South China Financial Holdings Limited

Incorporated in Hong Kong with limited liability

Stock Code : 619

2014 Annual Report

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Ng Hung Sang (*Chairman*)
Mr. Richard Howard Gorges (*Vice-chairman*)
Ms. Cheung Choi Ngor (*Vice-chairman*)
Mr. Ng Yuk Yeung Paul (*Vice-chairman*)

Independent Non-executive Directors

Mrs. Tse Wong Siu Yin Elizabeth
Hon. Raymond Arthur William Sears, Q.C.
Mr. Tung Woon Cheung Eric

AUDIT COMMITTEE

Mr. Tung Woon Cheung Eric
(*Chairman of the Committee*)
Mrs. Tse Wong Siu Yin Elizabeth
Hon. Raymond Arthur William Sears, Q.C.

REMUNERATION & NOMINATION COMMITTEE

Mrs. Tse Wong Siu Yin Elizabeth
(*Chairman of the Committee*)
Hon. Raymond Arthur William Sears, Q.C.
Mr. Tung Woon Cheung Eric

COMPANY SECRETARY

Mr. Shing On Wai

REGISTERED OFFICE

28th Floor, Bank of China Tower
1 Garden Road, Central
Hong Kong

AUDITORS

Ernst & Young
Certified Public Accountants

BANKERS

Standard Chartered Bank (Hong Kong) Limited
Bank of Communications Co., Limited
Chong Hing Bank Limited
Bank of China (Hong Kong) Limited
Nanyang Commercial Bank, Limited
Hang Seng Bank Limited
The Bank of East Asia, Limited
Dah Sing Bank, Limited
Industrial and Commercial Bank of China (Asia) Limited
OCBC Wing Hang Bank Limited
China Construction Bank (Asia) Limited
DBS Bank (Hong Kong) Limited
The Hongkong and Shanghai Banking Corporation Limited
China CITIC Bank International Limited
Public Bank (Hong Kong) Limited
Fubon Bank (Hong Kong) Limited
Chiyu Banking Corporation Ltd.

SHARE REGISTRAR AND TRANSFER OFFICE

Union Registrars Limited
A18/F., Asia Orient Tower
Town Place, 33 Lockhart Road
Wanchai, Hong Kong

STOCK CODE

619

WEBSITE

http://www.sctrade.com

Chairman's Statement and Management Discussion and Analysis

I am pleased to report the activities of South China Financial Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") for the year ended 31 December 2014.

FINANCIAL SUMMARY

Today the Group is a stronger business with better prospects to meet the increasing opportunities made available by the booming China market.

The China market has advanced with important milestones in 2014. With the implementation of the Shanghai-Hong Kong Stock Connect in the second half of 2014, cross border flow of funds between Hong Kong and the mainland and market turnovers have significantly increased, boosting "A" share performance and the Hang Seng Index in the later half of the year. Implemented in conjunction, the relaxation of RMB exchange regulations for Hong Kong residents have significantly increased the RMB offshore pool and generated many new business opportunities. The Shenzhen-Hong Kong Stock Connect, expected to be implemented in 2015, will present another wave of new stimulus to the market.

In the meantime, global market conditions continued to be challenging with unbounded uncertainties. While investors wait for the ending of Quantitative Easing ("QE") in the U.S. and its implementation in Europe, Japan's QE implementation and geopolitics in Europe and the Middle East have weighed heavily on the global financial and currency market. Regulatory compliance demanded unprecedented vigilance to governance in all business areas and locations. Closer to home in the PRC, changes to policies and regulations are fast and often abrupt, such as the implementation of market liberalization policies and controls on brokerage business. All of them demanded attentive daily management and readiness in adjustment of business models.

The Group recorded a loss of HK$72.9 million for the year ended 31 December 2014 compared with the profit of HK$1.2 million for the year ended 31 December 2013.

DIVIDEND

The board of directors of the Company (the "Board") did not recommend the payment of a final dividend for the year ended 31 December 2014 (2013: Nil). No interim dividend was paid during the year ended 31 December 2014 (2013: Nil).

BUSINESS REVIEW

Broking, trading and investment

Total value of transaction recorded by the Group in relation to securities brokerage for the year ended 31 December 2014 was about the same level in comparison to the same period in 2013. Due to keen competition, revenue from this segment has slightly decreased to HK$54.1 million for the year ended 31 December 2014 as compared to HK$55.5 million for the year ended 31 December 2013. Operating loss for the year ended 31 December 2014 for this segment was HK$24.4 million, an improvement of HK$2.2 million as compared to the same period in 2013.

Due to improving investment sentiment especially in the second half of 2014, trading and investment loss was trimmed down from HK$33.1 million for the year ended 31 December 2013 to HK$11.4 million for the year ended 31 December 2014.

Margin financing and money lending

Our loan and advance portfolio for margin financing, finance lease and personal loan amounted to HK$200.9 million as at 31 December 2014 as compared with HK$224.0 million as at 31 December 2013. Revenue from margin financing and money lending was $19.8 million for the year ended 31 December 2014 which was about the same level for the year ended 31 December 2013. Operating profit for this segment amounted to HK$7.9 million for the year ended 31 December 2014.

Corporate advisory and underwriting

Our corporate advisory and underwriting business continued to improve in contributing revenue in 2014. Revenue from this segment increased by 33% from HK$4.3 million for the year ended 31 December 2013 to HK$5.7 million for the year ended 31 December 2014. Operating loss was further reduced from HK$2.9 million for the year ended 31 December 2013 to HK$1.4 million for the year ended 31 December 2014, representing an improvement of 50.5%.

Wealth management

Revenue from wealth management was HK$3.0 million for the year ended 31 December 2014 compared to HK$3.5 million for the year ended 31 December 2013. Operating loss increased from HK$1.6 million for the year ended 31 December 2013 to HK$1.9 million for the year ended 31 December 2014.

Property investment

As of 31 December 2014, all the floor area under investment properties was rented out to third parties. Rental income of HK$8.4 million was recorded for the year ended 31 December 2014. As a result of the fair value loss of HK$33.2 million of the investment properties as at 31 December 2014, operating loss of HK$26.2 million was recorded for the year ended 31 December 2014 as compared with the profit of HK$75.1 million in 2013.

Other business

The Group commenced to build up the business in providing clearing and custodian services to clients in the last quarter of 2013. This segment contributed revenue of HK$4.9 million for the year ended 31 December 2014. Operating profit of HK$2.0 million was recorded for the year ended 31 December 2014.

LIQUIDITY AND FINANCIAL RESOURCES

The Group had obtained short term bank credit facilities which were reviewed on a yearly basis and a long term mortgage loan. The facilities for the share margin finance operations were secured by the securities of our margin clients and the Group. The facilities for the money lending operations were clean loans. The outstanding credit facilities were guaranteed by the Company.

The Group monitors capital using a gearing ratio, which is net debt divided by capital plus net debt. Net debt includes interest-bearing bank borrowings, other borrowings, less cash and bank balances. Capital represents total equity. As at 31 December 2014, net debt amounted to HK$357.7 million (31 December 2013: HK$390.9 million), which, when related to the Group's capital and net debt of HK$791.6 million (31 December 2013: HK$893.5 million), represented a gearing ratio of approximately 45.2% (31 December 2013: 43.8%).

The Group had a cash balance of HK$127.2 million at the end of the year (31 December 2013: HK$102.1 million). The Group had sufficient working capital to meet its operational needs.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

As at 31 December 2014, the Group had no significant exposure to fluctuations in foreign exchange rates and any related hedges.

CAPITAL STRUCTURE

There was no material change in the Group's capital structure as compared to the most recent published interim report.

MATERIAL ACQUISITIONS AND DISPOSALS

The Group had no material acquisitions and disposals of subsidiaries and associates for the year ended 31 December 2014.

CHARGES ON ASSETS

As at 31 December 2014, the Group's investment properties and listed securities were pledged to banks for banking facilities.

CONTINGENT LIABILITIES

As at 31 December 2014, the Group had no material contingent liabilities.

INVESTMENTS

For the year ended 31 December 2014, the Group's portfolio of Hong Kong listed securities decreased mainly due to net disposal offset by the revaluation gain during the year.

EMPLOYEES

As at 31 December 2014, the total number of employees of the Group was 171 (31 December 2013: 181). Employee's cost (including directors' emoluments) amounted to approximately HK$58.5 million for the year (2013: approximately HK$56.6 million).

In addition to salary, other fringe benefits such as medical subsidies, life insurance, provident fund and subsidized external training. Continuous professional training will continue to be arranged for those staff registered with the Securities and Futures Commission. Performance of the employees is normally reviewed on an annual basis with adjustment compatible to the market. Individual employee may also receive a discretionary bonus at the end of each year based on performance. Employee may also be granted share option under the share option scheme adopted by the Company.

PROSPECTS

As a focused local financial institution, the Group offers an integrated set of products and services for its targeted clients. Our products and services are designed and distributed to meet our clients' needs. We are seeing a gradual result from our full-fledged financial service platform.

The uninspiring European economy and expected U.S. interest rate hikes will continue to subdue global economic growth in the short term. Income growth will be challenging in the global market but the prospects are much brighter in China, which remains to be the world's powerhouse of economic growth. As compared to its accelerated growth in the past two decades, China's economic growth will be moderate but it will steadfastly continue with supportive government policies and financial services reforms. However, regulatory focus would be more scrupulous as ever across the globe and China will be following in the same light, thus affecting the sustainability and profitability of products, businesses and the structural formation of businesses worldwide and locally.

Our strategy to identify core activities and invest in them for growth remains on course. Using our extensive local expertise and capabilities, we provide a broad array of comprehensive solutions. Our IPO pipeline is growing in 2015. Having completed restructuring of our asset management team, we are ready to launch new funds and services in 2015. We are increasing our loan books and will continue to develop our margin financing business.

Technological improvements enhance the experience of clients and can reduce their costs and ours. We are revamping our web and mobile services and embark on more backroom automation to generate long-term rewards.

Our colleagues are fully engaged and our new programs are ready for the year. We are committed to deliver on the strategy of focusing on core businesses to generate sustainable returns and meet the needs of all our clients and shareholders.

APPRECIATION

On behalf of the Board, I wish to express my gratitude to our customers and shareholders for their continued support and all our staff members for their hard work and dedicated service.

Ng Hung Sang
Chairman

Hong Kong, 30 March 2015

Directors' Biographical Details

EXECUTIVE DIRECTORS

Mr. Ng Hung Sang, aged 65, is an Executive Director, the Chairman and a member of the Executive Committee of the Company. He is actively involved in the overall corporate policies, strategic planning and business development of the Group. Mr. Ng is also an executive director and the chairman of South China (China) Limited ("SCC") and South China Land Limited ("SCL"). He holds a Master degree in marketing from Lancaster University in the United Kingdom and is a fellow member of the Chartered Institute of Management Accountants. Mr. Ng was appointed as a Director of the Company on 7 December 1988. Mr. Ng is the father of Mr. Ng Yuk Yeung Paul, an Executive Director of the Company, and a director of certain substantial shareholders of the Company within the meaning of Part XV of the Securities and Futures Ordinance.

Mr. Richard Howard Gorges, aged 71, is an Executive Director, a Vice-chairman and a member of the Executive Committee of the Company. He is also an executive director and a vice-chairman of SCC, and an executive director of SCL. He holds a Master degree in law from Cambridge University in the United Kingdom. Mr. Gorges was appointed as a Director of the Company on 7 December 1988.

Ms. Cheung Choi Ngor, aged 61, is an Executive Director, a Vice-chairman and a member of the Executive Committee of the Company. She is also an executive director, a vice-chairman and the chief executive officer of SCC, and an executive director of SCL. She holds a Master degree in business administration from University of Illinois in the United States of America. Ms. Cheung is a member of the National Committee of the Chinese People's Political Consultative Conference. Ms. Cheung was appointed as a Director of the Company on 7 December 1988.

Mr. Ng Yuk Yeung Paul, aged 33, is an Executive Director, a Vice-chairman and a member of the Executive Committee of the Company. He is also an executive director and the chief executive officer of SCL. Mr. Ng graduated in law from Corpus Christi College, University of Cambridge (the "University") in the United Kingdom and is a Scholar of the University. Mr. Ng is an associate member of the Chartered Institute of Management Accountants and a standing committee member of Liaoning Province Committee of the Chinese People's Political Consultative Conference. Mr. Ng was appointed as a Director of the Company on 15 September 2003 and was appointed as a Vice-chairman of the Company on 1 December 2010. He has been engaged in the financial services, tourism and media businesses for more than ten years. Mr. Ng is a son of Mr. Ng Hung Sang, the Chairman of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mrs. Tse Wong Siu Yin Elizabeth, aged 57, is an Independent Non-executive Director, a member of the Audit Committee and the chairman of the Remuneration and Nomination Committee of the Company. She is also an independent non-executive director of SCC. Mrs. Tse is also the chairman of the Hong Kong Flower Retailers Association, the convenor of Youth Skills Competition in Floristry of Vocational Training Council, the technical advisor of the Environmental Services Industry of Employees Retraining Board, a member of the judge panel of Hong Kong Flower Show and a member of Small and Medium Enterprises Committee. She received an award of the Hundred Outstanding Women Entrepreneur in China in 2009. She holds a Bachelor degree of Science from the University of Western Ontario in Canada. Mrs. Tse was appointed as an Independent Non-executive Director of the Company on 25 November 1992.

Hon. Raymond Arthur William Sears, Q.C., aged 82, is an Independent Non-executive Director, a member of the Audit Committee and the Remuneration and Nomination Committee of the Company. He is a retired High Court Judge and holds a Master's degree in law from Cambridge University in the United Kingdom. Mr. Sears became a Queen's Counsel in 1975 and was a former vice-chairman of the Judicial Section of the International Bar Association. In the United Kingdom, he had been a leading Counsel in England to the Government and large Authorities on redevelopment and construction projects and to the General Medical Council. In 1986 and 1987, Mr. Sears was a Justice of the Supreme Court of Hong Kong and the Commissioner to the Sultan of Brunei, respectively. From 1994 to 1999, he was a Senior Civil High Court Judge. Mr. Sears was appointed as an Independent Non-executive Director of the Company on 24 March 2000.

Mr. Tung Woon Cheung Eric, aged 44, is an Independent Non-executive Director, the chairman of the Audit Committee and a member of the Remuneration and Nomination Committee of the Company. He is the assistant president and general manager of the finance department of Beijing Enterprises Holdings Limited, a company listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"); an executive director, the chief financial officer and company secretary of Beijing Enterprises Water Group Limited, a company listed on the Main Board of the Stock Exchange; an independent non-executive director of GR Properties Limited, a company listed on the Main Board of the Stock Exchange; the company secretary of Biosino Bio-technology and Science Incorporation, a company listed on the Growth Enterprise Market of the Stock Exchange. Mr. Tung graduated from York University, Toronto, Canada with a bachelor honours degree in administrative studies. He is a Certified Public Accountant of Hong Kong Institute of Certified Public Accountants and a U.S. Certified Public Accountant of The American Institute of Certified Public Accountants. Mr. Tung was appointed as an Independent Non-executive Director of the Company on 21 September 2004.

Directors' Report

The directors of the Company (the "Directors") submit their report and the audited consolidated financial statements for the year ended 31 December 2014.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiaries consist of securities, commodities, bullion and forex broking and trading, margin financing, money lending, provision of corporate advisory and underwriting services, wealth management, property investment and investment holding.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2014 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 24 to 103 of this Annual Report.

The Board does not recommend the payment of a final dividend for the year ended 31 December 2014 (2013: Nil). No interim dividend was paid during the year ended 31 December 2014 (2013: Nil).

SUMMARY OF FINANCIAL INFORMATION

A summary of the results and assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the audited financial statements and restated/reclassified as appropriate, is set out on page 104 of this Annual Report. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of movements in the property, plant and equipment and investment properties of the Group during the year are set out in notes 13 and 14 to the financial statements, respectively.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital and share options during the year are set out in notes 32 and 33 to the financial statements.

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

During the year ended 31 December 2014, the Company did not redeem any of its shares listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") nor did the Company or any of its subsidiaries purchase or sell any such shares.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 34 to the financial statements and in the consolidated statement of changes in equity respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2014, the Company has no reserves available for distribution.

DIRECTORS

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

Executive Directors:
Ng Hung Sang (*Chairman*)
Richard Howard Gorges (*Vice-chairman*)
Cheung Choi Ngor (*Vice-chairman*)
Ng Yuk Yeung Paul (*Vice-chairman*)
Chan Hing Wah (*Chief Executive Officer*) (resigned on 3 October 2014)

Independent Non-executive Directors:
Tse Wong Siu Yin Elizabeth
Raymond Arthur William Sears, Q.C.
Tung Woon Cheung Eric

In accordance with Article 116 of the articles of association of the Company, Mr. Richard Howard Gorges, Ms. Cheung Choi Ngor and Mr. Tung Woon Cheung Eric will retire from office at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received an annual confirmation of his/her independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange from each of the Independent Non-executive Directors, namely Mrs. Tse Wong Siu Yin Elizabeth, Hon. Raymond Arthur William Sears, Q.C. and Mr. Tung Woon Cheung Eric for the year ended 31 December 2014 and as at the date of this report, the Company still considers the Independent Non-executive Directors to be independent.

DIRECTORS' BIOGRAPHIES

Biographical details of the Directors are set out on pages 7 and 8 of this Annual Report.

DIRECTORS' SERVICE CONTRACTS

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).

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

As at 31 December 2014, the interests and short positions of the Directors and chief executive of the Company in the 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, Chapter 571 of the laws of Hong Kong (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO (the "Register of Directors' and Chief Executives' Interests"), or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules, were as follows:

(a) The Company

Long positions in shares

Name of Directors	Capacity	Number of ordinary shares	Total number of ordinary shares	Approximate percentage of shareholding to total issued ordinary shares
Ng Hung Sang ("Mr. Ng")	Beneficial owner	185,554,400	1,870,713,624	37.21%
	Interest of spouse	115,100,000		
	Interest of controlled corporation	1,570,059,224 *(Note a)*		
Richard Howard Gorges ("Mr. Gorges")	Beneficial owner	209,174,000	209,174,000	4.16%
Cheung Choi Ngor ("Ms. Cheung")	Beneficial owner	205,000,000	205,000,000	4.08%
Raymond Arthur William Sears, Q.C.	Interest of spouse	1,600,000	1,600,000	0.03%
Ng Yuk Yeung Paul	Beneficial owner	195,000,000	195,000,000	3.88%

(b) Associated corporation

South China Financial Credits Limited ("SCFC") *(Note b)*

Long positions in shares

Name of Director	Capacity	Number of ordinary shares	Approximate percentage of shareholding to total issued ordinary shares
Ng Yuk Yeung Paul	Beneficial owner	250,000	0.59%

Notes:

(a) *The 1,570,059,224 shares of the Company held by Mr. Ng through controlled corporations included 606,720 shares held by Bannock Investment Limited ("Bannock"), 292,800 shares held by Earntrade Investments Limited ("Earntrade"), 792,100,504 shares held by Fung Shing Group Limited ("Fung Shing"), 743,728,000 shares held by Parkfield Holdings Limited ("Parkfield") and 33,331,200 shares held by Ronastar Investments Limited ("Ronastar"). Fung Shing, Parkfield and Ronastar were wholly-owned by Mr. Ng. Bannock was a wholly-owned subsidiary of Earntrade which was owned as to 60% by Mr. Ng, 20% by Mr. Gorges and 20% by Ms. Cheung.*

(b) *SCFC is a 98.81%-owned subsidiary of the Company.*

Save as disclosed above, as at 31 December 2014, none of the Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the Register of Directors' and Chief Executives' Interests, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTION SCHEME

The Directors, employees of the Group and participants as described under the relevant share option scheme of the Company are entitled to participate in the share option scheme of the Company. Particulars of the share option scheme of the Company are set out in note 33 to the financial statements.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the section "Share Option Scheme", at no time during the year was the Company, or any of its holding companies, fellow subsidiaries or subsidiaries, a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors, the chief executives or any of their spouses or children under the age of 18, was granted any right to subscribe for the equity or debt securities of the Company or any other body corporate nor had exercised any such right.

RETIREMENT BENEFIT PLAN

Details of the retirement benefit plan of the Group are set out in note 2.4 to the financial statements.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Details of transactions during the year between the Group and other companies in which certain Directors have beneficial interests are set out in note 41 to the financial statements.

Save as disclosed above, no contract of significance in relation to the business of the Group to which the Company, or any of its holding companies, or any of its subsidiaries or fellow subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

MANAGEMENT CONTRACTS

No contract for the management and administration of the whole or any substantial part of the business of the Company was entered into or subsisted during the year.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2014, the following person/corporations, other than the Directors or the chief executives of the Company, had interests and short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO (the "Register of Substantial Shareholders' Interests"):

Long position in shares

Name of shareholders	Capacity	Number of ordinary shares	Approximate percentage of shareholding to total issued ordinary shares
Earntrade	Beneficial owner and interest of a controlled corporation	899,520 *(Note a)*	0.02%
Bannock	Beneficial owner	606,720 *(Note a)*	0.01%
Parkfield	Beneficial owner	743,728,000	14. 79%
Fung Shing	Beneficial owner	792,100,504	15.75%
Ng Lai King Pamela ("Ms. Ng")	Beneficial owner and interest of spouse	1,870,713,624 *(Note b)*	37.21%

Notes:

(a) *Bannock was a wholly-owned subsidiary of Earntrade. The 899,520 shares in the Company held by Earntrade included the 606,720 shares held by Bannock directly.*

(b) *Ms. Ng, who held 115,100,000 shares in the Company beneficially, was the spouse of Mr. Ng, the Chairman and an Executive Director of the Company. By virtue of the SFO, Ms. Ng was deemed to be interested in the 185,554,400 shares and 1,570,059,224 shares held by Mr. Ng beneficially and through controlled corporations respectively as disclosed under the section headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company or Any Associated Corporation" above.*

Save as disclosed above, as at 31 December 2014, no person or corporation, other than the Directors or the chief executive of the Company, whose interests are set out in the section headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company or Any Associated Corporation" above, had any interests or short positions in the shares or underlying shares of the Company as recorded in the Register of Substantial Shareholders' Interests.

SUFFICIENCY OF PUBLIC FLOAT

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

CORPORATE GOVERNANCE CODE

Details of the compliance by the Company with the Corporate Governance Code contained in Appendix 14 of the Listing Rules are set out on pages 16 to 21 of this Annual Report.

CHANGES OF INFORMATION IN RESPECT OF DIRECTORS

In accordance with Rule 13.51B(1), the changes of the information required to be disclosed by Directors pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) since the publication of the Company's latest interim report up to the date of this Annual Report are set out below:

Mr. Ng, Mr. Gorges and Ms. Cheung resigned as executive directors of South China Holdings Limited ("SCH") (now known as Orient Victory China Holdings Limited), a company listed on the Main Board of the Stock Exchange, with effect from 3 October 2014. Mrs. Tse Wong Siu Yin Elizabeth resigned as an independent non-executive director of SCH with effect from 3 October 2014.

Mr. Gorges and Ms. Cheung were no longer directors of any substantial shareholder of the Company since Earntrade and Bannock, of which Mr. Gorges and Ms. Cheung are directors, ceased to be substantial shareholders of the Company on 31 December 2014.

Each of Mrs. Tse Wong Siu Yin Elizabeth and Mr. Tung Woon Cheung Eric was entitled to an annual director's fee of HK$100,000 adjusted from HK$75,000 effective from 1 January 2015. Hon. Raymond Arthur William Sears, Q.C. was entitled to an annual director's fee of HK$240,000 adjusted from HK$100,000 effective from 1 January 2015.

The total remuneration of Mr. Gorges for the year ended 31 December 2014 amounting to HK$640,000 (comprising of director's fees of HK$10,000, salaries of HK$600,000 and pension scheme contribution of HK$30,000). While Mr. Gorges remained entitled to the same director's fees at HK$10,000 per annum, by mutual agreement he ceased to be employed by the Company on 30 April 2014 despite continuing to be a director of the Company. Due to an inadvertent oversight, such a change of director's remuneration was not included in the Group's Interim Report for the six months ended 30 June 2014 as required under Rule 13.51B(1) of the Listing Rules.

MODEL CODE FOR SECURITIES TRANSACTIONS

Details of the compliance by the Company with the Model Code are set out on page 17 of this Annual Report.

CONNECTED TRANSACTION

During the year, the Group had the following connected transaction, details of which were disclosed in compliance with the requirements of Chapter 14A of the Listing Rules:

On 24 April 2014, the Company as vendor entered into the deed dated 24 April 2014 (the "Deed") with South China Industries (BVI) Limited as purchaser (the "Purchaser"), a direct wholly-owned subsidiary of South China (China) Limited ("SCC"), and Intercourt Investments Limited ("IIL"), whereby the Company had agreed to sell and the Purchaser had agreed to purchase two ordinary shares in the capital of IIL, representing all the shares in the issued share capital of IIL (the "Sale Shares") and the amount of HK$4,552,704 owned by IIL to the Company immediately before the completion of the transactions contemplate under the Deed (the "Sale Debt"), for a consideration of HK$1.00 for the Sale Shares and HK$4,552,704 for the Sale Debt, upon and subject to the terms and conditions set out in the Deed (the "Transactions"). The Transactions allowed more flexibility to the Company for the management of its rental arrangement in respect of its office locations and the possible consolidation of the same in the medium to long term. The Transactions were completed on 24 April 2014. Immediately after the completion, IIL ceased to be a subsidiary of the Company. Details of the Transactions have been set out in the Company's announcement dated 25 April 2014.

As Mr. Ng Hung Sang, the Chairman, an Executive Director and a substantial shareholder of the Company, and his associates were the controlling group of shareholders of the Company and SCC, the Transactions constituted connected transactions of the Company under the Listing Rules.

AUDIT COMMITTEE

The Company has established an Audit Committee with written terms of reference in compliance with the Listing Rules. The Audit Committee presently comprises three Independent Non-executive Directors, namely Mr. Tung Woon Cheung Eric (Chairman of the Committee), Mrs. Tse Wong Siu Yin Elizabeth and Hon. Raymond Arthur William Sears, Q.C..

The Group's annual results for the year ended 31 December 2014 have been reviewed by the Audit Committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures were made.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2014, the aggregate turnover attributable to the Group's five largest customers accounted for less than 30% of the total turnover for the year. The Group is a provider of financial services and hence it is of no value to disclose details of the Group's suppliers.

COMPANY SECRETARY

Mr. Shing On Wai, the company secretary of the Company, is a solicitor of the High Court of Hong Kong.

AUDITORS

Messrs. Ernst & Young will retire and, being eligible, will offer themselves for re-appointment at the forthcoming annual general meeting of the Company.

On behalf of the Board

Ng Hung Sang
Chairman

Hong Kong, 30 March 2015

Corporate Governance Report

The Company is committed to the establishment of good corporate governance practices and procedures. The corporate governance principles of the Company emphasize accountability and transparency to the shareholders. Periodic review will be made to the corporate governance practices to comply with the regulatory requirements.

CORPORATE GOVERNANCE CODE

The Company had complied with all the code provisions as set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year ended 31 December 2014 except that Mr. Ng Hung Sang, the Chairman and an Executive Director of the Company, was unable to attend the annual general meeting of the Company held on 10 June 2014 since he had other business engagements, which deviated from code provision E.1.2.

BOARD COMPOSITION AND BOARD PRACTICES

As at 31 December 2014, the Board consisted of 7 Directors, including four Executive Directors, who are the Chairman (Mr. Ng Hung Sang), three Vice-chairmen and three Independent Non-executive Directors. Not less than one-third of the Board is Independent Non-executive Directors. Directors' biographies and relevant relationships amongst them are set out in the Directors' Biographical Details on pages 7 to 8 of this Annual Report.

The Board composition is regularly reviewed to ensure that it has a balance of skills and experience appropriate for the requirement of the business of the Group. A balanced composition of Executive Directors and Non-executive Directors is maintained to ensure independence and effective management. The Company has satisfied the relevant provision of the Listing Rules in having at least one of the Independent Non-executive Directors with appropriate professional qualifications or accounting or related financial management expertise.

The Company has adopted a board diversity policy setting out the approach to achieve diversity of the Board. In designing the Board's composition, Board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy. Candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board and the ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

The appointment of Directors is recommended by the Remuneration and Nomination Committee and approved by the Board based on a formal written procedure and policy for the appointment of new directors. When selecting potential candidates for directors, their skills, experience, expertise, devotion of time and conflicts of interests are the key factors.

All Directors (including Non-executive Directors) of the Company are subject to retirement by rotation at least once every three years in accordance with the Company's articles of association.

The Board is collectively responsible for the formulation of the Group's strategy, overseeing the management of the business and affairs of the Group.

Daily operation and management of the business of the Group, inter alia, the implementation of strategies are delegated to the Executive Committee, comprising all Executive Directors. They report periodically to the Board their work and business decisions.

The roles of Chairman and Chief Executive Officer are separate and are clearly defined. Such roles are performed by different individuals with a view to reinforcing independence and accountability. Key and important decisions are fully discussed at board meetings.

All Directors have been fully consulted about any matters proposed for inclusion in the agenda of regular meetings. The Chairman has delegated the responsibility for drawing up the agenda for each board meeting to the Company Secretary. With the assistance of the Executive Directors and the Company Secretary, the Chairman seeks to ensure that all Directors are properly briefed on issues arising at board meetings and have received adequate and reliable information in a timely manner.

The Board held four meetings in 2014:

	Attendance
Executive Directors	
Ng Hung Sang (*Chairman*)	2/4
Richard Howard Gorges (*Vice-chairman*)	4/4
Cheung Choi Ngor (*Vice-chairman*)	3/4
Ng Yuk Yeung Paul (*Vice-chairman*)	3/4
Chan Hing Wah (*Chief Executive Officer*) (*Resigned on 3 October 2014*)	2/3
Independent Non-executive Directors	
Tse Wong Siu Yin Elizabeth	4/4
Raymond Arthur William Sears, Q.C.	4/4
Tung Woon Cheung Eric	4/4

Notice of at least fourteen days are given to Directors for regular meetings, while Board papers are sent to Directors not less than three days before the intended date of a board or board committee meeting. With respect to other meetings, Directors are given as much notice as is reasonable and practicable in the circumstances. Directors can attend meetings in person or through other means of electronic communication in accordance with the articles of association of the Company. The Company Secretary ensures that the procedure and all applicable rules and regulations are complied with. Minutes of board meetings and meetings of board committees are kept by the Company Secretary and are available for inspection at any time on reasonable notice by any Director.

Directors have full access to information on the Group and are able to obtain independent professional advice whenever they deem necessary. Memorandums are issued to Directors from time to time to update them with legal and regulatory changes and matters of relevance to Directors in the discharge of their duties.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "Model Code") as its code of conduct regarding the directors' securities transaction. In addition, the Board has established similar guidelines for relevant employees who are likely to possess inside information in relation to the Group or its securities.

All Directors of the Company have confirmed, following specific enquiry by the Company, their compliance with the required standard set out in the Model Code regarding securities transactions by Directors throughout the year ended 31 December 2014.

INTERNAL CONTROL

Recognizing that a well-designed and effective system of internal control is crucial to safeguard the assets of the Company and the shareholders' investment and to ensure the reliability of financial reporting as well as compliance with the relevant requirement of the Listing Rules, a team, comprising qualified accountants, has been organized to carry out the internal audit function of the Company (the "IA Team").

Based on the assessment of risk exposure, the IA Team formulates audit plans half-yearly and ensures that the audit programs cover key internal control areas of key operating subsidiaries on a rotational basis for the review by the Audit Committee at a regular interval. The scopes and timing of audit review is usually determined according to risk assessment.

Special reviews may also be performed on areas of concern identified by management or the Audit Committee from time to time. Communication channel has been established between the IA Team and the Audit Committee members.

The IA Team monitors the internal control procedures and systems of the Group, reports findings and makes recommendations, if any, to Audit Committee at a regular interval. During the year, margin lending policy, client fund segregation process, anti-money laundering and counter-terrorist financing monitoring procedures, and retail branch operations were reviewed and addressed in the internal control reports which were presented by the IA Team to the Audit Committee and the Board for review.

RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Directors acknowledge their responsibility for preparing the financial statements of the Group and ensure that the preparation of the financial statements of the Group is in accordance with statutory requirements and applicable accounting standards.

The statement of the Auditors of the Company about their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditors' Report on pages 22 and 23 of this Annual Report.

AUDITORS' REMUNERATION

For the year ended 31 December 2014, the Auditors of the Company received approximately HK$1,272,000 for audit service provided to the Company. No non-audit services were provided by the Auditors in 2014.

CONTINUOUS PROFESSIONAL DEVELOPMENT FOR DIRECTORS

Directors must keep abreast of their collective responsibilities. Each newly appointed Director receives an induction package covering the Group's businesses and the statutory and regulatory obligations of a director of a listed company.

Apart from updates on regulatory changes and governance developments provided by the Company, Directors are encouraged to participate in professional training and seminars to develop and refresh their knowledge and skills. A training record has been devised to record the training Directors have undertaken.

During the year 2014, the Directors participated in the following trainings:

	Type of trainings	
	Attending Seminars	Reading Materials and Updates
Executive Directors		
Ng Hung Sang		✓
Richard Howard Gorges		✓
Cheung Choi Ngor		✓
Ng Yuk Yeung Paul		✓
Chan Hing Wah (*Resigned on 3 October 2014*)		✓
Independent Non-executive Directors		
Tse Wong Siu Yin Elizabeth	✓	✓
Raymond Arthur William Sears, Q.C.		✓
Tung Woon Cheung Eric	✓	✓

AUDIT COMMITTEE

The Audit Committee consists of all Independent Non-executive Directors, Mr. Tung Woon Cheung Eric (Chairman of the Committee), Mrs. Tse Wong Siu Yin Elizabeth and Hon. Raymond Arthur William Sears, Q.C..

The principal duties of the Audit Committee, in accordance with its terms of reference, which are substantially the same as those under the CG Code, include the review of the Group's financial reporting system and internal control procedures, review of financial information of the Group and review of the relationship with the Auditors of the Group. The Audit Committee has also been delegated by the Board to be responsible for performing the corporate governance duties under the CG Code.

The Audit Committee held three meetings in 2014 in which representatives of the management were present to review the interim and final results, the interim report and annual report and other financial, internal control and corporate governance matters. The Group's Auditors were present in two of the meetings.

	Attendance
Tung Woon Cheung Eric	3/3
Tse Wong Siu Yin Elizabeth	3/3
Raymond Arthur William Sears, Q.C.	3/3

The Audit Committee reviewed the Group's annual results for the year ended 31 December 2014, the internal control system and the corporate governance policy.

REMUNERATION AND NOMINATION COMMITTEE

The Remuneration and Nomination Committee was set up for performing both remuneration and nomination functions under the CG Code. It consists of all the Independent Non-executive Directors, namely Mrs. Tse Wong Siu Yin Elizabeth (Chairman of the Committee), Hon. Raymond Arthur William Sears, Q.C. and Mr. Tung Woon Cheung Eric.

The principal duties of the Remuneration and Nomination Committee, in accordance with its terms of reference, which are substantially the same as those under the CG Code, include the review on the structure and composition of the Board, identification of suitably qualified Board candidates, and review of the remuneration of Directors and senior management and make recommendations to the Board on the remuneration policy and structure.

The Remuneration and Nomination Committee met once in 2014 and the attendance record is set out below:

	Attendance
Tse Wong Siu Yin Elizabeth	1/1
Raymond Arthur William Sears, Q.C.	1/1
Tung Woon Cheung Eric	1/1

The Remuneration and Nomination reviewed the policies for the remuneration of Executive Directors, including basic salaries, discretionary performance bonus and other emoluments, based on skills, knowledge, involvement in the Company's affairs and performance of the individual Executive Director with reference to the Company's performance and profitability, as well as industry practice. Directors' fees for all Directors are subject to shareholders' approval at general meeting. Reimbursement is allowed for out-of-pocket expenses incurred in connection with the performance of their duties including attendance at board meetings and committee meetings.

The Remuneration and Nomination Committee reviewed the structure, size and composition of the Board, adopted a formal written procedure and policy for the appointment of new directors, assessed the independence of Independent Non-executive Directors and made recommendations to the Board on the appointment and re-appointment of Directors.

SHAREHOLDERS' RIGHTS

Information is communicated to the shareholders mainly through the Company's corporate communications (such as interim and annual reports, announcements and circulars), annual general meetings and other general meetings, as well as disclosures on the website of the Company.

Interim reports, annual reports and circulars are sent to the shareholders in a timely manner and are available on the website of the Company. The Company's website provides shareholders with the corporate information of the Group.

Shareholders are provided with contact details of the Company to enable them to make enquiries with respect to the Company's affairs. Shareholders can also send their enquiries to the Company through these channels or contact Union Registrars Limited, the share registrar of the Company, in case of enquiries about shareholdings.

The annual general meeting of the Company ("AGM") allows the Directors to meet and communicate with shareholders. The Company ensures that shareholders' views are communicated to the Board. The chairman of the AGM proposes separate resolutions for each issue to be considered. Members of the Audit Committee and the Remuneration and Nomination Committee and the external auditor also attend the AGM to answer questions from shareholders. AGM proceedings are reviewed from time to time to ensure that the Company follows good corporate governance practices. The notice of AGM is distributed to all shareholders at least 20 clear business days prior to the AGM. The accompanying circular sets out the details of each proposed resolution and other relevant information as required under the Listing Rules. Voting results are posted on the Company's website on the day of the AGM.

Shareholder(s) holding at least 5% of the total voting rights of all the shareholders of the Company can make a request to convene a general meeting pursuant to Section 566 of the Companies Ordinance of Hong Kong, Chapter 622 (the "Ordinance"). The request must state the general nature of the business to be dealt with at the meeting, and may be sent to the Company in hard copy form or in electronic form and must be authenticated by the person or persons making it. Besides, Section 580 of the Ordinance provides that (i) shareholder(s) representing at least 2.5% of the total voting rights of all shareholders of the Company or (ii) at least 50 shareholders can request the Company to circulate a statement, which may be sent to the Company in hard copy form or in electronic form, and must be authenticated by the person or persons making it and received by the Company at least 7 days before the general meeting to which it relates.

The attendance record of the Directors at the AGM held on 10 June 2014 is set out below:

	Attendance
Executive Directors	
Ng Hung Sang (*Chairman*)	✗
Richard Howard Gorges (*Vice-chairman*)	✓
Cheung Choi Ngor (*Vice-chairman*)	✓
Ng Yuk Yeung Paul (*Vice-chairman*)	✗
Chan Hing Wah (*Chief Executive Officer*) (*Resigned on 3 October 2014*)	✓
Independent Non-executive Directors	
Tse Wong Siu Yin Elizabeth	✓
Raymond Arthur William Sears, Q.C.	✓
Tung Woon Cheung Eric	✗

Independent Auditors' Report

EY 安永

To the shareholders of South China Financial Holdings Limited
(Incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of South China Financial Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 24 to 103, which comprise the consolidated and company statements of financial position as at 31 December 2014, and the consolidated statement of profit or loss, 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 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, in accordance with section 80 of Schedule 11 to the Hong Kong Companies Ordinance (Cap. 622), 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.

To the shareholders of South China Financial Holdings Limited
(Incorporated in Hong Kong with limited liability)

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 loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants
22/F CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong
30 March 2015

Consolidated Statement of Profit or Loss

Year ended 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
REVENUE	5	**105,744**	104,989
Other income		**1,890**	1,433
Fair value gain/(loss) on investment properties		**(33,159)**	72,030
Fair value gain/(loss) on financial assets at fair value through profit or loss		**933**	(26,237)
Reversal of impairment/(impairment) of loans and trade receivables, net		**(428)**	867
Other operating expenses		**(136,947)**	(136,981)
Profit/(loss) from operating activities		**(61,967)**	16,101
Finance costs	7	**(7,545)**	(7,171)
Impairment of investment in an associate		**–**	(1,116)
Share of losses of associates		**(2,819)**	(6,673)
PROFIT/(LOSS) BEFORE TAX	6	**(72,331)**	1,141
Income tax credit/(expense)	10	**(573)**	62
PROFIT/(LOSS) FOR THE YEAR		**(72,904)**	1,203
Attributable to:			
Equity holders of the Company	11	**(72,893)**	1,218
Non-controlling interests		**(11)**	(15)
		(72,904)	1,203
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	12		
Basic and diluted		**(HK1.45 cents)**	HK0.02 cent

Consolidated Statement of Financial Position

31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**3,619**	5,884
Investment properties	14	**397,500**	430,000
Intangible assets	15	**836**	836
Investments in associates	18	**4,315**	7,134
Available-for-sale investments	20	**28,467**	22,867
Other assets	16	**13,031**	9,871
Long term loans receivable	19	**6,502**	13,074
Long term deposits	24	**850**	1,452
Total non-current assets		**455,120**	491,118
CURRENT ASSETS			
Financial assets at fair value through profit or loss	22	**148,524**	160,430
Loans receivable	19	**194,436**	210,946
Trade receivables	23	**191,586**	148,257
Other receivables, prepayments and deposits	24	**36,737**	21,529
Pledged time deposits	25	**1,997**	5,500
Cash held on behalf of clients	26	**628,708**	520,384
Cash and bank balances	25	**127,175**	102,121
Total current assets		**1,329,163**	1,169,167
CURRENT LIABILITIES			
Client deposits	27	**704,414**	452,652
Trade payables	28	**110,943**	169,546
Other payables and accruals	29	**19,708**	11,618
Tax payable		**21**	61
Interest-bearing bank borrowings	30	**324,664**	308,042
Total current liabilities		**1,159,750**	941,919
NET CURRENT ASSETS		**169,413**	227,248
TOTAL ASSETS LESS CURRENT LIABILITIES		**624,533**	718,366
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	30	**160,185**	184,976
Deposits received		**1,467**	1,959
Deferred tax liabilities	21	**29,004**	28,868
Total non-current liabilities		**190,656**	215,803
Net assets		**433,877**	502,563

Consolidated Statement of Financial Position

31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
EQUITY			
Equity attributable to equity holders of the Company			
Share capital: nominal value	32	–	125,652
Other statutory capital reserves		–	221,697
Share capital and other statutory capital reserves		**348,334**	347,349
Other reserves	34(a)	**85,000**	154,660
		433,334	502,009
Non-controlling interests		**543**	554
Total equity		**433,877**	502,563

Richard Howard Gorges
Director

Cheung Choi Ngor
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2014

		Attributable to equity holders of the Company										
	Notes	Share capital HK$'000	Share premium account^ HK$'000	Capital redemption reserve^ HK$'000	Property revaluation reserve# HK$'000	Available-for-sale investment revaluation reserve HK$'000	Share option reserve HK$'000	Exchange fluctuation reserve HK$'000	Retained profits/ (accumulated losses) HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2013		125,708	220,027	1,614	120,145	4,346	797	4,815	22,555	500,007	569	500,576
Profit for the year		–	–	–	–	–	–	–	1,218	1,218	(15)	1,203
Other comprehensive income/ (loss) for the year		–	–	–	–	(1,090)	–	2,063	–	973	–	973
Total comprehensive income/ (loss) for the year		–	–	–	–	(1,090)	–	2,063	1,218	2,191	(15)	2,176
Repurchase and cancellation of ordinary shares	32	(56)	–	56	–	–	–	–	(189)	(189)	–	(189)
Transfer of share option reserve upon the forfeiture or expiry of share options		–	–	–	–	–	(68)	–	68	–	–	–
At 31 December 2013 and 1 January 2014		125,652	220,027	1,670	120,145*	3,256*	729*	6,878*	23,652*	502,009	554	502,563
Loss for the year		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(72,893)**	**(72,893)**	**(11)**	**(72,904)**
Other comprehensive income/ (loss) for the year		**–**	**–**	**–**	**–**	**5,600**	**–**	**(1,638)**	**–**	**3,962**	**–**	**3,962**
Total comprehensive income/ (loss) for the year		**–**	**–**	**–**	**–**	**5,600**	**–**	**(1,638)**	**(72,893)**	**(68,931)**	**(11)**	**(68,942)**
Transition to no-par value regime	32	**221,697**	**(220,027)**	**(1,670)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Issue of shares upon the exercise of share options	32	**985**	**–**	**–**	**–**	**–**	**(729)**	**–**	**–**	**256**	**–**	**256**
At 31 December 2014		**348,334**	**–**	**–**	**120,145***	**8,856***	**–***	**5,240***	**(49,241)***	**433,334**	**543**	**433,877**

\# The property revaluation reserve arose from a change in use from owner-occupied properties to investment properties carried at fair value on 30 June 2012.

^ Included in other statutory capital reserves in the consolidated statement of financial position.

* These reserve accounts comprise the consolidated other reserves of HK$85,000,000 (2013: HK$154,660,000) in the consolidated statement of financial position.

Consolidated Statement of Comprehensive Income

Year ended 31 December 2014

	Note	2014 HK$'000	2013 HK$'000
PROFIT/(LOSS) FOR THE YEAR		**(72,904)**	1,203
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX			
To be reclassified to profit or loss in subsequent periods	35	**3,962**	973
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		**(68,942)**	2,176
Attributable to:			
Equity holders of the Company		**(68,931)**	2,191
Non-controlling interests		**(11)**	(15)
		(68,942)	2,176

Consolidated Statement of Cash Flows

Year ended 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax		**(72,331)**	1,141
Adjustments for:			
Finance costs	7	**7,545**	7,171
Share of losses of associates		**2,819**	6,673
Dividend income from listed investments	5	**(1,474)**	(909)
Fair value loss/(gain) on investment properties		**33,159**	(72,030)
Fair value loss/(gain) on financial assets at fair value through profit or loss		**(933)**	26,237
Impairment on investment in an associate	18	**–**	1,116
Impairment/(reversal of impairment) of loans and trade receivables, net	6	**428**	(867)
Depreciation	6	**3,093**	3,787
		(27,694)	(27,681)
Decrease in financial assets at fair value through profit or loss		**12,839**	50,100
Decrease/(increase) in loans receivable		**21,724**	(13,444)
Increase in trade receivables		**(43,246)**	(22,258)
Increase in other receivables, prepayments and deposits		**(20,056)**	(5,663)
Increase in cash held on behalf of clients		**(108,324)**	(69,584)
Decrease/(increase) in an amount due from a related company		**897**	(418)
Increase in client deposits		**251,762**	15,294
Increase/(decrease) in trade payables		**(58,603)**	26,932
Increase in other payables and accruals		**7,598**	4,640
Cash generated from/(used in) operations		**36,897**	(42,082)
Interest paid		**(7,545)**	(7,171)
Hong Kong profits tax paid		**–**	(207)
Overseas taxes paid		**(477)**	(69)
Net cash flows generated from/(used in) operating activities		**28,875**	(49,529)

Consolidated Statement of Cash Flows

Year ended 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
Net cash flows generated from/(used in) operating activities		**28,875**	(49,529)
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividend income received from listed investments		**1,474**	909
Purchases of items of property, plant and equipment	13	**(820)**	(2,459)
Additions to investment properties	14	**(659)**	(70)
Disposal of a subsidiary	36	**4,553**	–
Increase in other assets		**(3,160)**	(1,466)
Net cash flows generated from/(used in) investing activities		**1,388**	(3,086)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		**4,276,600**	3,401,457
Repayment of bank loans		**(4,268,490)**	(3,319,215)
Repurchase and cancellation of ordinary shares	32	**–**	(189)
Issue of shares	32	**256**	–
Net cash flows generated from financing activities		**8,366**	82,053
NET INCREASE IN CASH AND CASH EQUIVALENTS		**38,629**	29,438
Cash and cash equivalents at beginning of year		**77,085**	45,797
Effect of foreign exchange rate changes, net		**(1,223)**	1,850
CASH AND CASH EQUIVALENTS AT END OF YEAR		**114,491**	77,085
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents as stated in the statement of financial position	25	**127,175**	102,121
Pledged time deposits with original maturity of less than three months when acquired	25	**1,997**	5,500
Bank overdrafts	30	**(14,681)**	(30,536)
Cash and cash equivalents as stated in the statement of cash flows		**114,491**	77,085

Statement of Financial Position

31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
NON-CURRENT ASSETS			
Interests in subsidiaries	17	**179,477**	164,227
Subordinated loan to a subsidiary	31	**100,000**	100,000
Total non-current assets		**279,477**	264,227
CURRENT ASSETS			
Other receivables, prepayments and deposits	24	**818**	449
Cash and bank balances	25	**174**	166
Total current assets		**992**	615
CURRENT LIABILITIES			
Other payables	29	**48**	48
NET CURRENT ASSETS		**944**	567
TOTAL ASSETS LESS CURRENT LIABILITIES		**280,421**	264,794
NON-CURRENT LIABILITIES			
Amounts due to subsidiaries	17	**5,935**	6,261
Net assets		**274,486**	258,533
EQUITY			
Share capital: nominal value	32	**–**	125,652
Other statutory capital reserves	34(b)	**–**	221,697
Share capital and other statutory capital reserves		**348,334**	347,349
Other reserves	34(b)	**(73,848)**	(88,816)
Total equity		**274,486**	258,533

Richard Howard Gorges
Director

Cheung Choi Ngor
Director

Notes to Financial Statements

31 December 2014

1. CORPORATE INFORMATION

South China Financial Holdings Limited is a limited liability company incorporated in Hong Kong. The registered office of the Company is located at 28th Floor, Bank of China Tower, 1 Garden Road, Central, Hong Kong.

During the year, the Group was involved in the following principal activities:

- securities, commodities, bullion and forex broking and trading
- margin financing and money lending
- provision of corporate advisory and underwriting services
- wealth management
- property investment
- investment holding

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") and 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 investment properties, available-for-sale investments and financial assets at fair value through profit or loss 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 when 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 parent 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.

2.1 BASIS OF PREPARATION *(Continued)*

Basis of consolidation *(Continued)*

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 adoption of the above revised standards and new interpretation has had no significant financial effect on these financial statements.

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 10, HKFRS 12 and HKFRS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*[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 1	*Disclosure Initiative*[2]
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 requirements of Part 9 "Accounts and Audit" of the Hong Kong Companies Ordinance (Cap. 622) will come into operation as from the Company's first financial year commencing after 3 March 2014 in accordance with section 358 of that ordinance, which will be the year ending 31 December 2015. The Group is in the process of making an assessment of the expected impact of the changes in the period of initial application of Part 9 of the ordinance. So far it has concluded that the impact is unlikely to be significant and will primarily affect the presentation and disclosure of information in the consolidated financial statements.

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

Further information about those HKFRSs that are expected to be applicable to the Group is as follows:

In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt HKFRS 9 from 1 January 2018. The Group expects that the adoption of HKFRS 9 will have an impact on the classification and measurement of the Group's financial assets.

The amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The Group expects to adopt the amendments from 1 January 2016.

HKFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. The Group expects to adopt HKFRS 15 on 1 January 2017 and is currently assessing the impact of HKFRS 15 upon adoption.

Amendments to HKAS 16 and HKAS 38 clarify the principle in HKAS 16 and HKAS 38 that revenue reflects a pattern of economic benefits that are generated from operating business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are to be applied prospectively. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2016 as the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.

The *Annual Improvements to HKFRSs 2010-2012 Cycle* issued in January 2014 sets out amendments to a number of HKFRSs. Except for those described in note 2.2, the Group expects to adopt the amendments from 1 January 2015. None of the amendments are expected to have a significant financial impact on the Group. Details of the amendment most applicable to the Group are as follows:

HKFRS 8 *Operating Segments*: Clarifies that an entity must disclose the judgements made by management in applying the aggregation criteria in HKFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics used to assess whether the segments are similar. The amendments also clarify that a reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker.

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:

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

(b) rights arising from other contractual arrangements; and

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

The results of subsidiaries are included in the Company's statement of 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.

Investments in associates

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's investments in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

The Group's share of the post-acquisition results and other comprehensive income of associates is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in the associates, except where unrealised losses provide evidence of an impairment of the assets transferred.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Fair value measurement

The Group measures its investment properties and 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.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than investment properties), 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of non-financial assets *(Continued)*

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 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 the statement of 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 control or joint control over the Group;

(ii) has significant influence over the Group; or

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

or

(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 an associate or 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).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 the statement of 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 and equipment	10% to 25%
Motor vehicles	20%

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.

Investment properties

Investment properties are interests in land and buildings held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in the statement of profit or loss in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of profit or loss in the year of the retirement or disposal.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date: whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

(i) *Group as a lessee*

Rentals payable under the operating leases net of any incentives received from the lessor are changed to the statement of profit or loss on the straight-line basis over the lease term. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

(ii) *Group as a lessor*

Leases where the Group retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. The Group leases out its investment properties under operating leases, and rentals receivable are credited to the statement of profit or loss on the straight-line basis over the lease terms.

The amounts due from the lessees under finance leases are recorded in the consolidated statement of financial position as "Loans receivables". The amount comprises the gross investment in the finance leases less gross earnings allocated to future accounting periods. The total gross earnings under finance leases are allocated to the accounting periods over the duration of the underlying agreements so as to produce an approximately constant periodic rate of return on the net cash investment for each accounting period.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 positive or negative net changes in fair value presented in the statement of 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.

Financial assets 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.

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 is included in the statement of profit or loss. The loss arising from impairment is recognised in the statement of profit or loss in other operating expenses.

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 the statement of profit or loss in other income, 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 as "Impairment of available-for-sale investments". 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 the statement of profit or loss as other income 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 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 the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 (that is, 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.

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 liability. 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets *(Continued)*

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 (that is, the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced either directly or through the use of an allowance account and the loss is recognised in the statement of 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 the statement of profit or loss.

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 financial 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 the statement of profit or loss, is removed from other comprehensive income and recognised in the statement of 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 the statement of profit or loss – is removed from other comprehensive income and recognised in the statement of profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through the statement of profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets *(Continued)*

Available-for-sale financial investments (Continued)

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 loans and borrowings.

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

Subsequent measurement

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

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of 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 finance costs in the statement of profit or loss.

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation.

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 the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

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 statement of financial position, cash and bank balances comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

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 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 interests in subsidiaries and associates, 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.

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, 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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax *(Continued)*

- in respect of deductible temporary differences associated with interests in subsidiaries and associates, 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.

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.

Borrowing costs

All borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

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) commission and brokerage income, accrued on all broking transactions on a trade date basis;

(b) profit or loss on the trading of securities, forex, bullion and futures contracts, on a trade date basis;

(c) service and handling fee income, when the underlying services have been provided;

(d) rental income, on a time proportion basis over the lease terms;

(e) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts over the expected life of the financial instrument to the net carrying amount of the financial asset; and

(f) dividend income, when the shareholders' right to receive payment has been established.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Employee benefits

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 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 has to be made at the end of the reporting period for the expected future cost of such paid leave earned during the year by the employees and carried forward.

Pension scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance in Hong Kong for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' relevant income and are charged to the statement of 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 local municipal governments. These subsidiaries are required to contribute certain percentage of their payroll costs to the central pension schemes. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension schemes.

Share-based payments

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

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a trinomial model, further details of which are given in note 33 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 the reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Employee benefits *(Continued)*

Share-based payments (Continued)

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance conditions are satisfied.

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. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. 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.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

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 the statement of 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 (that is, translation differences 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 and associates 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 their statements of profit or loss are translated into Hong Kong dollars at the weighted average exchange rates for the year.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies *(Continued)*

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

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.

3. 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 revenue, 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 material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

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

Impairment of trade and loans receivables

The Group reviews its loan portfolios to assess whether there is any objective evidence that a loan receivable is impaired at least on a yearly basis. In determining whether an impairment loss should be recorded in the statement of profit or loss, the Group makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of trade and loans receivables before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the Group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methods and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

The aggregate carrying amount of trade and loans receivable at 31 December 2014 was HK$392,524,000 (2013: HK$372,277,000). More details are given in notes 19 and 23 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.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

Estimation uncertainty *(Continued)*

Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other 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.

Estimation of fair value of investment properties

Investment properties are carried in the statement of financial position at their fair value. The fair value was based on valuation on these properties conducted by an independent firm of professionally qualified valuers using property valuation techniques which involve making assumptions on certain market conditions. Favorable or unfavorable changes to these assumptions would result in changes in the fair value of the Group's investment properties and the corresponding adjustments to the gain or loss recognised in the statement of profit or loss.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their services. The Group has seven reportable operating segments as follows:

(a) the broking segment engages in securities, commodities and futures contracts broking;

(b) the trading and investment segment engages in securities, forex, bullion and futures contracts trading and investment holding;

(c) the margin financing and money lending segment engages in the provision of margin and personal loan financing;

(d) the corporate advisory and underwriting segment engages in the provision of corporate advisory and underwriting services;

(e) the wealth management segment engages in the insurance broking;

(f) the property investment; and

(g) other business includes the provision of clearing and custodian services.

4. OPERATING SEGMENT INFORMATION *(Continued)*

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 measured consistently with the Group's profit/(loss) before tax except that interest income, finance costs relating to the Group's treasury function, head office and corporate expenses are excluded from such measurement.

Segment assets exclude deferred tax assets, tax recoverable, and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude interest-bearing bank borrowings, tax payable, deferred tax liabilities, and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Intersegment transactions are conducted with reference to the prices charged to third parties at the then prevailing market prices.

4. OPERATING SEGMENT INFORMATION *(Continued)*

Year ended 31 December 2014

	Broking HK$'000	Trading and investment HK$'000	Margin financing and money lending HK$'000	Corporate advisory and underwriting HK$'000	Wealth management HK$'000	Property investment HK$'000	Other business HK$'000	Consolidated HK$'000
Segment revenue:								
Revenue from external customers	54,068	9,855	19,825	5,688	3,006	8,390	4,912	105,744
Segment results:	(24,389)	(11,396)	7,924	(1,422)	(1,906)	(26,184)	1,975	(55,398)
Reconciliation:								
Corporate and other unallocated expenses								(6,569)
Share of losses of associates								(2,819)
Finance costs								(7,545)
Loss before tax								(72,331)
Segment assets:	913,497	199,702	252,955	5,316	1,174	398,900	2,276	1,773,820
Reconciliation:								
Corporate and other unallocated assets								10,463
Total assets								1,784,283
Segment liabilities:	(801,688)	(59,805)	(195,208)	(673)	(584)	(3,303)	(4,568)	(1,065,829)
Reconciliation:								
Corporate and other unallocated liabilities								(284,577)
Total liabilities								(1,350,406)
Other segment information:								
Fair value gain on financial assets at fair value through profit or loss	–	(933)	–	–	–	–	–	(933)
Impairment of loans and trade receivables, net	98	–	330	–	–	–	–	428
Depreciation	2,065	513	261	139	86	29	–	3,093
Capital expenditure*	499	127	65	101	21	666	–	1,479

* Capital expenditure represents additions to property, plant and equipment and investment properties.

4. OPERATING SEGMENT INFORMATION *(Continued)*

Year ended 31 December 2013

	Broking HK$'000	Trading and investment HK$'000	Margin financing and money lending HK$'000	Corporate advisory and underwriting HK$'000	Wealth management HK$'000	Property investment HK$'000	Consolidated HK$'000
Segment revenue:							
Revenue from external customers	55,461	16,654	19,803	4,276	3,450	5,345	104,989
Segment results:	(26,561)	(33,122)	8,943	(2,871)	(1,639)	75,131	19,881
Reconciliation:							
Corporate and other unallocated expenses							(3,780)
Impairment of investment in an associate							(1,116)
Share of losses of associates							(6,673)
Finance costs							(7,171)
Profit before tax							1,141
Segment assets:	717,691	209,438	279,413	6,434	1,243	431,655	1,645,874
Reconciliation:							
Corporate and other unallocated assets							14,411
Total assets							1,660,285
Segment liabilities:	(615,486)	(42,833)	(193,284)	(320)	(622)	(2,997)	(855,542)
Reconciliation:							
Corporate and other unallocated liabilities							(302,180)
Total liabilities							(1,157,722)
Other segment information:							
Fair value loss on financial assets at fair value through profit or loss	–	26,237	–	–	–	–	26,237
Impairment/(reversal of impairment) of loans and trade receivables, net	552	–	(1,419)	–	–	–	(867)
Depreciation	2,462	623	455	107	104	36	3,787
Capital expenditure*	1,587	518	140	97	71	116	2,529

* Capital expenditure represents additions to property, plant and equipment and investment properties.

4. OPERATING SEGMENT INFORMATION *(Continued)*

Geographical information

Non-current assets

	2014 **HK$'000**	2013 HK$'000
Hong Kong	**406,382**	441,820
Other jurisdictions	**20,271**	26,431
	426,653	468,251

The non-current assets information above is based on the location of assets and excludes available-for-sale investments.

5. REVENUE

Revenue, which is also the Group's turnover, represents commission and brokerage income from securities, forex, bullion and futures contracts and insurance broking; profit on the trading of securities, forex, bullion and futures contracts; interest income; handling fee income; corporate advisory fees; commission income from share underwriting and placing; dividend income and gross rental income.

An analysis of revenue is as follows:

	Group	
	2014 **HK$'000**	2013 HK$'000
Revenue		
Commission and brokerage income	**55,688**	57,658
Profit on the trading of securities, forex, bullion and futures contracts, net	**5,878**	13,028
Interest income from loans and trade receivable	**17,551**	17,701
Interest income from bullion and forex	**1,229**	990
Handling fee income	**6,328**	2,050
Rendering of services	**7,003**	5,335
Dividend income from listed investments	**1,474**	909
Gross rental income	**8,390**	5,345
Interest income from banks and financial institutions	**2,203**	1,973
	105,744	104,989

6. PROFIT/(LOSS) BEFORE TAX

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

		Group	
		2014	2013
	Notes	HK$'000	HK$'000
Cost of services provided		32,241	31,991
Depreciation	13	3,093	3,787
Auditors' remuneration		1,272	1,037
Minimum lease payments under operating leases on land and buildings		15,593	14,711
Employee benefit expense (including directors' remuneration (note 8)):			
Pension scheme contributions		2,204	2,198
Wages, salaries and benefits in kind		54,220	53,351
		56,424	55,549
Interest expense for margin financing and money lending operations:			
Bank loans and overdrafts wholly repayable within five years		3,933	4,080
Foreign exchange differences, net		(27)	(144)
Impairment/(reversal of impairment) of loans receivable, net	19	330	(1,419)
Impairment of trade receivables, net	23	98	552
Rental income on investment properties		(8,390)	(5,345)
Less: Direct operating expenses arising on rental-earning investment properties		1,455	1,461
Net rental income on investment properties		(6,935)	(3,884)

7. FINANCE COSTS

	Group 2014 HK$'000	2013 HK$'000
Interest on:		
Bank loans wholly repayable within five years	**2,532**	2,734
Bank loans wholly repayable over five years	**5,013**	4,437
	7,545	7,171

8. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S REMUNERATIONS

Directors' remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on the Stock Exchange (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	**297**	306
Other emoluments:		
Salaries, allowances and benefits in kind	**2,229**	3,840
Pension scheme contributions	**38**	106
	2,267	3,946
	2,564	4,252

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2014 HK$'000	2013 HK$'000
Hon. Raymond Arthur William Sears Q.C.	**100**	100
Mr. Tung Woon Cheung Eric	**75**	75
Mrs. Tse Wong Siu Yin Elizabeth	**75**	75
	250	250

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

8. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S REMUNERATIONS *(Continued)*

(b) Executive directors and a non-executive director

	Fees HK$'000	Salaries allowances and benefits in kind HK$'000	Pension scheme contributions HK$'000
2014			
Executive directors:			
Mr. Ng Hung Sang	**10**	**374**	**–**
Mr. Richard Howard Gorges	**10**	**600**	**30**
Ms. Cheung Choi Ngor	**10**	**–**	**–**
Mr. Ng Yuk Yeung Paul	**10**	**–**	**–**
Mr. Chan Hing Wah*	**7**	**1,255**	**8**
	47	**2,229**	**38**
2013			
Executive directors:			
Mr. Ng Hung Sang	10	–	–
Mr. Richard Howard Gorges	10	1,800	90
Ms. Cheung Choi Ngor	10	–	–
Mr. Ng Yuk Yeung Paul	10	–	–
Mr. Chan Hing Wah	10	2,040	15
	50	3,840	105
Non-executive director:			
Mr. Ng Tze Wai**	6	–	1
	56	3,840	106

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.

* Mr. Chan Hing Wah resigned from his position as executive director of the Company with effect from 3 October 2014.

** Mr. Ng Tze Wai resigned from his position as non-executive director of the Company with effect from 1 August 2013.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two (2013: two) directors, details of whose remuneration are disclosed in note 8 above. Details of the remuneration of the remaining three (2013: three) non-director, highest paid employees for the year are as follows:

	Group	
	2014	2013
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**4,134**	5,311
Pension scheme contributions	**41**	31
	4,175	5,342

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

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

10. INCOME TAX

No provision for Hong Kong profits tax has been made as the Group has available tax losses carried forward to offset the assessable profits arising in Hong Kong. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	Group	
	2014	2013
	HK$'000	HK$'000
Current – Elsewhere	**437**	297
Deferred (note 21)	**136**	(359)
Total tax charge/(credit) for the year	**573**	(62)

10. INCOME TAX *(Continued)*

A reconciliation of the tax expense/(credit) applicable to profit/(loss) before tax at the statutory rate for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense/(credit) at the effective tax rate, and a reconciliation of the statutory tax rate to the effective tax rate, are as follows:

	Group			
	2014		2013	
	HK$'000	**%**	HK$'000	%
Profit/(loss) before tax	**(72,331)**		1,141	
Tax at the statutory tax rate	**(11,935)**	**16.5**	188	16.5
Higher tax rates on loss arising elsewhere	**(197)**	**0.3**	(127)	(11.1)
Income not subject to tax	**(1,147)**	**1.7**	(12,357)	(1,083.0)
Expenses not deductible for tax	**7,437**	**(10.5)**	1,592	139.5
Tax losses not recognised	**8,017**	**(10.8)**	13,049	1,143.7
Tax losses utilised from previous periods	**(1,602)**	**2.0**	(2,407)	(211.0)
Tax charge/(credit) at the Group's effective rate	**573**	**(0.8)**	(62)	(5.4)

11. PROFIT/(LOSS) ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The consolidated loss attributable to equity holders of the Company for the year ended 31 December 2014 includes a profit of HK$15,697,000 (2013: loss of HK$5,106,000) which has been dealt with in the financial statements of the Company (note 34(b)).

12. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The calculation of the basic earnings per share amount is based on the loss for the year attributable to equity holders of the Company of HK$72,893,000 (2013: profit for the year of HK$1,218,000) and the weighted average number of ordinary share of 5,027,585,870 (2013: 5,027,631,760) in issue during the year, as adjusted to reflect the issue of shares upon the exercise of share option.

No adjustment has been made to the basic loss per share amount presented for the year ended 31 December 2014 in respect of a dilution as the impact of the share options outstanding during the year had an anti-dilutive effect on the basic loss per share amount presented. No adjustment had been made to the basic earnings per share amount presented for the year ended 31 December 2013 in respect of dilution because the exercise price of the Company's share options was higher than the average market price of shares during that year.

13. PROPERTY, PLANT AND EQUIPMENT

	Group			
	Leasehold improvements HK$'000	Furniture and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
At 31 December 2014				
At 31 December 2013 and at 1 January 2014:				
Cost	16,514	40,266	3,316	60,096
Accumulated depreciation	(13,486)	(37,410)	(3,316)	(54,212)
Net carrying amount	3,028	2,856	–	5,884
At 1 January 2014, net of accumulated depreciation	3,028	2,856	–	5,884
Additions	–	820	–	820
Depreciation provided during the year	(1,170)	(1,923)	–	(3,093)
Exchange realignment	–	8	–	8
At 31 December 2014, net of accumulated depreciation	1,858	1,761	–	3,619
At 31 December 2014:				
Cost	16,514	41,086	3,316	60,916
Accumulated depreciation	(14,656)	(39,325)	(3,316)	(57,297)
Net carrying amount	1,858	1,761	–	3,619

13. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

	Group			
	Leasehold improvements HK$'000	Furniture and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
At 31 December 2013				
At 1 January 2013:				
Cost	15,366	38,947	3,316	57,629
Accumulated depreciation	(11,979)	(35,128)	(3,316)	(50,423)
Net carrying amount	3,387	3,819	–	7,206
At 1 January 2013, net of accumulated depreciation	3,387	3,819	–	7,206
Additions	1,148	1,311	–	2,459
Depreciation provided during the year	(1,507)	(2,280)	–	(3,787)
Exchange realignment	–	6	–	6
At 31 December 2013, net of accumulated depreciation	3,028	2,856	–	5,884
At 31 December 2013:				
Cost	16,514	40,266	3,316	60,096
Accumulated depreciation	(13,486)	(37,410)	(3,316)	(54,212)
Net carrying amount	3,028	2,856	–	5,884

14. INVESTMENT PROPERTIES

	Group	
	2014	2013
	HK$'000	HK$'000
Carrying amount as at 1 January	**430,000**	357,900
Additions	**659**	70
Net gain/(loss) from a fair value adjustment	**(33,159)**	72,030
Carrying amount at 31 December	**397,500**	430,000

The Group's investment properties are situated in Hong Kong and are held under long term leases.

The Group's investment properties consist of commercial office premises in Hong Kong. The directors of the Company have determined that the investment properties consist of one class of asset, that is, commercial, based on the nature, characteristics and risks of these properties. The Group's investment properties were revalued on 31 December 2014 based on valuations performed by Roma Appraisals Limited, independent professionally qualified valuers, at HK$397,500,000. Each year, the Group's chief executive officer and the chief financial officer decide to appoint which external valuer to be responsible for the external valuations of the Group's properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Group's chief executive officer and the chief financial officer have discussions with the valuer on the valuation assumptions and valuation results twice a year when the valuation is performed for interim and annual financial reporting.

The investment properties are leased to third parties under operating leases, further summary details of which are included in note 39(a) to the financial statements.

At 31 December 2014, the Group's investment properties with a carrying value of HK$397,500,000 (2013: HK$430,000,000) were pledged to secure general banking facilities granted to the Group (note 30).

Details of the Group's investment properties are as follows.

Location	**Existing use**
26th Floor, Tower one, Lippo Centre, 89 Queensway, Admiralty, Hong Kong	Office building

14. INVESTMENT PROPERTIES *(Continued)*

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment properties:

	Fair value measurement as at 31 December using significant unobservable inputs (Level 3)	
	2014	2013
	HK$'000	HK$'000
Recurring fair value measurement for:		
Commercial properties	**397,500**	430,000

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 (2013: Nil).

The fair value of investment properties is determined using market comparison approach by reference to recent sales prices of comparable properties on a price per square feet basis. Below is a summary of the significant inputs to the valuation of investment properties:

	2014	2013
Price per square feet	**HK$27,067**	HK$29,280

A significant increase/decrease in the price per square feet would result in a significant increase/decrease in the fair value of the investment properties.

15. INTANGIBLE ASSETS

	Group	
	2014	2013
	HK$'000	HK$'000
Cost at 1 January and at 31 December, net of accumulated amortisation	**836**	836
At 1 January and 31 December:		
Cost	**1,619**	1,619
Accumulated amortisation	**(783)**	(783)
Net carrying amount	**836**	836

15. INTANGIBLE ASSETS *(Continued)*

Intangible assets are trading rights that have no expiry date and, in the opinion of the directors, have indefinite useful lives.

Pursuant to the restructuring of the Stock Exchange and the Hong Kong Futures Exchange Limited (the "Futures Exchange") effective on 6 March 2000, the Group received four Stock Exchange Trading Rights, five Futures Exchange Trading Rights and 10,187,500 ordinary shares of HK$1 each in Hong Kong Exchanges and Clearing Limited (the "HKEC Shares") in exchange for its four shares previously held in the Stock Exchange and five shares previously held in the Futures Exchange.

The carrying costs of the previously held shares in the Stock Exchange and the Futures Exchange have been apportioned to the Stock Exchange Trading Rights, the Futures Exchange Trading Rights and the HKEC Shares on the basis of the respective estimated fair values on 6 March 2000.

The Stock Exchange Trading Rights and the Futures Exchange Trading Rights have been classified as intangible assets as disclosed above and have been treated according to the accounting policy as set out in note 2.4 to the financial statements.

16. OTHER ASSETS

	Group	
	2014	2013
	HK$'000	HK$'000
Membership in Chinese Gold and Silver Exchange	**1,280**	1,280
Statutory deposits in respect of securities and commodities dealings	**11,751**	8,591
	13,031	9,871

Other assets are non-interest-bearing and have no fixed terms of repayment.

17. INTERESTS IN SUBSIDIARIES

	Company	
	2014	2013
	HK$'000	HK$'000
Unlisted shares, at cost	**213,484**	204,484
Amounts due from subsidiaries	**316,490**	325,883
	529,974	530,367
Impairment#	**(350,497)**	(366,140)
	179,477	164,227

\# An impairment was recognised for investment costs and amounts due from subsidiaries with carrying amounts of HK$113,200,000 (before deducting the impairment loss) (2013: HK$149,200,000) and HK$316,178,000 (before deducting the impairment loss) (2013: HK$325,571,000), respectively, as certain subsidiaries of the Company were persistently making losses.

17. INTERESTS IN SUBSIDIARIES *(Continued)*

Movements in the provision for impairment of interests in subsidiaries are as follows:

	Company	
	2014	2013
	HK$'000	HK$'000
At 1 January	**366,140**	360,998
Impairment losses recognised	**1,017**	6,263
Impairment losses reversed	**(16,660)**	(1,121)
At 31 December	**350,497**	366,140

The balances with subsidiaries included in the Company's non-current assets and non-current liabilities are unsecured and interest-free. In the opinion of the directors, these balances are not repayable within twelve months from the end of the reporting period.

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company	Principal activities
Polyluck Trading Limited	Hong Kong	HK$2	100	Property investment
South China Bullion Company Limited	Hong Kong	HK$30,000,000	100	Bullion dealing
South China Capital Limited	Hong Kong	HK$25,000,000	100	Provision of corporate advisory services
South China Forex Limited	Hong Kong	HK$45,000,000	100	Forex dealing
South China Commodities Limited	Hong Kong	HK$44,000,000	100	Commodities broking
South China Finance Company Limited	Hong Kong	HK$1,000,000	100	Provision of loan financing
South China Finance And Management Limited	Hong Kong	HK$2	100	Share dealing and provision of management services
South China Finance (Nominees) Limited	Hong Kong	HK$2	100	Provision of nominee services
South China Financial Credits Limited	Hong Kong	HK$42,125,000	98.81	Money lending

17. INTERESTS IN SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company	Principal activities
South China Asset Management Limited	Hong Kong	HK$6,600,000	100	Asset management
South China Precious Metal Limited	Hong Kong	HK$2	100	Futures trading
South China Research Limited	Hong Kong	HK$600,000	100	Research publication
South China Securities Limited	Hong Kong	HK$10,000,000	100	Securities broking, margin financing and provision of underwriting services
Kingwise Secretarial Services Limited	Hong Kong	HK$2	100	Securities and futures trading
South China Finance Lease Holdings Limited	Hong Kong	HK$1	100	Investment holding
South China Wealth Management Limited	Hong Kong	HK$2,000,000	100	Insurance broking
South China Securities(UK) Limited*	United Kingdom	GBP200,000	100	Securities broking
藍華投資咨詢(上海)有限公司*^	The People's Republic of China ("PRC")/ Mainland China	US$100,000	100	Provision of corporate advisory services and investment holding
Nanjing Southchina Leasing Co., Limited*^	PRC/Mainland China	RMB100,000,000	100	Provision of loan financing

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

^ 藍華投資咨詢(上海)有限公司 and Nanjing Southchina Leasing Co., Limited are registered as wholly-foreign-owned enterprises under PRC law.

Except for Polyluck Trading Limited, 藍華投資咨詢(上海)有限公司 and Nanjing Southchina Leasing Co., Ltd, all principal subsidiaries are directly held by the Company.

The above table lists the principal 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.

18. INVESTMENTS IN ASSOCIATES

	Group 2014 HK$'000	Group 2013 HK$'000
Share of net assets	**5,431**	8,250
Provision for impairment[#]	**(1,116)**	(1,116)
	4,315	7,134

[#] In the prior year, due to the dismal performance of an associate, an impairment testing for that associate was performed. A full impairment was recognised for investment in an associate with carrying amount of HK$1,116,000 because the recoverable amount was expected to be zero.

Particulars of the associates are as follows:

Name	Registered share capital	Place of registration and business	Percentage of ownership interest attributable to the Group	Principal activities
嘉田文化發展 (天津) 有限公司	RMB20,000,000	PRC/Mainland China	45	Media and entertainment
上海華威創富股權投資管理有限公司	RMB20,000,000	PRC/Mainland China	50	Provision of fund management services

The above companies are not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

The above associates are indirectly held by the Company and have been accounted for using the equity method in these financial statements.

18. INVESTMENTS IN ASSOCIATES *(Continued)*

The following table illustrates the aggregate financial information of the Group's associates that are not individually material:

	2014 HK$'000	2013 HK$'000
Share of the associates' loss for the year	**(2,819)**	(6,673)
Share of the associates' total comprehensive loss	**(2,819)**	(6,673)
Aggregate carrying amount of the Group's investments in the associates	**4,315**	7,134

19. LOANS RECEIVABLE

The Group's loans receivable mainly arose from the margin financing, the finance lease and the money lending operations during the year.

Loans receivable bear interest at rates and with credit periods mutually agreed between the contracting parties. Each customer has a credit limit. The Group maintains strict control over its outstanding loans receivable, and a credit control department has been established to monitor potential credit risk. Margin loans receivable are secured by the pledge of customers' securities as collateral. Overdue balances are reviewed regularly by senior management and are handled closely by the credit control department. The Group's loans receivable relate to a large number of diversified customers and there is no significant concentration of credit risk.

	Group	
	2014 HK$'000	2013 HK$'000
Loans receivable	**226,254**	253,862
Impairment	**(25,316)**	(29,842)
	200,938	224,020
Portion classified as current assets	**(194,436)**	(210,946)
Portion classified as non-current assets	**6,502**	13,074
Market value of collateral at 31 December	**840,032**	901,055

At the end of the reporting period, certain listed equity securities provided by clients of approximately HK$240,019,000 (2013: HK$193,743,000) were pledged as collateral to banks to secure banking facilities granted to the Group (note 30).

19. LOANS RECEIVABLE *(Continued)*

The loans receivable at the end of the reporting period are analysed by the remaining period to the contractual maturity date as follows:

	Group	
	2014	2013
	HK$'000	HK$'000
Repayable:		
On demand	**173,657**	196,712
Within 3 months	**1,390**	2,961
3 months to 1 year	**19,389**	11,273
1 to 5 years	**6,502**	13,074
	200,938	224,020

Movements in the provision for impairment of loans receivable are as follows:

	Group	
	2014	2013
	HK$'000	HK$'000
At 1 January	**29,842**	31,924
Impairment losses recognised (note 6)	**1,221**	2,443
Impairment losses reversed (note 6)	**(540)**	(3,655)
Amount written off as uncollectible	**(5,207)**	(870)
At 31 December	**25,316**	29,842
Recovery of loans receivable written off in previous years (note 6)	**(351)**	(207)

Included in the above impairment of loans receivable is a provision for individually impaired loans receivable of HK$25,063,000 (2013: HK$29,453,000) and collectively impaired loans receivable of HK$253,000 (2013: HK$389,000) as at 31 December 2014 with carrying amounts before provision of HK$28,194,000 (2013: HK$37,288,000) and HK$4,814,000 (2013: HK$6,178,000), respectively. The individually impaired loans receivable relate to customers that were in default or delinquency in payments and only a portion of the receivables is expected to be recovered. The Group holds certain listed equity securities of clients as collateral over these individually impaired loans receivable.

19. LOANS RECEIVABLE *(Continued)*

The aged analysis of the loans receivable that are neither individually nor collectively considered to be impaired is as follows:

	Group	
	2014	2013
	HK$'000	HK$'000
Neither past due nor impaired	**193,246**	210,396

Loans receivable that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Finance lease receivables

Included in loans receivable were receivables in respect of assets leased under finance leases as set out below:

	Minimum lease payments		Present value of minimum lease payments	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amounts receivable under finance leases:				
Within one year	**19,735**	9,020	**18,284**	7,105
In the second to fifth years, inclusive	**5,587**	12,762	**5,155**	11,302
	25,322	21,782	**23,439**	18,407
Less: Unearned finance income	**(1,883)**	(3,375)		
Present value of minimum lease payment receivables	**23,439**	18,407		

The Group has entered into finance lease arrangements with customers in respect of items of equipment. The terms of finance leases entered into for terms ranging from two to three years.

20. AVAILABLE-FOR-SALE INVESTMENTS

	Group	
	2014	2013
	HK$'000	HK$'000
Listed equity investments in Hong Kong, at fair value	**26,040**	20,440
Club debentures, at fair value	**2,427**	2,427
	28,467	22,867

During the year, the net gain in respect of the Group's available-for-sale investments recognised in other comprehensive income amounted to HK$5,600,000 (2013: net loss of HK$1,090,000) (note 35).

As at 31 December 2014, the Group's listed equity investments with a carrying value of HK$26,040,000 (2013: HK$20,440,000) were pledged as security for the Group's bank borrowings, as further detailed in note 30 to the financial statements.

The above investments were designated as available-for-sale financial assets. They have no fixed maturity date or coupon rate. The fair values of these investments are based on quoted market prices.

21. DEFERRED TAX

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

Deferred tax liabilities

2014	**Group**			
	Loss available for offsetting against future taxable profits	**Depreciation allowance in excess of related depreciation**	**Fair value adjustments arising from transfer of owner-occupied property to investment property**	**Total**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
At 1 January 2014	**(8,984)**	**14,052**	**23,800**	**28,868**
Deferred tax charged/(credited) to profit or loss during the year (note 10)	**(115)**	**251**	**–**	**136**
At 31 December 2014	**(9,099)**	**14,303**	**23,800**	**29,004**

21. DEFERRED TAX *(Continued)*

Deferred tax liabilities *(Continued)*

2013	Group			
	Loss available for offsetting against future taxable profits HK$'000	Depreciation allowance in excess of related depreciation HK$'000	Fair value adjustments arising from transfer of owner-occupied property to investment property HK$'000	Total HK$'000
At 1 January 2013	(8,374)	13,801	23,800	29,227
Deferred tax charged/(credited) to profit or loss during the year (note 10)	(610)	251	–	(359)
At 31 December 2013	(8,984)	14,052	23,800	28,868

Deferred tax assets have not been recognised in respect of the following items:

	Group		Company	
	2014 HK$'000	2013 HK$'000	**2014 HK$'000**	2013 HK$'000
Tax losses	**486,055**	447,685	**502**	544
Deductible temporary differences	**283**	312	**283**	312
	486,338	447,997	**785**	856

The above tax losses of the Group included tax losses arising in Hong Kong of HK$472,398,000 (2013: HK$435,369,000), subject to the agreement by the Hong Kong Inland Revenue Department, that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. The Group also has tax losses arising in Mainland China of HK$13,657,000 (2013: HK$12,316,000) that will expire in one to five years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of the these items as it is not considered probable that taxable profits will be available against which the above items can be utilised.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

21. DEFERRED TAX *(Continued)*

Deferred tax liabilities *(Continued)*

At 31 December 2014, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. These subsidiaries have recorded accumulated losses since 1 January 2008.

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

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2014	2013
	HK$'000	HK$'000
Listed equity investments in Hong Kong, at market value	**148,524**	160,430

The financial assets at the end of the reporting period were classified as held for trading, of which approximately HK$90,619,000 (2013: HK$135,763,000) were pledged to banks to secure banking facilities granted to the Group (note 30).

The market value of the Group's listed equity investments at the date of approval of these financial statements was approximately HK$174,887,000 (2013: HK$152,416,000).

23. TRADE RECEIVABLES

	Group	
	2014	2013
	HK$'000	HK$'000
Trade receivables	**191,907**	150,573
Impairment	**(321)**	(2,316)
	191,586	148,257

The Group's trade receivables arose from securities, bullion, forex and commodities dealings, insurance broking and the provision of corporate advisory and underwriting services during the year.

The Group allows a credit period up to the respective settlement dates of securities, forex, bullion and commodities transactions (normally two business days after the respective trade dates for Hong Kong stocks) or a credit period mutually agreed between the contracting parties. Each customer has a credit limit. The Group maintains strict control over its outstanding receivables and a credit control department has been established to monitor the potential credit risk. Overdue balances are reviewed regularly by senior management and are handled closely by the credit control department. The Group's trade receivables relate to a large number of diversified customers, and there is no significant concentration of credit risk. Overdue trade receivables bear interest by reference to the prime rate.

23. TRADE RECEIVABLES *(Continued)*

An aged analysis of the Group's trade receivables at the end of the reporting period, based on the settlement due date and net of provisions for impairment, is as follows:

	Group	
	2014	2013
	HK$'000	HK$'000
Current to 90 days	**191,586**	148,257

Movements in the provision for impairment of trade receivables are as follows:

	Group	
	2014	2013
	HK$'000	HK$'000
At 1 January	**2,316**	1,830
Impairment losses recognised (note 6)	**138**	894
Impairment losses reversed (note 6)	**(40)**	(342)
Amount written off as uncollectible	**(2,093)**	(66)
	321	2,316

Included in the provision for impairment of trade receivables is a provision for individually impaired trade receivables of HK$321,000 (2013: HK$2,316,000) with a carrying amount of HK$951,000 (2013: HK$2,962,000). The individually impaired trade receivables relate to customers that were in default or delinquency in payments. The Group holds certain listed equity securities of clients as collateral over these individually impaired trade receivables.

The aged analysis of the trade receivables that are neither individually nor collectively considered to be impaired is as follows:

	Group	
	2014	2013
	HK$'000	HK$'000
Neither past due nor impaired	**184,583**	137,911
Less than 1 month past due	**2,251**	3,177
1 to 3 months past due	**2,352**	4,117
3 months to 1 year past due	**1,770**	2,406
	190,956	147,611

23. TRADE RECEIVABLES *(Continued)*

Trade receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Trade receivables that were past due but not impaired relate to a number of independent customers 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.

24. OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	Group		Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Prepayments	**11,820**	3,571	**818**	449
Deposits	**20,364**	12,981	**–**	–
Other receivables	**5,403**	6,429	**–**	–
	37,587	22,981	**818**	449
Portion classified as current assets	**(36,737)**	(21,529)	**(818)**	(449)
Portion classified as non-current assets	**850**	1,452	**–**	–

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

Included in other receivables as at 31 December 2014 was HK$808,000 (2013: HK$1,705,000), an amount due from South China Media Limited, a director of which is also a director of the Company. The amount is unsecured, non-interest-bearing and has no fixed terms of repayment. The maximum outstanding balance during the year was HK$2,096,000.

25. CASH AND BANK BALANCES AND PLEDGED TIME DEPOSITS

		Group		Company	
		2014	2013	**2014**	2013
	Note	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Cash and bank balances		**127,175**	89,332	**174**	166
Time deposits		**1,997**	18,289	**–**	–
		129,172	107,621	**174**	166
Less: Pledged time deposits:					
Pledged for a guarantee provided to Hong Kong Exchanges and Clearing Limited for commodities dealings		**–**	(5,000)	**–**	–
Pledged for a guarantee provided to Hong Kong Exchanges and Clearing Limited for securities dealings		**(500)**	(500)	**–**	–
Pledged for bank loans	30	**(1,497)**	–	**–**	–
		(1,997)	(5,500)	**–**	–
Cash and bank balances		**127,175**	102,121	**174**	166

At the end of the reporting period, cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$48,475,000 (2013: HK$56,334,000). RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale 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 three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. Bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

26. CASH HELD ON BEHALF OF CLIENTS

The Group maintains segregated trust accounts with licensed banks to hold securities, futures, bullion and forex clients' monies arising from its normal course of business. The Group has classified the clients' monies as "Cash held on behalf of clients" under the current assets section of the consolidated statement of financial position and recognised the corresponding accounts payable to respective clients on the grounds that the Group is liable for any loss or misappropriation of the clients' monies. The Group is not allowed to use the clients' monies to settle its own obligations.

27. CLIENT DEPOSITS

The Group's client deposits arose from securities, forex, bullion and commodities dealings during the year.

The client deposits are unsecured, bear interest at the bank deposit saving rate (2013: bank deposit saving rate) and are repayable on demand.

Included in client deposits are deposits from directors, the directors' close family members and companies in which certain directors have beneficial interests totalling HK$17,426,000 (2013: HK$10,987,000), which are subject to similar terms offered by the Group to its major clients.

28. TRADE PAYABLES

The Group's trade payables arose from securities, forex, bullion and commodities dealings during the year.

An aged analysis of the Group's trade payables at the end of the reporting period, based on the settlement due date, is as follows:

	Group	
	2014	2013
	HK$'000	HK$'000
Current to 30 days	**110,943**	169,546

The trade payables are non-interest-bearing and repayable on the settlement day of the relevant trades or upon demand from customers.

29. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Other payables	**15,175**	7,501	**48**	48
Accruals	**4,533**	4,117	**–**	–
	19,708	11,618	**48**	48

Other payables are non-interest-bearing and have an average term of two months.

30. INTEREST-BEARING BANK BORROWINGS

	Group					
	2014			2013		
	Effective Contractual interest rate (%)	Maturity	HK$'000	Effective contractual interest rate (%)	Maturity	HK$'000
Current						
Bank overdrafts – secured	HIBOR + 2.5%	On demand	11,991	HIBOR + 2.5%	On demand	13,213
Bank overdrafts – unsecured	Prime rate	On demand	2,690	Prime rate to Prime rate + 0.5%	On demand	17,323
Bank loans – secured	HIBOR + 1.25% to HIBOR + 2.75%	2015	269,330	HIBOR + 1.25% to HIBOR + 2.75%	2014	225,352
	110% of Base Rate	2015	5,653			
Bank loans – unsecured				HIBOR+2.5%	2014	45,000
	HIBOR +2% HIBOR+2.6%	2015	35,000	105% of Base Rate to 110% of Base Rate	2014	7,154
			324,664			308,042
Non-current						
Bank loans – secured	HIBOR + 2.5%	2016-2023	156,537	HIBOR + 2.5%	2015-2023	174,865
	110% of Base Rate	2016	3,648			
Bank loans – unsecured				110% of Base Rate	2015-2016	10,111
			160,185			184,976
			484,849			493,018

	Group	
	2014 HK$'000	2013 HK$'000
Analysed into:		
Bank loans and overdrafts repayable:		
Within one year or on demand	324,664	308,042
In the second year	22,472	24,164
In the third to fifth years, inclusive	59,693	62,383
Beyond five years	78,020	98,429
	484,849	493,018

Notes:

(i) HIBOR represents the Hong Kong Interbank Offered Rate.

(ii) Base Rate represents the People's Bank of China Commercial Base Lending Rate.

30. INTEREST-BEARING BANK BORROWINGS *(Continued)*

Notes:

(a) The Group's overdraft facilities amounting to HK$111,000,000 (2013: HK$103,000,000), of which HK$14,681,000 (2013: HK$30,536,000) had been utilised at the end of the reporting period, are guaranteed by the Company up to HK$111,000,000 (2013: HK$103,000,000). The loans were secured by the pledge of certain of the Group's listed equity investments amounting to HK$19,890,000 (2013: HK$29,317,000).

(b) Certain of the Group's bank loans are secured by the Group's:

(i) investment properties situated in Hong Kong, which had a fair value at the end of the reporting period of approximately HK$397,500,000 (2013: HK$430,000,000) (note 14); and

(ii) time deposit amounting to HK$1,497,000 (2013: Nil) (note 25).

In addition, listed equity investments belonging to the Group and clients totalling approximately HK$356,678,000 (2013: HK$349,946,000) were pledged to banks to secure banking facilities granted to a subsidiary of the Group at the end of the reporting period (notes 19, 20 and 22).

(c) Except for the loans with interest charged at Base Rate, which are denominated in Renminbi, all borrowings are denominated in Hong Kong dollars.

31. SUBORDINATED LOAN TO A SUBSIDIARY

The Company's subordinated loan to a subsidiary, South China Securities Limited, is unsecured, bears interest at a rate of 2% below the Hong Kong dollar prime rate (2013: 2% below the Hong Kong dollar prime rate) per annum, and is repayable on a date as agreed between the Company and the subsidiary, subject to the overriding provision of the subordinated loan agreement that, if the subsidiary becomes insolvent or unable to meet the liquid capital requirements set out in the Hong Kong Securities and Futures (Financial Resources) Rules, the repayment of the loan will be subordinated to the prior repayment of all other creditors of the subsidiary. In the opinion of the directors, the balance is not repayable within one year.

32. SHARE CAPITAL

Shares

	2014	2013
	HK$'000	HK$'000
Authorised: (note(i))		
Nil (2013: 8,000,000,000 ordinary shares of HK$0.025 each) (note (ii))	**–**	200,000
Issued and fully paid:		
5,028,084,500 (2013: 5,026,084,500) ordinary shares	**348,334**	125,652

32. SHARE CAPITAL *(Continued)*

Notes:

(i) Under the Hong Kong Companies Ordinance (Cap. 622), which commenced operation on 3 March 2014, the concept of authorised share capital no longer exists.

(ii) In accordance with section 135 of the Hong Kong Companies Ordinance (Cap. 622), the Company's shares no longer have a par or nominal value with effect from 3 March 2014. There is no impact on the number of shares in issue or the relative entitlement of any of the members of the Company as a result of this transition.

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue	**Share capital** HK$'000	**Share premium account** HK$'000	**Capital redemption reserve** HK$'000	**Total** HK$'000
At 1 January 2013	5,028,334,500	125,708	220,027	1,614	347,349
Repurchase and cancellation of ordinary shares (note (a))	(2,250,000)	(56)	–	56	–
At 31 December 2013 and 1 January 2014	5,026,084,500	125,652	220,027	1,670	347,349
Transfer to no-par value regime (note (b))	–	221,697	(220,027)	(1,670)	–
Issue of shares upon the exercise of share options (note (c))	2,000,000	985	–	–	985
At 31 December 2014	5,028,084,500	348,334	–	–	348,334

Notes:

(a) In the prior year, the Company repurchased 2,250,000 ordinary shares from the Hong Kong Stock Exchange. All the ordinary shares repurchased were cancelled during the year ended 31 December 2013 and the issued share capital of the Company was reduced by the par value of HK$56,000. The premium paid on the repurchase of the ordinary shares of HK$133,000 was charged to retained profits during the year. In accordance with Section 49H of the predecessor Hong Kong Companies Ordinance (Cap. 32), an amount equivalent to the par value of the ordinary shares cancelled was transferred to the capital redemption reserve as set out in the consolidated statement of changes in equity.

(b) In accordance with the transitional provisions set out in section 37 of Schedule 11 to the Hong Kong Companies Ordinance (Cap. 622), on 3 March 2014, any amount standing to the credit of the share premium account and capital redemption reserve has become part of the Company's share capital.

(c) The subscription rights attaching to 2,000,000 share options were exercised at the subscription price of HK$0.128 per share (note 33), resulting in the issue of 2,000,000 shares for a total cash consideration of HK$256,000. An amount of HK$729,000 was transferred from the share option reserve to share capital upon the exercise of the share options.

33. SHARE OPTION SCHEMES

The share option scheme adopted by the Company on 31 May 2002 (the "2002 Share Option Scheme") was terminated on 5 June 2012. Thereafter, no further options will be granted under the 2002 Share Option Scheme but the subsisting share options granted thereunder prior to its termination shall continue to be valid and exercisable pursuant to the terms of the 2002 Share Option Scheme.

At the annual general meeting of the Company held on 5 June 2012, the shareholders of the Company approved the adoption of a new share option scheme (the "2012 Share Option Scheme") and it became effective on 11 June 2012. Under the 2012 Share Option Scheme, the directors of the Company may grant options to eligible persons to subscribe for the Company's shares subject to the terms and conditions as stipulated therein. Unless otherwise cancelled or amended, the 2012 Share Option Scheme will be valid and effective for a period of 10 years commencing on the date on which it became effective.

The directors and employees of the Company and its subsidiaries are entitled to participate in the share option schemes operated by the Company. Details of the share option schemes are as follows:

(a) 2002 Share Option Scheme

(1) *Purpose of the 2002 Share Option Scheme*

In order to provide incentives or rewards to the participants for their contribution to the Group and to enable the Group to attract and retain employees of appropriate qualifications and with necessary experience to work for the Group and any entity in which any member of the Group holds any equity interest (the "Invested Entity"), the shareholders of the Company approved the adoption of the 2002 Share Option Scheme at the annual general meeting held on 31 May 2002.

(2) *Participants of the 2002 Share Option Scheme*

According to the 2002 Share Option Scheme, the board may, at its absolute discretion, grant options to any person belonging to any of the following classes of participants to subscribe for shares:

(i) any executive director, employee or proposed employee (whether full time or part time) of any member of the Group or any Invested Entity or substantial shareholder;

(ii) any non-executive director (including any independent non-executive director) of any member of the Group or any Invested Entity or substantial shareholder;

(iii) any individual for the time being seconded to work for any member of the Group or any Invested Entity or substantial shareholder;

(iv) any shareholder of any member of the Group or any Invested Entity or substantial shareholder or any holder of any securities issued by any member of the Group or any Invested Entity or substantial shareholder;

(v) any business partner, consultant or contractor of any member of the Group or any Invested Entity or substantial shareholder;

33. SHARE OPTION SCHEMES *(Continued)*

(a) 2002 Share Option Scheme *(Continued)*

(2) *Participants of the 2002 Share Option Scheme (Continued)*

(vi) any supplier of goods or services to any member of the Group or any Invested Entity or substantial shareholder;

(vii) any customer of any member of the Group or any Invested Entity or substantial shareholder;

(viii) any person or entity that provides research, development or other technological support or any advisory, consultancy, professional or other services to any member of the Group or any Invested Entity or substantial shareholder; and

(ix) any company wholly owned by one or more persons belonging to any of the above classes of participants.

(3) *Total number of shares available for issue under the 2002 Share Option Scheme*

The maximum number of shares in respect of which share options may be granted shall not exceed 10% of the shares issue as at the date of approval of the 2002 Share Option Scheme, i.e., a total of 486,193,674 shares.

(4) *Maximum entitlement of each participant*

The total number of shares issued and which may fall to be issued upon exercise of the options granted under the 2002 Share Option Scheme to each participant in any 12-month period must not exceed 1% of the issued share capital of the Company for the time being unless otherwise approved by the shareholders of the Company, if applicable.

(5) *Period within which the shares must be taken up under an option*

The board may, at its absolute discretion, determine the period during which a share option may be exercised, and such period should expire no later than 10 years from the date of grant. The board may also provide restrictions on the exercise of a share option during the period when a share option may be exercised.

(6) *Minimum period, if any, for which an option must be held before it can be exercised*

There is no specific requirement under the 2002 Share Option Scheme that an option must be held for any minimum period before it can be exercised, but the terms of the 2002 Share Option Scheme provide that the board has the discretion to impose a minimum period at the time of grant to any particular option.

(7) *Amount payable upon acceptance of the option and the period within which payment must be made*

An amount of HK$1 for each lot of share options granted is payable upon acceptance of the options within five business days from the date of offer of the options.

33. SHARE OPTION SCHEMES *(Continued)*

(a) 2002 Share Option Scheme *(Continued)*

(8) *Basis of determining the exercise price of the options*

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

(9) *Remaining life of the 2002 Share Option Scheme*

The 2002 Share Option Scheme was inforce for a period of 10 years commencing on 28 June 2002 and was terminated on 5 June 2012.

The following share options were outstanding under the 2002 Share Option Scheme during the year:

	2014		2013	
	Weighted average exercise price per share HK$	**Number of options '000**	Weighted average exercise price per share HK$	Number of options '000
At 1 January	**0.128**	**2,000**	0.128	4,000
Exercised during the year	**0.128**	**(2,000)**	–	–
Lapsed during the year		**–**	0.128	(2,000)
At 31 December		**–**	0.128	2,000

Particulars and movements during the year of the outstanding share options granted under the 2002 Share Option Scheme were as follows:

	Number of share options						
Name or category of participant	Outstanding as at 1 January 2014	Granted during the year	Exercised during the year	Outstanding as at 31 December 2014	Date of grant of share options (Note a)	Exercise period of share options	Exercise price per share HK$ (Note b)
Others	2,000,000	–	(2,000,000)	–	05/08/09	05/08/12–04/08/14	0.128

33. SHARE OPTION SCHEMES *(Continued)*

(a) 2002 Share Option Scheme *(Continued)*

(9) *Remaining life of the 2002 Share Option Scheme (Continued)*

Notes:

(a) All share options granted are subject to a vesting period and become exercisable in the following manner:

From the date of grant of share options	Exercisable percentage
Within 12 months	Nil
13th month to 36th month	$33^1/_3$%
25th month to 48th month	$33^1/_3$%
37th month to 60th month	$33^1/_3$%

The unexercised share options of each exercise period shall lapse at the end of the corresponding exercise period.

(b) The subscription price of the share options is subject to adjustment in the case of rights or bonus issues, or other alteration in the capital structure of the Company.

At the year ended 31 December 2014, the Company had no outstanding share options under 2002 Share Option Scheme.

No share option was granted during the year (2013: Nil). No share option expense was recognised (2013: Nil) during the year ended 31 December 2014.

The fair value of equity-settled share options granted in prior years was estimated as at the date of grant using a trinomial model, taking into account the terms and conditions upon which the options were granted.

(b) 2012 Share Option Scheme

(1) *Purpose of the 2012 Share Option Scheme*

In order to provide incentives or rewards to the participants for their contribution to the Group and to enable the Group to attract and retain employees of appropriate qualifications and with necessary experience to work for the Group and any Invested Entity, the shareholders of the Company approved the adoption of the 2012 Share Option Scheme at the annual general meeting held on 5 June 2012.

(2) *Participants of the 2012 Share Option Scheme*

According to the 2012 Share Option Scheme, the board may, at its discretion, grant share options to any person belonging to any of the following classes of participants to subscribe for shares:

(i) any executive director, employee or proposed employee (whether full time or part time) of any member of the Group or any Invested Entity or substantial shareholder;

(ii) any non-executive director (including any independent non-executive director) of any member of the Group or any Invested Entity or substantial shareholder;

33. SHARE OPTION SCHEMES *(Continued)*

(b) 2012 Share Option Scheme *(Continued)*

(2) *Participants of the 2012 Share Option Scheme (Continued)*

(iii) any individual for the time being seconded to work for any member of the Group or any Invested Entity or substantial shareholder;

(iv) any shareholder of any member of the Group or any Invested Entity or substantial shareholder or any holder of any securities issued by any member of the Group or any Invested Entity or substantial shareholder;

(v) any business partner, agent, consultant, contractor or representatives of any member of the Group or any Invested Entity or substantial shareholder;

(vi) any supplier of goods or services to any member of the Group or any Invested Entity or substantial shareholder;

(vii) any customer of any member of the Group or any Invested Entity or substantial shareholder;

(viii) any person or entity that provides research, development or other technological support or any advisory, consultancy, professional or other services to any member of the Group or any Invested Entity or substantial shareholder;

(ix) any other group or classes of participants from time to time determined by the directors as having contributed or may contribute to the development and growth of any member of the Group (including any discretionary object of a participant which is a discretionary trust); and

(x) any company wholly owned by one or more persons belonging to any of the above classes of participants.

(3) *Total number of shares available for issue under the 2012 Share Option Scheme*

The maximum number of shares in respect of which share options may be granted shall not exceed 10% of the shares in issue as at the date of approval of the 2012 Share Option Scheme, that is, a total of 502,833,450.

As at 31 December 2014, the total number of shares available for issue pursuant to the grant of share options under the 2012 Share Option Scheme is 502,833,450, representing approximately 10% of the issued share capital of the Company as at the date of this Annual Report.

33. SHARE OPTION SCHEMES *(Continued)*

(b) 2012 Share Option Scheme *(Continued)*

(4) *Maximum entitlement of each participant*

The total number of share issued and which may fall to be issued upon exercise of the options granted under the 2012 Share Option Scheme to each participant in any 12-month period must not exceed 1% of the issued share capital of the Company for the time being unless otherwise approved by the shareholders of the Company, if applicable.

(5) *Period within which the shares must be taken up under an option*

The board may at its absolute discretion determine the period during which a share option may be exercised, such period should expire no later than 10 years from the date of grant. The board may also impose restrictions on the exercise of a share option during the period a share option may be exercised.

(6) *Minimum period, if any, for which an option must be held before it can be exercised*

There is no specific requirement under the 2012 Share Option Scheme that an option must be held for any minimum period before it can be exercised, but the terms of the 2012 Share Option Scheme provide that the board has the discretion to impose a minimum period at the time of grant of any particular option.

(7) *Amount payable upon acceptance of the option and the period within which payment must be made*

An amount of HK$1 for each lot of share options granted is payable upon acceptance of the options within 28 days from the date of offer of the options.

(8) *Basis of determining the exercise price of the options*

The exercise price is determined by the board, and shall be at least the higher of: (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the date of offer of grant; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of offer of grant; and (iii) the nominal value of the Company's shares.

(9) *Remaining life of the 2012 share option scheme*

Subject to early termination of the 2012 Share Option Scheme pursuant to the terms thereof, the 2012 Share Option Scheme will be valid and effective for a period of 10 years commencing on the date on which it became effective on 11 June 2012.

During the year ended 31 December 2014, no share option has been granted, exercised or cancelled under the 2012 Share Option Scheme since its adoption.

34. 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 page 27 of the financial statements.

(b) Company

	Note	Share premium account HK$'000	Capital redemption reserve HK$'000	Share option reserve HK$'000	Retained profits/ (Accumulated losses) HK$'000	Total HK$'000
At 1 January 2013		220,027	1,614	797	(84,318)	138,120
Total comprehensive loss for the year	11	–	–	–	(5,106)	(5,106)
Repurchase and cancellation of ordinary shares	32	–	56	–	(189)	(133)
Transfer of share options reserve upon the forfeiture or expiry of share options		–	–	(68)	68	–
At 31 December 2013 and at 1 January 2014		**220,027**	**1,670**	**729**	**(89,545)**	**132,881**
Total comprehensive income for the year	11	**–**	**–**	**–**	**15,697**	**15,697**
Transition to no-par value regime	32	**(220,027)**	**(1,670)**	**–**	**–**	**(221,697)**
Issue of shares upon the exercise of share options	32	**–**	**–**	**(729)**	**–**	**(729)**
At 31 December 2014		**–**	**–**	**–**	**(73,848)**	**(73,848)**

The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payment transactions in note 2.4 to the financial statements. The amount will either be transferred to the share premium account when the related options are exercised, or be transferred to retained profits/(accumulated losses) should the related options expire or lapse.

35. OTHER COMPREHENSIVE INCOME FOR THE YEAR

	Group	
	2014 HK$'000	2013 HK$'000
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:		
Available-for-sale investments:		
Changes in fair value of available-for-sale financial assets	**5,600**	(1,090)
Exchange differences on translation of foreign operations	**(1,638)**	2,063
Other comprehensive income for the year	**3,962**	973

36. DISPOSAL OF A SUBSIDIARY

During the year, on 24 April 2014, the Company entered into a deed (the "Deed") with South China Industries (BVI) Limited (the "Purchaser"), and Intercourt Investments Limited ("Intercourt"). Pursuant to the Deed, the Company agreed to sell and the Purchaser agreed to buy (i) the entire equity interests in Intercourt, a then wholly-owned subsidiary of the Company; and (ii) the debt of HK$4,552,704 owned by Intercourt to the Company immediately before the transaction, at an aggregate cash consideration of HK$4,552,705.

The net asset of Intercourt disposed of represented a rental deposit of HK$4,552,704 and an amount due to the Company of HK$4,552,704.

The Purchaser is a related company of the Company, which is indirectly controlled by a director and his family members.

37. PLEDGE OF ASSETS

Details of the Group's bank loans and overdrafts which are secured by the assets of the Group are included in note 30 to the financial statements.

38. CONTINGENT LIABILITIES

At the end of the reporting period, contingent liabilities not provided for in the financial statements are as follows:

	Group		Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Guarantees given to banks in connection with banking facilities granted to subsidiaries	**–**	–	**846,367**	887,534

At the end of the reporting period, the banking facilities granted to the subsidiaries subject to guarantees given to the banks by the Company were utilised to the extent of approximately HK$475,548,000 (2013: HK$475,753,000).

39. OPERATING LEASE ARRANGEMENTS

(a) As Lessor

The Group leases its investment properties (note 14) under operating lease arrangements, with leases negotiated for terms of two years. The terms of the leases generally also require the tenants to pay security deposits.

At 31 December 2014, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follow:

	Group	
	2014	2013
	HK$'000	HK$'000
Within one year	**6,643**	6,374
In the second to fifth years, inclusive	**2,833**	1,784
	9,476	8,158

(b) As Lessee

The Group leases certain of its office properties under operating lease arrangements, with leases negotiated for terms ranging from two to three years.

At the end of the reporting period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2014	2013
	HK$'000	HK$'000
Within one year	**5,749**	18,098
In the second to fifth years, inclusive	**2,740**	7,767
After five year	**968**	1,451
	9,457	27,316

40. COMMITMENT

In addition to the operating lease commitments detailed in note 39 above, the Group had the following capital commitments at the end of the reporting period:

	Group	
	2014	2013
	HK$'000	HK$'000
Contacted, but not provided for		
Capital contributions to a subsidiary	**12,475**	–
Capital contributions to an associate	**8,733**	8,952
	21,208	8,952

41. CONNECTED AND RELATED PARTY TRANSACTIONS

(a) 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:

	Notes	**2014** **HK$'000**	2013 HK$'000
Commission and brokerage income received from:	(i)		
Directors and companies in which certain directors have beneficial interests*		**2,584**	2,315
Interest income arising from margin financing received from:	(ii)		
Directors and companies in which certain directors have beneficial interests*		**52**	54
Rent and building management fee expense*	(iii)	**6,090**	–
Proceeds from disposal of a subsidiary from a related company	36	**4,553**	–

* The related party transactions also constitute exempted connected transactions as defined in Chapter 14A of the Listing Rules.

Notes:

(i) commission and brokerage income related to the Group's securities broking business and the rate was determined by reference to commission and brokerage fees charged to third parties.

(ii) interest income related to the Group's margin financing business and the amount was calculated based on the Hong Kong dollar prime rate per annum which is similar to the rate offered to the Group's major clients.

(iii) rental and building management expenses related to leasing of the Group's office premises was charged on a cost reimbursement basis.

41. CONNECTED AND RELATED PARTY TRANSACTIONS *(Continued)*

(b) Compensation of key and senior management personnel of the Group:

The executive directors and the non-executive director are the key and senior management personnel of the Group. Details of their remuneration are disclosed in note 8 to the financial statements.

(c) Outstanding balances with related parties:

Details of the Group's balances with affiliates at the end of the reporting period are included in notes 24 and 27 to the financial statements.

42. FINANCIAL INSTRUMENTS BY CATEGORY

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

2014 **Group**

Financial assets

	Financial assets at fair value through profit or loss – held for trading HK$'000	Available-for-sale investments HK$'000	Loans and receivables HK$'000	Total HK$'000
Other assets	–	–	13,031	13,031
Available-for-sale investments	–	28,467	–	28,467
Loans receivable	–	–	200,938	200,938
Trade receivables	–	–	191,586	191,586
Financial assets at fair value through profit or loss	148,524	–	–	148,524
Financial assets included in other receivables, prepayments and deposits (note 24)	–	–	25,767	25,767
Pledged time deposits	–	–	1,997	1,997
Cash held on behalf of clients	–	–	628,708	628,708
Cash and bank balances	–	–	127,175	127,175
	148,524	28,467	1,189,202	1,366,193

42. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

2014 **Group**

Financial liabilities

	Financial liabilities at amortised cost HK$'000
Client deposits	**704,414**
Trade payables	**110,943**
Financial liabilities included in other payables and accruals	**14,650**
Deposits received	**1,467**
Interest-bearing bank borrowings	**484,849**
	1,316,323

2013 Group

Financial assets

	Financial assets at fair value through profit or loss – held for trading HK$'000	Available-for-sale investments HK$'000	Loans and receivables HK$'000	Total HK$'000
Other assets	–	–	9,871	9,871
Available-for-sale investments	–	22,867	–	22,867
Loans receivable	–	–	224,020	224,020
Trade receivables	–	–	148,257	148,257
Financial assets at fair value through profit or loss	160,430	–	–	160,430
Financial assets included in other receivables, prepayments and deposits (note 24)	–	–	19,410	19,410
Pledged time deposits	–	–	5,500	5,500
Cash held on behalf of clients	–	–	520,384	520,384
Cash and bank balances	–	–	102,121	102,121
	160,430	22,867	1,029,563	1,212,860

42. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

2013 Group

Financial liabilities

	Financial liabilities at amortised cost HK$'000
Client deposits	452,652
Trade payables	169,546
Financial liabilities included in other payables and accruals	10,860
Deposit received	1,959
Interest-bearing bank borrowings	493,018
	1,128,035

Financial assets

	Company Loans and receivables	
	2014 HK$'000	2013 HK$'000
Due from subsidiaries	**312**	312
Subordinated loan to a subsidiary	**100,000**	100,000
Cash and bank balances	**174**	166
	100,486	100,478

Financial liabilities

	Company Financial liabilities at amortised cost	
	2014 HK$'000	2013 HK$'000
Due to subsidiaries	**5,935**	6,261
Financial liabilities included in other payables and accruals	**48**	48
	5,983	6,309

43. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and bank balances, cash held on behalf of clients, pledged time deposits, other assets, the current portion of loans receivable, trade receivables, financial assets included in other receivables, prepayments and deposits, clients deposits, trade payables, financial liabilities included in other payables, accruals and deposits received and balances with subsidiaries approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's corporate finance team headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The corporate finance team reports directly to the chief financial officer. At each reporting date, the corporate finance team analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of the non-current portion of loans receivables, interest-bearing bank borrowings, deposits and subordinated loan to a subsidiary have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for interest-bearing bank borrowings as at 31 December 2014 was assessed to be insignificant.

The fair values of listed equity investments are based on quoted market prices. The fair value of unlisted available-for-sale investments in which represented club debentures have been estimated based on market transaction prices.

43. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(Continued)*

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**
Available-for-sale investments:				
Equity investments	**26,040**	**–**	**–**	**26,040**
Debt investments	**–**	**2,427**	**–**	**2,427**
Financial assets at fair value through profit or loss	**148,524**	**–**	**–**	**148,524**
	174,564	**2,427**	**–**	**176,991**

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
Available-for-sale investments:				
Equity investments	20,440	–	–	20,440
Debt investments	–	2,427	–	2,427
Financial assets at fair value through profit or loss	160,430	–	–	160,430
	180,870	2,427	–	183,297

Company

The Company did not have any financial assets measured at fair value as at 31 December 2014 and 31 December 2013.

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise bank loans and overdrafts, and cash and short term deposits, and listed equities investments. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as loans receivable, trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, credit risk, liquidity risk and equity 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's exposure to the risk of changes in market interest rates relates primarily to the Group's net debt obligations with floating interest rates. The majority of the bank borrowings bear interest at interest rates with reference to the HIBOR whereas loans to customers bear interest at interest rates with reference to the prime rate. As the prime rate in Hong Kong basically changes in line with the HIBOR, the Group's exposure to the risk of changes in market interest rates is minimal.

The following table demonstrates the sensitivity to a reasonably possible change in Hong Kong dollar interest rate, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate net borrowings).

	Group	
	Change in basis point	**Change in profit before tax**
		HK$'000
2014		
Hong Kong dollar	**50**	**2,364**
Renminbi	**50**	**47**
2013		
Hong Kong dollar	50	2,379
Renminbi	50	86

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. For transactions that are not denominated in the functional currency of the relevant operating unit, the Group does not offer credit terms without the specific approval of the Head of Credit Control.

The Group's concentration of credit risk is mainly in Hong Kong by geographical location. The Group's credit risk exposure is spread over a number of counterparties and customers. Hence, it has no significant concentration of credit risk by a single debtor.

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Credit risk *(Continued)*

Further quantitative data in respect of the Group's exposure to credit risk arising from loans and trade receivables are disclosed in notes 19 and 23 to the financial statements, respectively.

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., loans and trade receivables) and projected cash flows from operations.

The Group's borrowings from banks during the year are mainly for the provision of financing and loans to customers for their purchases and continuous holding of securities. The maturity of bank borrowings of the Group usually ranges from overnight to one month, and they are either rolled over or repaid by the Group's own funding. In addition, for those clients who are unable to settle their settlement obligations or margin deficits, the Group may dispose of the securities collateral pledged by the customers to the Group. The Group always ensures that the securities collateral pledged by customers are able to be realised in the market within a reasonable period of time.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts and bank loans.

The maturity profile of the Group's and Company's financial liabilities 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	Over 5 years HK$'000	Total HK$'000
Client deposits	704,414	–	–	–	–	704,414
Interest-bearing bank borrowings	285,681	7,315	22,026	95,882	81,994	492,898
Trade payables	–	110,943	–	–	–	110,943
Financial liabilities included in other payables and accruals	–	14,650	–	–	–	14,650
Deposits received	–	–	–	1,467	–	1,467
	990,095	132,908	22,026	97,349	81,994	1,324,372

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Liquidity risk *(Continued)*

Group

	2013					
	On demand HK$'000	Less than 3 months HK$'000	3 to less than 12 months HK$'000	1 to 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
Client deposits	452,652	–	–	–	–	452,652
Interest-bearing bank borrowings	283,036	6,629	23,386	101,554	104,795	519,400
Trade payables	–	169,546	–	–	–	169,546
Financial liabilities included in other payables and accruals	3,359	7,501	–	–	–	10,860
Deposits received	–	–	–	1,959	–	1,959
	739,047	183,676	23,386	103,513	104,795	1,154,417

Company

	2014			
	On demand HK$'000	**Less than 3 months HK$'000**	**Over 1 year HK$'000**	**Total HK$'000**
Due to subsidiaries	**–**	**–**	**5,935**	**5,935**
Other payables	**48**	**–**	**–**	**48**
Guarantees given to banks in connection with facilities granted to subsidiaries	**475,548**	**–**	**–**	**475,548**
	475,596	**–**	**5,935**	**481,531**

	2013			
	On demand HK$'000	Less than 3 months HK$'000	Over 1 year HK$'000	Total HK$'000
Due to subsidiaries	–	–	6,261	6,261
Other payables	48	–	–	48
Guarantees given to banks in connection with facilities granted to subsidiaries	475,753	–	–	475,753
	475,801	–	6,261	482,062

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Equity 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 individual securities. The Group was exposed to equity price risk arising from individual equity investments classified as financial assets at fair value through profit or loss (note 22) and available-for-sale investments (note 20) at the end of the reporting period. The Group's listed investments are listed on the Hong Kong Stock Exchange and are valued at quoted market prices at the end of the reporting period.

The following table demonstrates the sensitivity to every 10% change in the fair value of the equity investments, with all other variables held constant and before any impact on tax, based on their carrying amounts at the end of the reporting period.

	Carrying amount of equity investments HK$'000	**Change in profit before tax** HK$'000	**Change in equity*** HK$'000
2014			
Investments listed in:			
Hong Kong – Available-for-sale	**26,040**	**–**	**2,604**
– Held-for-trading	**148,524**	**14,852**	**–**
2013			
Investments listed in:			
Hong Kong – Available-for-sale	20,440	–	2,044
– Held-for-trading	160,430	16,043	–

* Excluding retained profits

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 healthy capital ratios 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.

Certain subsidiaries of the Group are regulated by the Securities and Futures Commission (the "SFC") and are required to comply with certain minimum capital requirements according to the rules of the SFC. The Group has established a compliance department which is operated by experienced compliance officers and is monitored by management. The principal roles of the compliance department are to monitor the daily financial status and to review internal control of the Group regularly to ensure the Company's regulated subsidiaries are in compliance with related regulations. No changes were made in the objectives, policies or processes for managing capital during the two years ended 31 December 2014 and 2013.

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Capital management *(Continued)*

The Group monitors capital using a gearing ratio, which is net debt divided by capital plus net debt. The Group's policy is to maintain the gearing ratio below 50%. Net debt includes interest-bearing bank, other borrowings, less cash and bank balances. Capital represents total equity. The gearing ratios at the ends of the reporting periods were as follows:

	Group	
	2014	2013
	HK$'000	HK$'000
Interest-bearing bank borrowings	**484,849**	493,018
Less: Cash and bank balances	**(127,175)**	(102,121)
Net debt	**357,674**	390,897
Capital	**433,877**	502,563
Capital and net debt	**791,551**	893,460
Gearing ratio	**45.2%**	43.8%

45. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The following tables represent details of financial instruments subject to offsetting.

	2014					
				Related amounts not set off in the consolidated statement of financial position		
Assets	Gross amounts of recognised financial assets HK$'000	Gross amounts of recognised financial liabilities set off in the consolidated statement of financial position HK$'000	Net amounts of financial assets presented in the consolidated statement of financial position HK$'000	Financial instruments HK$'000	Cash collateral pledged HK$'000	Net amount HK$'000
Trade receivables	386,152	(194,566)	191,586	–	–	191,586
Loans receivable	208,775	(7,837)	200,938	–	–	200,938
	594,927	(202,403)	392,524	–	–	392,524

				Related amounts not set off in the consolidated statement of financial position		
Liabilities	Gross amounts of recognised financial liabilities HK$'000	Gross amounts of recognised financial assets set off in the consolidated statement of financial position HK$'000	Net amounts of financial liabilities presented in the consolidated statement of financial position HK$'000	Financial instruments HK$'000	Cash collateral pledged HK$'000	Net amount HK$'000
Trade payables	313,346	(202,403)	110,943	–	–	110,943

45. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES *(Continued)*

2013

Assets	Gross amounts of recognised financial assets HK$'000	Gross amounts of recognised financial liabilities set off in the consolidated statement of financial position HK$'000	Net amounts of financial assets presented in the consolidated statement of financial position HK$'000	Related amounts not set off in the consolidated statement of financial position: Financial instruments HK$'000	Related amounts not set off in the consolidated statement of financial position: Cash collateral pledged HK$'000	Net amount HK$'000
Trade receivables	323,062	(174,805)	148,257	–	–	148,257
Loans receivable	258,047	(34,027)	224,020	–	–	224,020
	581,109	(208,832)	372,277	–	–	372,277

Liabilities	Gross amounts of recognised financial liabilities HK$'000	Gross amounts of recognised financial assets set off in the consolidated statement of financial position HK$'000	Net amounts of financial liabilities presented in the consolidated statement of financial position HK$'000	Related amounts not set off in the consolidated statement of financial position: Financial instruments HK$'000	Related amounts not set off in the consolidated statement of financial position: Cash collateral pledged HK$'000	Net amount HK$'000
Trade payables	378,378	(208,832)	169,546	–	–	169,546

46. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 30 March 2015.

Five Year Financial Summary

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

RESULTS

	Year ended 31 December				
	2014	2013	2012	2011	2010
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**105,744**	104,989	122,749	61,578	192,343
Profit/(loss) before tax	**(72,331)**	1,141	55,402	(164,263)	88,664
Tax	**(573)**	62	1,205	2,128	(684)
Profit/(loss) for the year	**(72,904)**	1,203	56,607	(162,135)	87,980
Attributable to:					
Equity holders of the Company	**(72,893)**	1,218	56,610	(162,136)	87,977
Non-controlling interests	**(11)**	(15)	(3)	1	3
	(72,904)	1,203	56,607	(162,135)	87,980

	Year ended 31 December				
	2014	2013	2012	2011	2010
Earnings/(loss) per share (HK cents):					
Basic and diluted	**(1.45)**	0.02	1.13	(3.22)	1.75
Dividend per share (HK cents)	**–**	–	–	–	0.47

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December				
	2014	2013	2012	2011	2010
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
TOTAL ASSETS	**1,784,283**	1,660,285	1,565,572	1,257,602	1,338,391
TOTAL LIABILITIES	**(1,350,406)**	(1,157,722)	(1,064,996)	(940,338)	(840,230)
NON-CONTROLLING INTERESTS	**(543)**	(554)	(569)	(572)	(571)
	433,334	502,009	500,007	316,692	497,590