restricted cash	–	–	2,049	2,303	–	–	2,049	2,303
Cash and cash equivalents	–	–	366,803	275,025	–	–	366,803	275,025
Cash held on behalf of clients	–	–	159,186	–	–	–	159,186	–
	483,559	97,166	1,254,063	488,633	40,136	12,984	1,777,758	598,783

Financial liabilities

	Financial liabilities at fair value		Financial liabilities at amortised cost		Total	
	2014 HK$'000	2013 HK$'000	2014 HK$'000	2013 HK$'000	2014 HK$'000	2013 HK$'000
Accounts payable	–	–	356,059	210,900	356,059	210,900
Account payables to clients	–	–	159,186	–	159,186	–
Financial liabilities included in other payables and accruals	–	–	137,232	57,157	137,232	57,157
Due to a fellow subsidiary	–	–	–	115	–	115
Commission clawback	–	–	11,229	7,905	11,229	7,905
Financial liabilities at fair value through profit or loss	19,822	–	–	–	19,822	–
Bond payables	–	–	260,810	–	260,810	–
	19,822	–	924,516	276,077	944,338	276,077

40. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

Company

Financial assets

	Loans and receivables	
	2014 **HK$'000**	2013 HK$'000
Due from subsidiaries	**719,742**	306,098
Cash and cash equivalents	**29,634**	14,591
	749,376	320,689

Financial liabilities

	Financial liabilities at amortised cost	
	2014 **HK$'000**	2013 HK$'000
Due to subsidiaries	**92,380**	97,577
Other payables and accruals	**9,478**	2,779
Bond payables	**260,810**	–
	362,668	100,356

41. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

At the end of the reporting period, the carrying amounts of the Group's and Company's financial assets and financial liabilities approximate to their fair values.

Management has assessed that the fair values of cash and cash equivalents, restricted cash, loans receivables, accounts receivable, accounts payable, commission clawback, available-for-sale investments, financial investments through profit or loss, deposits and other receivables, financial liabilities included in other payables and accruals, amounts due from/to subsidiaries, an amount due from/to a fellow subsidiary approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the bonds have been calculated by discounting the expected future cash flows using rates currently available for instruments on similar terms, credit risk and remaining maturities. The Group's own non-performance risk for the bonds was assessed to be insignificant.

The Group has a special team to monitor the financial asset price risk and will consider hedging the risk exposure should the need arise.

41. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

The fair values of the non-current financial assets included in prepayments, deposits and other receivables, available-for-sale investments, non-current loans receivable and non-current financial liabilities included in other payables and accruals have been calculated by discounting the expected future cash flows using rates currently available for instruments on similar terms, credit risk and remaining maturities.

The fair value of the listed financial investments is based on quoted market prices.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

Group
As at 31 December 2014

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Financial investments at fair value through profit or loss	**384,441**	**99,158**	**–**	**483,599**

As at 31 December 2013

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Financial investments at fair value through profit or loss	97,166	–	–	97,166

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for financial assets. (2013: Nil).

41. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (continued)

Liabilities measured at fair value:

Group

As at 31 December 2014

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Financial liabilities at fair value through profit or loss	19,822	–	–	19,822

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for financial liabilities.

The Group did not have any financial liabilities measured at fair value as at 31 December 2013.

The Company did not have any financial instruments measured at fair value as the end of each reporting period.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash and cash equivalents and bond payables. The main purpose of these financial instruments is to finance the Group's operations. The Group has various other financial assets and liabilities such as loans receivable, accounts receivable, deposits and other receivables, restricted cash, accounts payable and financial liabilities included in other payables and accruals, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk, liquidity risk and equity and investment fund price risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group is exposed to interest rate risk through the impact of rate changes on interest-bearing financial assets. Cash at banks earns interest at floating rates based on daily bank deposit rates.

Foreign currency risk

The Group mainly operates in Hong Kong and Mainland China with most of the Group's monetary assets, liabilities and transactions principally denominated in Hong Kong dollars and Renminbi, respectively. Majority of the commission revenue and expenditure incurred by the operating units of the Group was denominated in the units' functional currencies and as a result, the Group does not anticipate significant transactional currency exposures. The Group has not used any derivative to hedge its exposure to foreign currency risk.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk

The Group conducts business only with recognised and creditworthy third parties. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's financial assets, which comprise loans receivable, accounts receivable, deposits and other receivables, cash held on behalf of clients, restricted cash and cash and cash equivalents, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

During the year ended 31 December 2014, 37% (2013: 49%) and 57% (2013: 80%) of the Group's revenue were derived from the Group's largest product issuer and the five largest product issuers, respectively. For the purpose of identifying major product issuers, revenue derived from proprietary investment segment, including unrealised fair value gains on financial investments at fair value through profit or loss, net; realised losses on disposals of financial investments at fair value through profit or loss, net; gains on disposals of available-for-sale investments; interest income from debt investments and dividend income from financial investments at fair value through profit or loss, are excluded.

At the end of the reporting period, the Group had certain concentrations of credit risk of accounts receivable as 53% (2013: 37%) and 89% (2013: 82%) of the Group's accounts receivable were due from the Group's largest product issuer and the five largest product issuers, respectively.

At the end of the reporting period, the Group had certain concentrations of credit risk of loans receivable as 22% (2013: 34%) and 54% (2013: 70%) of the Group's loans receivable were due from the Group's largest loan borrower and the five largest loan borrowers, respectively.

All cash held on behalf of clients are located in Hong Kong and deposited with a financial institution. Since the corporate finance team regularly reviews the cash position and the financial institution is financially solid, in the opinion of the directors, the concentration risk of cash held on behalf of clients is manageable.

Further quantitative data in respect of the Group's exposure to credit risk arising from accounts receivable, loans receivable and deposits and other receivables are disclosed in notes 19, 20 and 21 to the financial statements, respectively.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk

In order to manage liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

Group

	2014				
	On demand HK$'000	Less than 3 months HK$'000	3 to less than 12 months HK$'000	1 to 5 years HK$'000	Total HK$'000
Accounts payable	–	308,516	47,543	–	356,059
Account payables to clients	159,186	–	–	–	159,186
Bond payables	–	4,350	13,050	369,000	386,400
Financial liabilities included in other payables and accruals	–	137,232	–	–	137,232
Financial liabilities at fair value through profit and loss	19,822	–	–	–	19,822
Commission clawback	11,229	–	–	–	11,229
	190,237	450,098	60,593	369,000	1,069,928

	2013			
	On demand HK$'000	Less than 3 months HK$'000	3 to less than 12 months HK$'000	Total HK$'000
Accounts payable	–	54,245	156,655	210,900
Financial liabilities included in other payables and accruals	729	56,428	–	57,157
Due to a fellow subsidiary	115	–	–	115
Commission clawback	7,905	–	–	7,905
	8,749	110,673	156,655	276,077

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

Company

	2014 On demand HK$'000	Less than 3 months HK$'000	3 to less than 12 months HK$'000	1 to 5 years HK$'000	Total HK$'000
Bond payables	–	4,350	13,050	369,000	386,400
Due to subsidiaries	92,380	–	–	–	92,380
Other payables and accruals	–	9,478	–	–	9,478
	92,380	13,828	13,050	369,000	488,258

	2013 On demand HK$'000	Less than 3 months HK$'000	Total HK$'000
Due to subsidiaries	97,577	–	97,577
Accruals	–	2,779	2,779
	97,577	2,779	100,356

Equity, debt and investment fund price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of underlying individual securities. The Company is exposed to equity price risk arising from individual equity classified as trading investments (note 22) as at 31 December 2014.

Debt and investment fund risk is the risk that the fair value or future cash flows of debt and investment funds will fluctuate due to changes in the interest rates or prices of underlying securities. The maximum risk resulting from debt and investment funds equals their fair values. The management manages this exposure by maintaining a portfolio of investments with different risks. The Group has a special team to monitor the price risk and will consider hedging the risk exposure should the need arise.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Equity, debt and investment fund price risk (continued)

The following table demonstrates the sensitivity to every 30% (2013: 30%) change in the fair values of the equity investments, debt investments and investment funds to which the Group has significant exposure at the end of the reporting period, with all other variables held constant and before any impact on tax.

	Carrying amount of investments HK$'000	Increase/ (decrease) in profit before tax HK$'000
2014		
Financial assets		
Equity investments listed in:		
Hong Kong – held-for-trading	**380,194**	**114,058**
Overseas – held-for-trading	**4,247**	**1,274**
Unlisted debt investments	**58,695**	**17,609**
Overseas fund investments	**40,463**	**12,139**
Financial liabilities		
Equity investments listed in:		
Hong Kong – held-for-trading	**15,645**	**(4,694)**
Overseas – held-for-trading	**4,122**	**(1,237)**
Derivative instruments	**55**	**(17)**
2013		
Financial assets		
Equity investments listed in:		
Hong Kong – held-for-trading	97,166	29,150

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain a healthy capital ratio in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

The Group is not subject to any externally imposed capital requirements except for (i) a subsidiary registered under the Insurance Companies Ordinance of Hong Kong which is subject to the relevant minimum capital requirement; and (ii) two subsidiaries which are regulated entities under the Securities and Futures Commission of Hong Kong and subject to the relevant minimum capital and minimum liquid capital requirements. Liquid capital requirement is defined as the amounts by which liquid assets exceed ranking liabilities as stated in the Hong Kong Securities and Futures (Financial Resources) Rules.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management (continued)

During the year, all subsidiaries at all times complied with the externally imposed capital requirement, including (i) maintaining both minimum paid-up share capital and minimum net assets of HK$100,000; and (ii) maintaining minimum paid-up share capital of HK$5,000,000 and reviewing the excess of liquid assets over ranking liabilities against its required liquid capital on a daily basis.

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2014 and 31 December 2013.

Capital of the Group comprises all components of shareholders' equity.

43. SIGNIFICANT EVENT AFTER THE REPORTING PERIOD

(i) On 7 January 2015, Rich Victory (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company, has entered into the provisional agreement to purchase the whole of the 20th floor of the development to be erected on Sha Tin Town Lot No. 412 (also known as No. 3 On Kwan Street), Shatin, New Territories, Hong Kong (the "Property"), with Speedy Tact Development Limited, the vendor, a company incorporated in Hong Kong with limited liability, at the consideration of HK$107,413,770. The Group intends to hold the Property for investment purposes and/or self-use as back office and will, depending on the market circumstances, lease out all or part of the Property for rental income.

(ii) On 6 February 2015, the Company announced its proposal to raise not less than HK$461,043,000 and not more than HK$521,043,000 before expenses by issuing not less than 1,844,172,000 offer shares and not more than 2,084,172,000 offer shares at the subscription price of HK$0.25 per offer share on the basis of three offer shares for every one existing share held on record date and payable in full on application. The open offer is subject to approval by the independent shareholders at the extraordinary general meeting of the Company by poll in accordance with the requirements of Rule 7.24(5)(a) of the Listing Rules.

44. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 25 March 2015.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results for the last five years and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the respective published audited financial statements, is set out below.

RESULTS

	Year ended 31 December				
	2014 HK$'000	2013 HK$'000	2012 HK$'000	2011 HK$'000	2010 HK$'000
REVENUE	**1,590,601**	1,018,983	703,812	652,958	572,548
Other income and gains, net	**1,340**	6,924	2,100	2,186	2,817
Commission and advisory expenses	**(838,206)**	(622,691)	(423,333)	(390,608)	(330,146)
Staff costs	**(165,218)**	(104,185)	(79,204)	(60,369)	(49,743)
Depreciation	**(20,924)**	(18,737)	(14,728)	(15,515)	(15,856)
Commission clawback	**(11,601)**	(8,412)	(6,694)	(6,332)	(6,035)
Other expenses	**(244,002)**	(160,479)	(174,659)	(117,867)	(95,196)
Profit attributable to non-controlling investors of an investment fund	**(461)**	–	–	–	–
Finance cost	**(3,086)**	–	–	–	–
PROFIT BEFORE TAX	**308,443**	111,403	7,294	64,453	78,389
Income tax expense	**(66,965)**	(19,825)	(14,387)	(15,056)	(14,110)
PROFIT/(LOSS) FOR THE YEAR	**241,478**	91,578	(7,093)	49,397	64,279
OTHER COMPREHENSIVE INCOME/(LOSS)					
Exchange differences on translation of foreign operations	**66**	(179)	49	78	16
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	**241,544**	91,399	(7,044)	49,475	64,295

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December				
	2014 HK$'000	2013 HK$'000	2012 HK$'000	2011 HK$'000	2010 HK$'000
TOTAL ASSETS	**1,877,281**	716,024	402,268	371,041	343,030
TOTAL LIABILITIES	**(1,077,191)**	(310,411)	(218,265)	(148,728)	(157,964)
NON-CONTROLLING INTERESTS	**(43,096)**	(1,572)	7,957	(254)	–

DEFINITIONS

In this annual report, unless the context otherwise requires, the following expressions have the following meanings:

"Articles"	means the articles of association of the Company
"Board" or "Board of Directors"	means the board of Directors of the Company
"CAM"	means Convoy Asset Management Limited, a company incorporated in Hong Kong with limited liability on 24 November 1999 and is licensed by the SFC to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activities under SFO
"CFG"	means Convoy Financial Group Limited (康宏金融集團有限公司), a company incorporated in the British Virgin Islands with limited liability
"CFS"	means Convoy Financial Services Limited (康宏理財服務有限公司) (formerly known as Wardley Shipping Limited (和利船務有限公司), Equitable Insurance Management Limited (公正保險管理有限公司), Convoy Insurance Brokers Limited (康威保險經紀行有限公司) and Convoy NPL Financial Services Limited (康宏理財服務有限公司)), a company incorporated in Hong Kong with limited liability on 12 March 1992, an indirect wholly-owned subsidiary of our Company and a registered member of PIBA and corporate intermediary of MPFA
"Company" or "our Company"	means Convoy Financial Holdings Limited (formerly known as Convoy Financial Services Holdings Limited) (康宏金融控股有限公司(前稱(康宏理財控股有限公司)), a company incorporated in the Cayman Islands on 12 March 2010 with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 1019)
"Consultant(s)"	means individual(s) registered with PIBA as technical representative(s) and accredited to CFS, and engaged by CFS to provide services to customers and potential customers in negotiating contracts of insurance and, in some cases, MPF schemes
"Director(s)"	means the director(s) of our Company
"DPMS"	means Discretionary Portfolio Management Service
"ECA"	means the Employee Choice Arrangement of MPF
"Group", "Our Group", "we", "us" or "Convoy"	means the Company and its subsidiaries
"HK$" or "HK dollars"	means Hong Kong dollars, the lawful currency of Hong Kong
"HK cents"	means Hong Kong cents, the lawful currency of Hong Kong
"HKICPA"	means the Hong Kong Institute of Certified Public Accountants
"Hong Kong"	means Hong Kong Special Administrative Region of PRC
"IA"	means the public officer appointed as the Insurance Authority pursuant to the Insurance Companies Ordinance
"IFA"	means independent financial advisory
"IFPHK"	means Institute of Financial Planners of Hong Kong
"ILAS"	means the acronym for Investment-linked Assurance Scheme, an insurance policy of the "linked long term" class as defined in First Schedule, Part 2 of the ICO

DEFINITIONS

"Independent Third Party"	means independent third party who is not connected person (as defined in the Listing Rules) of the Company and is independent of and not connected with the connected persons of the Company
"Insurance Companies Ordinance" or "ICO"	means the Insurance Companies Ordinance (Chapter 41 of the Laws of Hong Kong), as amended and supplemented from time to time
"Kerberos"	means Kerberos (Nominee) Limited, a company incorporated in Hong Kong with limited liability on 20 April 2007
"Listing"	means the listing of our Shares on the Main Board
"Listing Date"	means 13 July 2010
"Listing Rules"	means the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
"Macau"	means Macau Special Administrative Region of PRC
"Main Board"	means the main board of the Stock Exchange
"MPF"	means Mandatory Provident Fund
"MPFA"	means Mandatory Provident Fund Schemes Authority
"Renminbi" or "RMB"	means Renminbi, the lawful currency of the PRC
"Reorganisation"	means the reorganisation of group of companies now comprising our Group in preparing for the Listing completed on 21 June 2010, details of which are set forth under the paragraph headed "History and development" in the section headed "Corporate history, development and Reorganisation" and under the paragraph headed "Corporate Reorganisation" in Appendix V to the Prospectus
"PIBA"	means Professional Insurance Brokers Association, a body of insurance brokers which is approved by the IA under the Insurance Companies Ordinance
"PRC"	means the People's Republic of China
"Prospectus"	means the prospectus issued by the Company dated 29 June 2010
"SFC"	means the Securities and Futures Commission of Hong Kong
"SFO"	means The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	means ordinary share(s) with a nominal value of HK$0.10 each in the share capital of our Company
"Stock Exchange"	means The Stock Exchange of Hong Kong Limited
"US$"	means United States dollars, the lawful currency of the United States
"%"	means per cent.

CONVOY 康宏