MORGAN STANLEY ASIA INTERNATIONAL LIMITED

(FORMERLY KNOWN AS "MORGAN STANLEY ASIA PRIVATE WEALTH MANAGEMENT LIMITED")

Reports and financial statements

For the period from 19 May 2014 (date of incorporation)
to 31 December 2014

MORGAN STANLEY ASIA INTERNATIONAL LIMITED
(FORMERLY KNOWN AS “MORGAN STANLEY ASIA PRIVATE WEALTH MANAGEMENT LIMITED”)

REPORTS AND FINANCIAL STATEMENTS
For the period from 19 May 2014 (date of incorporation) to 31 December 2014

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MORGAN STANLEY ASIA INTERNATIONAL LIMITED
(FORMERLY KNOWN AS "MORGAN STANLEY ASIA PRIVATE WEALTH MANAGEMENT LIMITED")

DIRECTORS' REPORT

The Directors present their first annual report and audited financial statements (which comprise the statement of comprehensive income, statement of changes in equity, statement of financial position, statement of cash flows and related notes 1 to 16) for Morgan Stanley Asia International Limited (the "Company") for the period from 19 May 2014 (date of incorporation) to 31 December 2014.

PRINCIPAL ACTIVITIES

With effect from 10 December 2014, the Company became a restricted licence bank registered under the Banking Ordinance in Hong Kong.

The principal activities of the Company are to engage in the business of banking including deposit taking and lending. It also acts as introducing broker for other Morgan Stanley subsidiaries in connection with the provision of general investment and securities dealing, and custody services, as well as discretionary management.

The Company's head office is in Hong Kong with a branch in Singapore, which was registered in Singapore on 28 August 2014. There have been no business activities during the current period. The Company commenced business on 9 February 2015.

The Company's ultimate parent undertaking and controlling entity is Morgan Stanley which, together with the Company and Morgan Stanley's other subsidiary undertakings, form the Morgan Stanley Group (the "Morgan Stanley Group").

RESULTS AND APPROPRIATIONS

The results of the Company for the period from 19 May 2014 (date of incorporation) to 31 December 2014 are set out in the statement of comprehensive income on page 5.

No interim dividends were paid to the shareholders during the period. The Directors do not recommend the payment of a final dividend.

SHARE CAPITAL

Details of the Company's shares issued are set out in note 8 to the financial statements. The Company issued 1 and 13,000,000 ordinary shares respectively on 19 May 2014 and 11 July 2014, to the shareholder for total consideration of US$13,000,001. The proceeds were used for providing working capital to the Company.

DIRECTORS

The following Directors held office throughout the period and up to the date of approval of this report (except where otherwise shown):

Chui, Vincent Yik Chiu	(appointed on 19 May 2014)
Fung, Choi Cheung	(appointed on 6 January 2015)
Jesse, JR James William	(appointed on 6 January 2015)
Laroia, Gokul	(appointed on 19 May 2014)
Kwan, Yin Ping	(appointed on 6 January 2015)
Kohli, Arun	(appointed on 6 January 2015)
Ong, Whatt Soon Ronald	(appointed on 6 January 2015)
Sim, Hwee Hoon	(appointed on 6 January 2015)

There being no provision to the contrary in the Company's Articles of Association, all Directors continue in office.

DIRECTORS' REPORT (CONTINUED)

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS THAT ARE SIGNIFICANT IN RELATION TO THE COMPANY'S BUSINESS

No transactions, arrangements and contracts of significance to which the Company, its holding companies or any subsidiaries of its holding companies were a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the period or at any time during the period.

DIRECTORS' RIGHTS TO ACQUIRE SHARES AND DEBENTURES

Morgan Stanley, the Company's ultimate holding company, has several senior executive incentive compensation programs under which senior executives receive, as part of their total compensation, incentive awards of restricted stock units and, in some cases, restricted stock options that in time are, or may be, converted into shares of Morgan Stanley. All Directors of the Company except independent non-executive directors, are eligible to participate in such incentive compensation programs and receive awards of restricted stock units and, in some cases, restricted stock options thereunder.

Other than as disclosed above, at no time during the period was the Company, its holding companies or any subsidiaries of its holding companies a party to any arrangements to enable the Directors of the Company to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

PERMITTED INDEMNITY PROVISION

The Articles of Association of the Company provide that directors of the Company are indemnified out of the Company's assets against any liability incurred by the Director to a person other than the Company or an associated company of the Company in connection with any negligence, default, breach of duty or breach of trust in relation to the Company or associated company.

SUBSEQUENT EVENTS

Details of the Company's subsequent events are set out in note 16 to the financial statements.

AUDITOR

A resolution will be submitted to the annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board

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DIRECTOR

23 April 2015

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF MORGAN STANLEY ASIA INTERNATIONAL LIMITED (FORMERLY KNOWN AS "MORGAN STANLEY ASIA PRIVATE WEALTH MANAGEMENT LIMITED")

(incorporated in Hong Kong with limited liability)

Report on the Financial Statements

We have audited the financial statements of Morgan Stanley Asia International Limited (the "Company"), formerly known as "Morgan Stanley Asia Private Wealth Management Limited", set out on pages 5 to 33, which comprise the statement of financial position as at 31 December 2014, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the period from 19 May 2014 (date of incorporation) to 31 December 2014, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Financial Statements

The directors are responsible for the preparation of 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement, 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of 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 financial statements.

TO THE MEMBERS OF MORGAN STANLEY ASIA INTERNATIONAL LIMITED (FORMERLY KNOWN AS "MORGAN STANLEY ASIA PRIVATE WEALTH MANAGEMENT LIMITED")

(incorporated in Hong Kong with limited liability)

Report on the Financial Statements (continued)

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2014 and of its financial performance and cash flows for the period from 19 May 2014 (date of incorporation) to 31 December 2014, in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

23 April 2015

MORGAN STANLEY ASIA INTERNATIONAL LIMITED
(FORMERLY KNOWN AS "MORGAN STANLEY ASIA PRIVATE WEALTH MANAGEMENT LIMITED")

STATEMENT OF COMPREHENSIVE INCOME
For the period from 19 May 2014 (date of incorporation) to 31 December 2014

	Note	For the period from 19 May 2014 (date of incorporation) to 31 December 2014 US$'000
Other expense	4	(24)
LOSS BEFORE INCOME TAX		(24)
Income tax benefit	5	4
LOSS AND TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		(20)

The notes on pages 9 to 33 form an integral part of the financial statements.

STATEMENT OF CHANGES IN EQUITY
For the period from 19 May 2014 (date of incorporation) to 31 December 2014

	Note	Share capital US$'000	Accumulated losses US$'000	Total equity US$'000
Balance at 19 May 2014 (date of incorporation)		-	-	-
Loss and total comprehensive loss for the period		-	(20)	(20)
Transactions with owners:				
- Issue of capital	8	13,000	-	13,000
Balance at 31 December 2014		13,000	(20)	12,980

The notes on pages 9 to 33 form an integral part of the financial statements.

MORGAN STANLEY ASIA INTERNATIONAL LIMITED
(FORMERLY KNOWN AS "MORGAN STANLEY ASIA PRIVATE WEALTH MANAGEMENT LIMITED")

STATEMENT OF FINANCIAL POSITION
As at 31 December 2014

	Note	2014
		US$'000
ASSETS		
Loans and receivables:		
Cash at bank	9	13,000
		13,000
Deferred tax assets	7	4
Prepayments		46
TOTAL ASSETS		13,050
LIABILITIES AND EQUITY		
Financial liabilities at amortised cost:		
Other payables	6	70
TOTAL LIABILITIES		70
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		
Share capital	8	13,000
Accumulated losses		(20)
TOTAL EQUITY		12,980
TOTAL LIABILITIES AND EQUITY		13,050

These financial statements were approved by the Board and authorised for issue on 23 April 2015:

Signed on behalf of the Board

Director　　　　　　Director

The notes on pages 9 to 33 form an integral part of the financial statements.

STATEMENT OF CASH FLOWS
For the period from 19 May 2014 (date of incorporation) to 31 December 2014

	Note	2014 US$'000
NET CASH FLOWS FROM OPERATING ACTIVITIES	9b	-
FINANCING ACTIVITIES		
Issue of capital	8	13,000
NET CASH FLOWS FROM FINANCING ACTIVITIES		13,000
NET INCREASE IN CASH AND CASH EQUIVALENTS		13,000
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		-
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	9a	13,000

The notes on pages 9 to 33 form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
For the period from 19 May 2014 (date of incorporation) to 31 December 2014

1. CORPORATE INFORMATION

The Company is a private limited company incorporated and domiciled in Hong Kong, at the following principal place of business address: Level 31, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong.

With effect from 10 December 2014, the Company became a restricted licensed bank registered under the Banking Ordinance in Hong Kong. The principal activities of the Company are to engage in the business of banking including deposit taking and lending. It also acts as introducing broker for other Morgan Stanley subsidiaries in connection with the provision of general investment and securities dealing, and custody services, as well as discretionary management.

The Company's head office is in Hong Kong with a branch in Singapore, which was registered in Singapore on 28 August 2014. There have been no business activities during the current period. The Company commenced business on 9 February 2015.

The Company's immediate parent undertaking is Morgan Stanley Hong Kong Limited, which is incorporated in Hong Kong.

The Company's ultimate parent undertaking and controlling entity is Morgan Stanley which, together with the Company and Morgan Stanley's other subsidiary undertakings, form the Morgan Stanley Group. Morgan Stanley is incorporated in the State of Delaware, the United States of America.

2. BASIS OF PREPARATION

Statement of compliance

The Company has prepared its annual financial statements in accordance with Hong Kong Financial Reporting Standards ("HKFRS") and interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the Hong Kong Companies Ordinance.

2. BASIS OF PREPARATION (CONTINUED)

New standards and interpretations not yet adopted

At the date of authorisation of these financial statements, the following standards, amendments to standards and interpretations relevant to the Company's operations were issued by the HKICPA but not yet mandatory. Except where otherwise stated, the Company does not expect that the adoption of the following standards, amendments to standards and interpretations will have a material impact on the Company's financial statements.

An amendment to HKAS 19 *'Employee benefit'* ("HKAS 19") was issued by the HKICPA in November 2013, for retrospective application for annual periods beginning on or after 1 July 2014.

HKFRS 9 *'Financial instruments'* ("HKFRS 9") was issued by the HKICPA in November 2009, amended in December 2013, and revised and reissued by the HKICPA in July 2014. Retrospective application is required by HKFRS 9, which is effective for annual periods beginning on or after 1 January 2018. Early adoption, either in full or relating to own credit in isolation, is permitted. Although there are expected to be significant changes to the presentation of financial instruments by the Company, there is not expected to be a significant impact on net assets.

HKFRS 15 '*Revenue from Contracts with Customers'* was issued by the HKICPA in July 2014 for retrospective application in annual periods beginning on or after 1 January 2017.

As part of the January 2014 Annual Improvements to HKFRSs 2010-2012 Cycle, the HKICPA made amendments to the following standards that are relevant to the Company's operations: HKFRS 13 *'Fair value measurement'* and HKAS 24 *'Related Party Disclosures'* (for application in accounting periods beginning on or after 1 July 2014).

As part of the January 2014 Annual Improvements to HKFRSs 2011 – 2013 Cycle, the HKICPA made amendments to the following standard that is relevant to the Company's operations: HKFRS 13 *'Fair value measurement'* (for application in accounting periods beginning on or after 1 July 2014).

As part of the October 2014 Annual Improvements to HKFRSs 2012 – 2014 Cycle, the HKICPA made amendments to the following standards that are relevant to the Company's operations: HKFRS *7 'Financial instruments: Disclosures'* ("HKFRS 7") and HKAS 19 (for application in accounting periods beginning on or after 1 January 2016).

Basis of measurement

The financial statements of the Company are prepared under the historical cost basis.

Use of estimates and sources of uncertainty

The preparation of the Company's financial statements require management to make judgements, estimates and assumptions regarding impairment of assets, deferred tax assets, and other matters that affect the financial statements and related disclosures. The Company believes that the estimates utilised in preparing the financial statements are reasonable, relevant and reliable. Actual results could differ from these estimates.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Functional currency

Items included in the financial statements are measured and presented in US dollars, the currency of the primary economic environment in which the Company operates.

All currency amounts in the financial statements are rounded to the nearest thousand US dollars.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b. Foreign currencies

All monetary assets and liabilities denominated in currencies other than US dollars are translated into US dollars at the rates ruling at the reporting date. Transactions and non-monetary assets and liabilities denominated in currencies other than US dollars are recorded at the rates prevailing at the dates of the transactions. All translation differences are taken through the statement of comprehensive income. Exchange differences recognised in the statement of comprehensive income are presented in 'Other income' or 'Other expense', except where noted in 3(c) below.

c. Financial instruments

The Company classifies its financial assets into loans and receivables on initial recognition.

The Company classifies its financial liabilities into financial liabilities at amortised cost on initial recognition.

More information regarding these classifications is included below:

Loans and receivables and financial liabilities at amortised cost

Financial assets classified as loans and receivables are recognised when the Company becomes a party to the contractual provisions of the instrument. They are measured at fair value (see note 3(d) below) and subsequently measured at amortised cost less allowance for impairment. Interest is recognised in the statement of comprehensive income in 'Interest income', using the effective interest rate method as described below. Transaction costs that are directly attributable to the acquisition of the financial asset are added to or deducted from the fair value on initial recognition. Impairment losses and reversals of impairment losses on financial assets classified as loans and receivables are recognised in the statement of comprehensive income in 'Other expense'.

Financial liabilities at amortised cost are recognised when the Company becomes a party to the contractual provisions of the instrument. They are initially measured at fair value (see note 3(d) below) and subsequently measured at amortised cost. Interest is recognised in the statement of comprehensive income in 'Interest expense' using the effective interest rate method as described below. Transaction costs that are directly attributable to the issue of the financial liability are added to or deducted from the fair value on initial recognition.

The effective interest rate method is a method of calculating the amortised cost of a financial instrument (or a group of financial instruments) and of allocating the interest income or interest expense over the expected life of the financial instrument. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial instrument (or, where appropriate, a shorter period) to the carrying amount of the financial instrument. The effective interest rate is established on initial recognition of the financial instrument. The calculation of the effective interest rate includes all fees and commissions paid or received, transaction costs, and discounts or premiums that are an integral part of the effective interest rate. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d. Fair value

Fair value measurement

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e. the "exit price") in an orderly transaction between market participants at the measurement date.

Where the Company manages a group of financial assets and financial liabilities on the basis of its net exposure to market or credit risk, the Company measures the fair value of that group of financial instruments consistently with how market participants would price the net risk exposure at the measurement date.

The fair value of a financial instrument on initial recognition is the transaction price (i.e. the fair value of the consideration given or received).

In determining fair value, the Company uses various valuation approaches and establishes a hierarchy for inputs used in measuring fair value that maximises the use of relevant observable inputs and minimises the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the Company. Unobservable inputs are inputs that reflect the Company's assumptions about the assumptions other market participants would use in pricing the asset or liability, that were developed based on the best information available in the circumstances.

The hierarchy is broken down into three levels based on the observability of inputs as follows:

- Level 1 - Quoted prices (unadjusted) in an active market for identical assets or liabilities

  Valuations based on quoted prices in active markets for identical assets or liabilities that the Morgan Stanley Group has the ability to access. Valuation adjustments and block discounts are not applied to Level 1 instruments. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgement.

- Level 2 - Valuation techniques using observable inputs

  Valuations based on one or more quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

- Level 3 - Valuation techniques with significant unobservable inputs

  Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e. Derecognition of financial assets and liabilities

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risk and rewards of ownership of the asset.

The Company derecognises financial liabilities when the Company's obligations are discharged, cancelled or they expire.

f. Impairment of financial assets

At each reporting date, an assessment is made as to whether there is any objective evidence of impairment in the value of a financial asset classified as loans and receivables. Impairment losses are recognised if an event has occurred which will have an adverse impact on the expected future cash flows of an asset and the expected impact can be reliably estimated.

Impairment losses on loans and receivables are measured as the difference between the carrying amount of the loans and receivables and the present value of estimated cash flows discounted at the asset's original effective interest rate. Such impairment losses are recognised in the statement of comprehensive income within 'Other expense' and are recognised against the carrying amount of the impaired asset on the statement of financial position. Interest on the impaired asset continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset.

If in a subsequent period, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed as detailed by financial asset in note 3(c)(i). Any reversal is limited to the extent that the value of the asset may not exceed the original amortised cost of the asset had no impairment occurred.

g. Impairment of non-financial assets

Non-financial assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Non-financial assets that have suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period. Such impairment losses are recognised in the statement of comprehensive income within 'Other expense' and are recognised against the carrying amount of the impaired asset on the statement of financial position.

h. Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprises cash and demand deposits with banks, net of outstanding bank overdrafts, along with highly liquid investments, with original maturities of three months or less, that are readily convertible to known amounts of cash and subject to insignificant risk of change in value.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

i. Income tax

The tax expense represents the deferred tax.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and limited to the extent that it is probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to other comprehensive income or equity, in which case the deferred tax is reflected within other comprehensive income or equity, respectively.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and current tax liabilities on a net basis.

j. Offsetting of financial assets and financial liabilities

Where there is a current legally enforceable right to set off the recognised amounts and an intention to either settle on a net basis or to realise the asset and the liability simultaneously, financial assets and financial liabilities are offset and the net amount is presented on the statement of financial position. In the absence of such conditions, financial assets and financial liabilities are presented on a gross basis.

4. OTHER EXPENSE

	For the period from 19 May 2014 (date of incorporation) to 31 December 2014 US$'000
Auditor's remuneration:	
Fee payable to the Company's auditor for the audit of the Company's annual financial statements	12
Fee payable to the Company's auditor for other services to the Company	9
Directors' remuneration	-
Other	3
	24

4. OTHER EXPENSE (CONTINUED)

The Company did not employ any staff during the current period.

During the current period, the Company has not paid any (a) directors' emoluments, (b) directors' retirement benefits, (c) payments or benefit in respect of the termination of the service of directors whether in the capacity of directors or in any other capacity while being a director of the Company, (d) consideration provided to or receivable by any third party for making available the services of a person as a director or in any other capacity while being a director of the Company.

Any compensation received by the directors were borne by other Morgan Stanley Group undertakings in the current period.

During the current period, the Company has not granted any loans, quasi-loans nor entered into any other dealings in favor of (a) the Directors, (b) entities controlled by the Directors; or (c) entities connected with the Directors.

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

5. INCOME TAX BENEFIT

	For the period from 19 May 2014 (date of incorporation) to 31 December 2014 US$'000
Deferred tax benefit	
Origination of temporary differences	(4)
Income tax benefit	(4)

Reconciliation of effective tax rate

The deferred income tax benefit equals to that resulting from applying the standard rate of profits tax in Hong Kong for the period of 16.5%:

	2014 US$'000
Loss before income tax	(24)
Income tax using the standard rate of profits tax in Hong Kong of 16.5%	(4)
Total income tax benefit in the statement of comprehensive income	(4)

6. OTHER PAYABLES

	2014 **US$'000**
Amounts due to other Morgan Stanley Group undertakings	58
Other amounts payable	12
	70

7. DEFERRED TAX ASSETS

Deferred taxes are calculated on all temporary differences under the liability method. The movement in the deferred tax account is as follows:

	2014 **Deferred tax asset** **US$'000**
At 19 May 2014 (date of incorporation)	-
Amount recognised in the statement of comprehensive income	4
At 31 December 2014	4

The deferred tax included in the statement of financial position and changes recorded in the 'Income tax benefit' are as follows:

	Deferred tax asset 2014 US$'000	**Deferred tax liability 2014 US$'000**	**Statement of comprehensive income 2014 US$'000**
Tax losses carried forward	4	-	4
At 31 December 2014	4	-	4

The deferred tax assets recognised are based on management assessment that it is probable that the Company will have taxable profits against which the temporary differences can be utilised.

8. EQUITY

Ordinary share capital

	Number of ordinary shares '000	Ordinary shares US$'000
Issued and fully paid		
At 19 May 2014 (date of incorporation)	-	-
Issued in the period: 11 July 2014	13,000	13,000
At 31 December 2014	13,000	13,000

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at general meetings of the Company. All shares rank equally with regard to the Company's residual assets.

9. ADDITIONAL CASH FLOW INFORMATION

a. Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise the following balances, which have less than three months maturity from the date of acquisition:

	2014 US$'000
Cash at bank	13,000

9. ADDITIONAL CASH FLOW INFORMATION (CONTINUED)

b. Reconciliation of cash flows from operating activities

	2014
	US$'000
Loss for the period	(20)
Adjustments for:	
Income tax benefit	(4)
Operating cash flow before changes in operating assets and liabilities	(24)
Changes in operating assets	
Increase in prepayments	(46)
	(46)
Changes in operating liabilities	
Increase in financial liabilities at amortised cost	70
	70
Net cash flows from operating activities	-

10. EXPECTED MATURITY OF ASSETS AND LIABILITIES

The table below shows an analysis of financial assets and liabilities analysed according to when they are expected to be recovered, realised or settled.

At 31 December 2014

	Less than or equal to twelve months US$'000	More than twelve months US$'000	Total US$'000
ASSETS			
Loans and receivables:			
Cash at bank	13,000	-	13,000
	13,000	-	13,000
Deferred tax assets	4	-	4
Prepayments	46	-	46
	13,050	-	13,050
LIABILITIES			
Financial liabilities at amortised cost:			
Other payables	70	-	70
	70	-	70

11. FINANCIAL RISK MANAGEMENT

Risk management procedures

Risk is an inherent part of both Morgan Stanley's and the Company's business activities. The Company seeks to identify, assess, monitor and manage each of the various types of risk involved in its business activities in accordance with defined policies and procedures. The Company has developed its own risk management policy framework, which is consistent with and leverages the risk management policies and procedures of the Morgan Stanley Group and which includes escalation to appropriate senior management personnel of the Company as well as oversight through the Company's Board of Directors (the "Board") and through a dedicated Risk Committee that reports to the Board.

Significant risks faced by the Company resulting from its financing activities are set out below.

11. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk

Credit risk refers to the risk of loss arising when a borrower, counterparty or issuer does not meet its financial obligations to the Company. Credit risk includes the risk that economic, social and political conditions and events in a foreign country will adversely affect an obligor's ability and willingness to fulfill their obligations.

Credit risk management policies and procedures for the Company are consistent with those of the Morgan Stanley Group and include escalation to the Company's Board and appropriate key management personnel.

The Morgan Stanley Group manages credit risk exposure on a consolidated basis and also for each significant legal entity within the Group. Its credit risk management policies and procedures establish the framework for identifying, measuring, monitoring and controlling credit risk whilst ensuring transparency of material credit risks, ensuring compliance with established limits and escalating risk concentrations to appropriate senior management.

The Company incurs credit risk in the Wealth Management business segment primarily through lending to individuals and entities, including, but not limited to, margin loans collateralised by securities, securities-based and other loans predominantly collateralised by securities.

In order to mitigate credit risk for the Company, the Credit Risk Management Department establishes firm-wide practices to identify, monitor and control credit risk exposure at the transaction, obligor and portfolio levels.

The Credit Risk Management Department approves extensions of credit, evaluates the creditworthiness of the Company's obligors on a regular basis, and ensures that credit exposure is actively monitored and managed. The evaluation of obligors includes an assessment of the probability that an obligor will default on its financial obligations and any subsequent losses that may occur when an obligor defaults.

In addition, credit risk exposure is actively managed by credit professionals and committees within the Credit Risk Management Department and through various risk committees, whose membership includes individuals from the Credit Risk Management Department. A comprehensive and global Credit Limits Framework is utilised to manage credit risk levels across the Morgan Stanley Group. The Credit Limits Framework is calibrated within the Morgan Stanley Group's risk tolerance and includes single-name limits and portfolio concentration limits by country, industry and product type. The Credit Risk Management Department ensures transparency of material credit risks, compliance with established limits and escalation of risk concentrations to appropriate senior management. The Credit Risk Management Department also works closely with the Market Risk Department and applicable business units to monitor risk exposures and to perform stress tests to identify, analyse and control credit risk concentrations arising in the Morgan Stanley Group's lending and trading activities. The stress tests shock market factors (e.g., interest rates, commodity prices, credit spreads), risk parameters (e.g., default probabilities and loss given default), recovery rates and expected losses in order to assess the impact of stresses on exposures, profit and loss and the Company's capital position. Stress and scenario tests are conducted in accordance with established Morgan Stanley Group's policies and procedures and comply with methodologies outlined in the Basel regulatory framework.

11. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk (continued)

In addition to assessing and monitoring its credit exposure and risk at the individual obligor level, the Company also reviews its credit exposure and risk to geographic regions. The Company pays particular attention to smaller exposures in emerging markets given their unique risk profile. Country ceiling ratings are derived using methodologies generally consistent with those employed by external rating agencies.

The Company also reviews its credit exposure and risk to types of customers. At 31 December 2014, the Company's material credit exposure was to financial institutions.

Risk Mitigation - Collateral and other credit enhancements

The amount and type of collateral required by the Company depends on an assessment of the credit risk of the obligor. Collateral held is managed in accordance with the Company's guidelines and the relevant underlying agreements. Collaterals are primarily publicly traded debt and equity securities, as well as a small amount of other collaterals including unlisted securities, notes, mutual funds and insurance policies that fulfill the risk management requirement of being valuable and realizable at short notice. The market value of securities received as collateral is monitored on a daily basis and securities received as collateral generally are not recognised on the statement of financial position.

Exposure to credit risk

The maximum exposure to credit risk ("gross credit exposure") of the Company as at 31 December 2014 is disclosed below, based on the carrying amount of the financial assets the Company believes are subject to credit risk.

The Company does not have any significant exposure arising from items not recognised on the statement of financial position.

Exposure to credit risk by class:

Class	**2014**		
	Gross credit exposure[1] **US$'000**	**Credit enhancements** **US$'000**	**Net Credit Exposure** **US$'000**
Loans and receivables:			
Cash at bank	13,000	-	13,000
	13,000	-	13,000

(1) The carrying amount recognised in the statement of financial position best represents the Company's maximum exposure to credit risk.

11. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk (continued)

Exposure to credit risk by class (continued)

Maximum exposure to credit risk by credit rating [(1)]*:*

Credit rating	Gross credit exposure 2014 US$'000
A	13,000
Total	13,000

(1) Internal credit rating derived using methodologies generally consistent with those used by external rating agencies.

Financial assets either past due or impaired

At 31 December 2014, there were no financial assets past due but not impaired or individually impaired.

The main considerations for the impairment assessment include whether there are any known difficulties in the cash flows of counterparties, credit rating downgrades, or infringement of the original terms of the contract. The Company determines the allowance appropriate for each individually significant asset on an individual basis. Items considered when determining the allowance amount include the sustainability of the counterparty's business plan, the counterparty's ability to improve performance once a financial difficulty has arisen, the realisable value of collateral, and the timing of expected cash flows. The impairment losses are evaluated at least at each reporting date.

Liquidity and funding risk

Liquidity and funding risk refers to the risk that the Company will be unable to finance its operations due to a loss of access to the capital markets or difficulty in liquidating its assets. Liquidity and funding risk also encompasses the Company's ability to meet its financial obligations without experiencing significant business disruption or reputational damage that may threaten its viability as a going concern.

The Company's liquidity and funding risk management policies and procedures are consistent with those of the Morgan Stanley Group. The Board of the Company is ultimately responsible for establishing the liquidity risk tolerance and ensuring the Company's liquidity risk is appropriately managed. In addition to the internal liquidity risk management framework, the Company is locally subject to the liquidity regulations prescribed by the Hong Kong Monetary Authority ("HKMA"). The Company has daily monitoring and reporting processes in place to ensure compliance with its regulatory requirements.

The primary goal of the Company's liquidity risk and funding management framework is to ensure that the Company has access to adequate funding across a wide range of market conditions. The framework is designed to enable the Company to fulfil its financial obligations and support the execution of the Company's business strategies.

11. FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity and funding risk (continued)

The following principles guide the Company's liquidity and funding risk management framework:

- Sufficient liquid assets should be maintained to cover maturing liabilities and other planned and contingent outflows;
- Maturity profile of assets and liabilities should be aligned, with limited reliance on short-term funding;
- Source, counterparty, currency, region, and term of funding should be diversified; and
- Limited access to funding should be anticipated through the Contingency Funding Plan ("CFP").

Liquidity management policies

The core components of the Morgan Stanley Group's liquidity management framework, which includes consideration of the liquidity risk for each individual legal entity, are the Contingency Funding Plan ("CFP"), Liquidity Stress Tests and the Global Liquidity Reserve which support the Morgan Stanley Group's target liquidity profile.

Contingency Funding Plan

The CFP describes the data and information flows, limits, targets, operating environment indicators, escalation procedures, roles and responsibilities, and available mitigating actions in the event of a liquidity stress. The CFP also sets forth the principal elements of the Morgan Stanley Group's liquidity stress testing which identifies stress events of different severity and duration, assesses current funding sources and uses and establishes a plan for monitoring and managing a potential liquidity stress event.

Liquidity Stress Tests

The Morgan Stanley Group uses Liquidity Stress Tests to model liquidity outflows across multiple scenarios over a range of time horizons. These scenarios contain various combinations of idiosyncratic and systemic stress events.

The assumptions underpinning the Liquidity Stress Tests include, but are not limited to, the following:

- no government support;
- no access to equity and unsecured debt markets;
- repayment of all unsecured debt maturing within the stress horizon;
- higher haircuts and significantly lower availability of secured funding;
- additional collateral that would be required by trading counterparties, certain exchanges and clearing organisations related to credit rating downgrades;
- additional collateral that would be required due to collateral substitutions, collateral disputes and uncalled collateral;
- discretionary unsecured debt buybacks;
- drawdowns on unfunded commitments provided to third parties;
- client cash withdrawals and reduction in customer short positions that fund long positions;
- limited access to the foreign exchange swap markets;
- return of securities borrowed on an uncollateralised basis; and
- maturity roll-off of outstanding letters of credit with no further issuance.

11. FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity and funding risk (continued)

Liquidity Stress Tests (continued)

The Liquidity Stress Tests are produced for Morgan Stanley and its major operating subsidiaries, as well as at major currency levels, to capture specific cash requirements and cash availability at various legal entities, including a limited number of asset sales in a stressed environment. The Liquidity Stress Tests assume that subsidiaries will use their own liquidity first to fund their obligations before drawing liquidity from Morgan Stanley. It is also assumed that Morgan Stanley will support its subsidiaries and will not have access to cash that may be held at certain subsidiaries. In addition to the assumptions underpinning the Liquidity Stress Tests, the settlement risk related to intra-day settlement and clearing of securities and financial activities is taken into consideration.

The Company is not considered a major operating subsidiary for the purposes of liquidity risk. However, the Company would have access to the cash or liquidity reserves held by Morgan Stanley in the unlikely event they were unable to access adequate financing to service their financial liabilities when they become payable.

The CFP and Liquidity Stress Tests are evaluated on an on-going basis and reported to the Firm Risk Committee, Asset/Liability Management Committee, and other appropriate risk committees including the Company's Asset and Liability Committee ("ALCO").

Global Liquidity Reserve

The Morgan Stanley Group maintains sufficient liquidity reserves ("the Global Liquidity Reserve") to cover daily funding needs and meet strategic liquidity targets sized by the CFP and Liquidity Stress Tests. The size of the Global Liquidity Reserve is actively managed by the Morgan Stanley Group. The following components are considered in sizing the Global Liquidity Reserve; unsecured debt maturity profile, balance sheet size and composition, funding needs in a stressed environment inclusive of contingent cash outflows and collateral requirements. In addition, the Global Liquidity Reserve includes an additional reserve, which is primarily a discretionary surplus based on the Morgan Stanley Group's risk tolerance and is subject to change dependent on market and firm-specific events.

The Global Liquidity Reserve, to which the Company has access, is held within Morgan Stanley and its major operating subsidiaries and is composed of diversified cash and cash equivalents and unencumbered highly liquid securities.

Eligible unencumbered securities include US government securities, US agency securities, US agency mortgage-backed securities, non-US government securities and other highly liquid investment grade securities.

The ability to monetise assets during a liquidity crisis is critical. The Morgan Stanley Group believes that the assets held in the Global Liquidity Reserve can be monetised within five business days in a stressed environment given the highly liquid and diversified nature of the reserves.

11. FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity and funding risk (continued)

Funding management policies

The Morgan Stanley Group's manages its funding in a manner that reduces the risk of disruption to the Morgan Stanley Group's and the Company's operations. The Morgan Stanley Group pursues a strategy of diversification of secured and unsecured funding sources (by product, by investor and by region) and attempts to ensure that the tenor of the Morgan Stanley Group's, and the Company's, liabilities equals or exceeds the expected holding period of the assets being financed.

The Morgan Stanley Group funds its balance sheet on a global basis through diverse sources, which includes consideration of the funding risk of each legal entity. These sources may include the Morgan Stanley Group's equity capital, long-term debt, repurchase agreements, securities lending, deposits, commercial paper, letters of credit and lines of credit. The Morgan Stanley Group has active financing programmes for both standard and structured products, targeting global investors and currencies.

Balance sheet management

In managing both the Morgan Stanley Group's and the Company's funding risk the composition and size of the entire balance sheet, not just financial liabilities, is monitored and evaluated. A substantial portion of the Morgan Stanley Group's total assets consists of liquid marketable securities arising principally from its Institutional Securities business segment's sales and trading activities. The liquid nature of these assets provides the Morgan Stanley Group and the Company with flexibility in managing the size of its balance sheet.

11. FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity and funding risk (continued)

Maturity analysis

In the following maturity analysis of financial assets and financial liabilities, all amounts represent undiscounted cash flows receivable and payable by the Company arising from its financial assets and financial liabilities to earliest contractual maturities as at 31 December 2014. Receipts of financial assets and repayments of financial liabilities that are subject to immediate notice are treated as if notice were given immediately and are classified as on demand. This presentation is considered by the Company to appropriately reflect the liquidity risk arising from these financial assets and financial liabilities, presented in a way that is consistent with how the liquidity risk on these financial assets and financial liabilities is managed by the Company.

31 December 2014	On demand US$'000	Less than 1 month US$'000	Equal to or more than 1 month but less than 3 months US$'000	Equal to or more than 3 months but less than 1 year US$'000	Equal to or more than 1 year but less than 5 years US$'000	Equal to or more than 5 years US$'000	Total US$'000
Financial assets							
Loans and receivables:							
Cash at bank	13,000	-	-	-	-	-	13,000
Total financial assets	13,000	-	-	-	-	-	13,000
Financial liabilities							
Financial liabilities at amortised cost:							
Other payables	58	-	-	12	-	-	70
Total financial liabilities	58	-	-	12	-	-	70

Of the US$58,000 financial liabilities repayable on demand, US$58,000 is due to other Morgan Stanley Group entities and, as disclosed in note 15, the demand for repayment of which is wholly within the control of the Morgan Stanley Group.

11. FINANCIAL RISK MANAGEMENT (CONTINUED)

Market Risk

Market risk refers to the risk that a change in the level of one or more market prices, rates, indices, implied volatilities (the price volatility of the underlying instrument imputed from option prices), correlations or other market factors, such as market liquidity, will result in losses for a position or portfolio.

Sound market risk management is an integral part of the Company's culture. The Company is responsible for ensuring that market risk exposures are well-managed and prudent and more broadly for ensuring transparency of material market risks, monitoring compliance with established limits, and escalating risk concentrations to appropriate senior management.

To execute these responsibilities, the Morgan Stanley Group monitors the market risk of the firm against limits on aggregate risk exposures, performs a variety of risk analyses, routinely reports risk summaries and maintains the VaR and scenario analysis systems. The Company is managed within the Morgan Stanley Group's global framework. The market risk management policies and procedures of the Company include performing risk analyses and reporting any material risks identified to appropriate key management personnel of the Company.

The Company is exposed to the following types of market risk under this definition: interest rate risk and currency risk.

Interest rate risk

Interest rate risk is defined by IFRS 7 as the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is primarily exposed to interest rate risk under this definition as a result of changes in the future cash flows of floating rate bank balance.

As 31 December 2014, the Company's assets and liabilities are held at amortised cost. As such, the fair value exposure to interest rate movements is not material and an interest rate sensitivity analysis has not been presented.

Currency risk

The Company has foreign currency exposure arising from its assets and liabilities in currencies other than US dollars, which it actively manages by hedging with other Morgan Stanley Group undertakings. The residual currency risk for the Company from this activity is not material.

At 31 December 2014, the Company does not have significant exposure to foreign currencies.

11. FINANCIAL RISK MANAGEMENT (CONTINUED)

Operational risk

Operational risk refers to the risk of loss, or of damage to the Company's reputation, resulting from inadequate or failed processes, people and systems or from external events. This definition includes legal risk, but excludes strategic risk.

The Company's business is highly dependent on the ability to process, on a daily basis, a large number of transactions across numerous and diverse markets in many currencies.

In addition, new products or services may be introduced or processes are changed, resulting in new operational risk that may not be fully appreciated or identified. In general, the transactions processed are increasingly complex. The Company relies on the ability of the Morgan Stanley Group's employees, its internal systems, and systems at technology centres operated by unaffiliated third parties to process a high volume of transactions.

The Company also faces the risk of operational failure or termination of any of the clearing agents, exchanges, clearing houses or other financial intermediaries it uses to facilitate securities transactions. In the event of a breakdown or improper operation of the Company's or a third party's systems or improper or unauthorised action by third parties or the Morgan Stanley Group's employees, the Company could suffer financial loss, an impairment to its liquidity, a disruption of its businesses, regulatory sanctions or damage to its reputation. In addition, the interconnectivity of multiple financial institutions with central agencies, exchanges and clearing houses, and the increased importance of these entities, increases the risk that an operational failure at one institution or entity may cause an industry-wide operational failure that could materially impact the Company's ability to conduct business.

The Company's operations rely on the secure processing, storage and transmission of confidential and other information in its computer systems and the systems of third parties with which the Company does business with or that facilitate our business activities, such as vendors. Like other financial services firms, the Company and its third party providers have been and continue to be subject to risk of unauthorised access, mishandling or misuse, computer viruses or malware cyber-attacks, denial of service attacks and other events. The increased use of smartphones, tablets and other mobile devices may also heighten these and other operational risks. Events such as these could have a security impact on the Company's systems and jeopardise the Company's or the Company's clients' or counterparties' personal, confidential, proprietary or other information processed and stored in, and transmitted through, the Company's and its third party providers' computer systems. Furthermore, such events could cause interruptions or malfunctions in the Company's, the Company's clients', the Company's counterparties' or third parties' operations, which could result in reputational damage, litigation or regulatory fines or penalties not covered by insurance maintained by the Company, and adversely affect the business, financial condition or results of operations.

The Company is exposed to legal and regulatory risk, including the risk of exposure to fines, penalties, judgements, damages and/or settlements in connection with regulatory or legal actions as a result of non-compliance with applicable legal or regulatory requirements and standards or litigation. Legal risk also includes contractual and commercial risk such as the risk that a counterparty's performance obligations will be unenforceable. The Company is generally subject to extensive regulation in the different jurisdictions in which it conducts its business. In the current environment of rapid and possibly transformational regulatory change, the Company also views regulatory change as a component of legal risk.

11. FINANCIAL RISK MANAGEMENT (CONTINUED)

Operational risk (continued)

The Company has established procedures designed to foster compliance with applicable statutory and regulatory requirements. The Company, principally through the Morgan Stanley Group's Legal and Compliance Division, also has established procedures that are designed to require that the Morgan Stanley Group's policies relating to business conduct, ethics and practices are complied with. In connection with its businesses, the Company has and continuously develops various procedures addressing issues such as regulatory capital requirements, sales and trading practices, new products, information barriers, potential conflicts of interest, structured transactions, use and safekeeping of customer funds and securities, lending and credit granting, anti-money laundering, privacy and recordkeeping.

In addition, the Company has established procedures to mitigate the risk that a counterparty's performance obligations will be unenforceable, including consideration of counterparty legal authority and capacity, adequacy of legal documentation, the permissibility of a transaction under applicable law and whether applicable bankruptcy or insolvency laws limit or alter contractual remedies. The legal and regulatory focus on the financial services industry presents a continuing business challenge for the Company.

Employees

All employees have accountability for risk management. The Morgan Stanley Group strives to establish a culture of effective risk management through training and development programs, policies, procedures, and defined roles and responsibilities within the Morgan Stanley Group. The actions and conduct of each employee are essential to risk management. The Morgan Stanley Group's Code of Conduct (the "Code") has been established to provide a framework and standards for employee conduct that further reinforces the Morgan Stanley Group's commitment to integrity and high ethical standards. Every new hire and every employee annually must certify to their understanding of and adherence to the Code. The employee annual review process includes evaluation of adherence to the Code. The Global Incentive Compensation Discretion Policy sets forth standards that specifically provide that managers must consider whether the employee effectively managed and supervised the risk control practices of his/her employee reports during the performance year. The Morgan Stanley Group's clawback and cancellation provisions permit recovery of deferred incentive compensation where, for example, there is a failure to appropriately manage or monitor an employee who engaged in conduct detrimental to the Morgan Stanley Group or conduct constituting 'cause' for termination.

12. FINANCIAL ASSETS AND FINANCIAL LIABILITIES SUBJECT TO OFFSETTING

In order to manage credit exposure arising from its business activities, the Company applies various credit risk management policies and procedures, see note 11 for further details. The Company enters into master netting arrangements and collateral arrangements with its counterparties. These agreements provide the Company with the right, in the ordinary course of business and/ or in the event of a counterparty default (such as bankruptcy or a counterparty's failure to pay or perform), to net a counterparty's rights and obligations under such agreement and, in the event of counterparty default, set off collateral against the net amount owed by the counterparty. However, in certain circumstances, the Company may not have such an agreement in place; the relevant insolvency regime (which is based on type of counterparty entity and the jurisdiction of organisation of the counterparty) may not support the enforceability of the agreement; or the Company may not have sought legal advice to support the enforceability of the agreement. In cases where the Company has not determined an agreement to be enforceable, the related amounts are not offset.

In the statement of financial position, financial assets and financial liabilities are only offset and presented on a net basis where there is a current legally enforceable right to set off the recognised amounts and an intention to either settle on a net basis or to realise the asset and the liability simultaneously. Due to the absence of such conditions, financial assets and financial liabilities are presented on a gross basis in the statement of financial position.

As of 31 December 2014, the Company did not enter into master netting arrangements and collateral arrangements. These arrangements were entered subsequent to 31 December 2014.

13. ASSETS AND LIABILITIES NOT MEASURED AT FAIR VALUE

For all financial instruments not measured at fair value, the carrying amount is considered to be a reasonable approximation of fair value due to the short term nature of these assets and liabilities.

14. CAPITAL MANAGEMENT

The Morgan Stanley Group manages its capital on a global basis with consideration for its legal entities. The capital managed by the Morgan Stanley Group broadly includes ordinary share capital, preference share capital, subordinated loans and reserves.

The Morgan Stanley Group's required capital estimation is based on the Required Capital Framework, an internal capital adequacy measure. The framework is a risk-based internal use of capital measure, which is compared with the Morgan Stanley Group's regulatory capital to ensure the Morgan Stanley Group maintain an amount of going concern capital after absorbing potential losses from extreme stress events where applicable, at a point in time. The Morgan Stanley Group defines the difference between its regulatory capital and aggregate Required Capital as its Parent capital.

The Required Capital Framework will evolve over time in response to changes in the business and regulatory environment and to incorporate enhancements in modelling techniques.

The Morgan Stanley Group actively manages its consolidated capital position based upon, among other things, business opportunities, risks, capital availability and rates of return together with internal capital policies, regulatory requirements and rating agency guidelines and, therefore, in the future may expand or contract its capital base to address the changing needs of its businesses.

The Morgan Stanley Group also aims to adequately capitalise at a legal entity level whilst safeguarding that entity's ability to continue as a going concern and ensuring that it meets all regulatory capital requirements, so that it can continue to provide returns for the Morgan Stanley Group.

In order to maintain or adjust the capital structure as described above, the Company may adjust the amount of dividends paid, return capital to shareholders, issue new shares, issue or repay subordinated debt or sell assets to reduce debt.

The Company is regulated by the HKMA and as such is subject to minimum capital requirements. The Company's capital is monitored on an ongoing basis to ensure compliance with these requirements. At a minimum, the Company must ensure that capital is greater than the capital requirement covering credit, market and operational risk.

The Company complied with all of its regulatory capital requirements during the current period.

The Company manages the following items as capital:

	2014
	US$'000
Ordinary share capital	13,000
Accumulated losses	(20)
	12,980

15. RELATED PARTY DISCLOSURES

Parent and subsidiary relationships

Parent and ultimate controlling entity

The Company's immediate parent undertaking is Morgan Stanley Hong Kong Limited, which was incorporated in Hong Kong.

The ultimate parent undertaking and controlling entity and the largest group of which the Company is a member and for which group financial statements are prepared is Morgan Stanley. Morgan Stanley was incorporated in the State of Delaware, the United States of America and copies of its financial statements can be obtained from www.morganstanley.com/investorrelations.

Key management compensation

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company. Key management personnel included the Directors of the Company. No other personnel were deemed to be key management personnel until such time when the Board has officially appointed and approved the relevant committees and their members.

Any compensation received by the directors were borne by other Morgan Stanley Group undertakings in the current period.

The Company did not employ any staff during the current period.

Transactions with related parties

The Morgan Stanley Group conducts business for clients globally through a combination of both functional and legal entity organisational structures. Accordingly, the Company is closely integrated with the operations of the Morgan Stanley Group and enters into transactions with other Morgan Stanley Group undertakings on an arm's length basis for the purposes of utilising financing, trading and risk management, and infrastructure services. The nature of these relationships along with information about the transactions and outstanding balances is given below. The Company has not recognised any expense and has made no provision for impairment relating to the amount of outstanding balances from related parties.

15. RELATED PARTY DISCLOSURES (CONTINUED)

Transactions with related parties (continued)

Funding

The Company receives funding from and provides funding to other Morgan Stanley Group undertakings in the following forms:

- *General funding*

General funding is undated, unsecured, floating rate lending. Funding may be received or provided for specific transaction related funding requirements, or for general operational purposes. The interest rates are established by the Morgan Stanley Group Treasury function for all entities within the Morgan Stanley Group and approximate the market rate of interest that the Morgan Stanley Group incurs in funding its business.

Details of the outstanding balances on these funding arrangements and the related interest income or expense recognised in the statement of comprehensive income during the period are shown in the table below:

	2014	
	Interest US$'000	Balance US$'000
Amounts due to:		
Other Morgan Stanley Group undertakings	-	58
	-	58

16. EVENTS AFTER THE REPORTING PERIOD

On 13 January, 2015, Morgan Stanley Hong Kong Limited, the Company's immediate holding company, injected additional capital amounting to US$156,999,998 to the Company.

On 22 January 2015, the Company became a registered institution under the Securities and Futures Ordinance to carry on business in Type 1, Type 2 and Type 9 regulated activities.

On 27 January 2015, the Singapore Branch of the Company obtained the licence from the Monetary Authority of Singapore for the Company to commence transacting banking business in Singapore with effect from 9 February 2015.

On 9 February, 2015, Bank Morgan Stanley AG transferred its Asia wealth management business conducted through its Hong Kong and Singapore branches (the "Business") to the Company's intermediate holding company, Morgan Stanley Asia Holdings Limited ("MSAHL"). On the same day, MSAHL contributed the Business to the Company's immediate holding company, Morgan Stanley Hong Kong Limited ("MSHK") and simultaneously, MSHK transferred the business and employees to the Company in return for 1 ordinary share of USD1 issued by the Company. The Company and its Singapore Branch commenced business on the same day. The total assets and net asset value of the Company increased to approximately US$5 billion and US$170 million respectively after the Business transfer.

MORGAN STANLEY ASIA INTERNATIONAL LIMITED
(FORMERLY KNOWN AS "MORGAN STANLEY ASIA PRIVATE WEALTH MANAGEMENT LIMITED")

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION
For the period from 19 May 2014 (date of incorporation) to 31 December 2014

The following information is disclosed as part of the accompanying information to the financial statements to comply with the Banking (Disclosure) Rules and does not form part of the audited financial statements.

A. CORPORATE GOVERNANCE

Corporate Governance Practices
The Company and Morgan Stanley are committed to upholding high standards in its corporate governance practices. The HKMA has issued statutory guidelines, last revised in August 2012, on Corporate Governance of Locally Incorporated Authorized Institutions ("CG-1") under section 7(3) of the Banking Ordinance applicable to all locally incorporated Authorized Institutions ("AIs"). The Company has in place an effective framework which is consistent with the principles and best practices in corporate governance as set forth in the guidelines on CG-1.

As of 31 December 2014, the Board level committees and Management level committees were not fully appointed or approved. They were appointed and approved subsequent to 31 December 2014.

Board of Directors
The Board of the Company currently comprises of eight members: two Executive Directors, four Non-Executive Directors, and two Independent Non-Executive Directors. All Directors have the appropriate experience, competence, personal and professional integrity to discharge their responsibilities effectively. The Directors have sufficient independence, expertise and experience to oversee the Company's operations and manage risks appropriately.

Board Practices
Full Board meetings are held at least four times a year, with one in each quarter. Notice of each Board meeting is given to all Directors at least 14 days in advance and the agenda is sent to the Directors at least 7 days before the date of each Board meeting. Minutes of each Board meeting are circulated to all Directors for their comments prior to confirmation of the minutes at the following Board meeting. Minutes of Board meetings are kept by the Company Secretary and are available for inspection by the Directors.

There are three Board level committees: a) Audit Committee, b) Remuneration Committee; and c) Risk Committee. In addition, there are eight Management level committees: a) Management Committee, b) Operating Committee, c) Asset and Liability Committee, d) Credit & Suitability Risk Committee, e) Operational Risk Committee, f) New Product Approval Committee, g) IT Steering Committee, and h) Best Execution Committee.

Key Board Level Committees

(a) Audit Committee
Three Board members sit on the Audit committee including the two Independent Non-Executive Directors. The Audit Committee is chaired by an Independent Non-Executive Director and expects to meet at least 4 times a year. The Audit Committee's mandate is to ensure that there is effective supervision of the Company's financial reporting processes, systems of internal controls and internal audit function. The Audit Committee also will approve the appointment of external auditors and reviews the financial statements before recommending them to the Board for approval.

A. CORPORATE GOVERNANCE (continued)

(b) Remuneration Committee
Three Board members sit on the Remuneration Committee including the two Independent Non-Executive Directors. The Remuneration Committee is chaired by an Independent Non-Executive Director and meets at least once a year. The Committee's responsibility is to assist the Board in discharging its responsibility for the design and operation of the Company's remuneration system, and to make recommendations in respect of remuneration policy and practices to the Board. It is responsible for reviewing and approving the remuneration of Directors who are also employees of the Morgan Stanley Group and Senior Management as defined by the Company's Remuneration Policy.

(c) Risk Committee
The Risk Committee comprises of three Board members, including two Non-Executive Directors and one Executive Director. The Board Risk Committee meets at a minimum of 4 times a year and is chaired by a Non-Executive Director. The Risk Committee will review annually the Company's risk management strategy and policy. It will also ensure that the Company has appropriate people, infrastructure and other resources and systems to identify, assess, monitor, and manage risks.

Key Management Level Committees

(a) Management Committee
The Management Committee is chaired by the Chief Executive of the Company and meets monthly. The Committee oversees the operations of the Company and provides a regular forum for business leaders across the Company to identify and discuss key issues and actions that need to be taken to fulfill the Company's strategy.

(b) Operating Committee
The Operating Committee is chaired by the Company's Chief Operating Officer and meets biweekly. The Operating Committee provides a regular forum for representatives from different functional infrastructure groups across the Company to identify, discuss and decide on key business, risk and operating issues.

(c) Asset & Liability Committee
The Asset & Liability Committee is chaired by the Company's Treasury Manager and meets at least monthly. The Asset & Liability Committee oversees the asset/liability risk management and capital adequacy of the Company.

(d) Credit & Suitability Risk Committee
The Credit & Suitability Risk Committee is chaired by the Company's Wealth Management Risk Management Officer and typically meets monthly. The Credit & Suitability Risk Committee assists the Board in its oversight and administration of the Company's credit, product risk, and client suitability risk management policies.

(e) Operational Risk Committee
The Operational Risk Committee is chaired by the Company's Chief Operating Officer and meets typically monthly. The Operational Risk Committee supervises operational risk exposures and the steps the Company takes to identify, measure, monitor, control and mitigate these risks.

(f) New Product Approval Committee
The New Product Committee is chaired by the Company's Chief Operating Officer and meets typically monthly and no fewer than four times per annum. The New Product Committee is appointed by the Company's Operating Committee to ratify new products to be offered by the Company.

A. CORPORATE GOVERNANCE (continued)

(g) IT Steering Committee
The IT Steering Committee is chaired by the Company's Technology Officer and meets typically monthly and no less than 9 times a year. The IT Steering Committee provides oversight and governance of key technology initiatives, risk and control that impact the Company's ability to comply with relevant rules and regulations.

(h) Best Execution Committee
The Best Execution Committee is chaired by the Company's Business Control Manager and meets quarterly. The Best Execution Committee is appointed by the Company's Operating Committee to oversee the Company's compliance with "best execution" obligations under applicable laws, rules and guidelines issued by relevant regulators.

Internal Audit
The Internal Audit Department ("IAD") is established to assist both senior management and the Audit Committee of the Board in the effective discharge of their legal, fiduciary, and oversight responsibilities. IAD provides independent assurance on the quality and effectiveness of Morgan Stanley's internal control, risk management and governance systems and processes. IAD acts as an objective and independent function within the Firm's risk management framework to promote an environment that fosters continual improvement of risk management processes. IAD identifies and assesses operating risks and evaluates the adequacy and effectiveness of the Company's system of internal control. Accordingly, IAD develops an independent and informed view of the risks faced by the Company and the risk management processes employed to manage those risks.

Compliance
To the extent applicable, the Company has complied with the requirements set out in the guideline CG-1 "Corporate Governance of Locally Incorporated Authorized Institutions" issued by the HKMA.

B. REMUNERATION SYSTEM

(a) Design and Implementation of the Remuneration System

The Company and its branch will adopt the Remuneration Policy and practices to be endorsed and issued by the Company's Remuneration Committee and the Board. The Company's Remuneration Policy will be formulated in line with that of the Morgan Stanley Group. The Morgan Stanley Group Compensation Committee administers and oversees the broad-based equity and non-qualified deferred compensation plans, pursuant to which a broader base of employees receive their incentive compensation. At year-end, the Morgan Stanley Group Compensation Committee will review the aggregate variable compensation pool, deferral formulas and the material terms of the year-end incentive awards granted to the eligible employee population.

B. REMUNERATION SYSTEM (continued)

(b) Aggregate Quantitative Information on Remuneration for Senior Management and Key Personnel

Senior management is defined as those persons who are responsible for oversight of the Company's strategy or activities and/or those of the Company's material business lines. Key Personnel are defined as individual employees whose duties or activities in the course of their employment involve the assumption of material risk or taking on of material exposures on behalf of the Company.

The Company business officially commenced operations and employed staff on 9 February 2015. For the current period, the Company's Senior Management or Key Personnel included the Directors of the Company. No other personnel were deemed to be key management personnel until such time when the Board has officially appointed and approved the relevant committees and their members. There was no remuneration paid by the Company during the period ended 31 December 2014.

Compliance
To the extent applicable, the Company has complied with Part 3 (disclosure on remuneration) of CG-5 "Guideline on a Sound Remuneration System" issued by the HKMA.

C. RISK MANAGEMENT

Risk Governance Structure
Effective risk management is vital to the success of the Company. The Board oversees the establishment of risk governance to protect the interests of the Company's stakeholders and to ensure the safety and soundness of the Company's operations and its compliance with applicable laws and regulations. The Board follows Morgan Stanley's firm-wide risk governance framework.

C. RISK MANAGEMENT (continued)

The Company's Risk Management Principles establish an enterprise risk management (“ERM”) framework to integrate the diverse roles of the Risk Management Functions into a holistic enterprise structure and to facilitate the incorporation of risk assessment into decision-making processes across the Company.

The cornerstone of the Company's risk management philosophy is the pursuit of risk-adjusted returns through prudent risk-taking that protects the Company's capital base and franchise. The Company's risk management philosophy is based on the following key principles:

- Integrity: critical to Morgan Stanley’s approach to ERM is a strong risk culture and risk governance. Developing the Firm’s risk culture is a continuous process, and builds upon the Firm’s commitment to “doing the right thing” and its values that managing risk is each employee’s responsibility;

- Comprehensiveness: a well-defined, comprehensive risk governance structure with appropriate risk management expertise, including a process for periodically assessing the efficacy of the Company's risk management program;

- Independence: independent lines of reporting relationships for risk managers and an appropriate compensation structure help ensure the independent oversight of risk;

- Accountability: well-defined roles and responsibilities that establish clear accountability for risk management; and are aligned with the disciplinary and compensation structure;

- Transparency: appropriate measurement and reporting of risk to senior management, the Board, regulatory entities and other external reporting and disclosure requirements.

The Board members possess adequate knowledge and understanding of the material risks faced by the Company. The Board of the Company has put in place a corporate and risk governance framework consisting of Board and management level committees to effectively oversee the operations of the Company, including risk management. The committees and their roles and functions are stated in the “Corporate Governance” section.

The Board and the Risk Committee are responsible to oversee the risk management activities and the related strategies and policies.

C. RISK MANAGEMENT (continued)

Interest Rate Exposure in the Banking Books

The Company is exposed to interest rate risk arising from banking book activities covering clients' deposits and loans, the Company's funding and liquidity investments. The financial assets and liabilities of the Company, which inherently have interest rate risk, are primarily driven by prevailing market rates.

The sensitivity analysis for the interest rate risk of the banking book is based on the difference in interest rate sensitivity of interest bearing assets and interest bearing liabilities. The Company uses an instantaneous parallel interest rate shock of 200 basis points (upward or downward) to evaluate the potential impact on its net interest income. As of 31 December 2014, the Company held investments by way of cash balances, predominantly with banks. Its liabilities as of that date were primarily amounts due to other Morgan Stanley affiliates.

New Product Approval

The Company follows Morgan Stanley's Global New Product Approval Policy and Procedures; in addition, the Company has created an addendum to the Global New Product Approval Policy.

The Global New Product Approval Policy establishes a framework for managing the new product approval ("NPA") processes and related risks on an aggregated basis at the firm-wide level which also applies to the Company. The implementation of this policy and the addendum enables the Company's management to monitor the NPA process and related risks and ensure its consistent and effective application.

All new products approved under the Global NPA Policy framework will be ratified by the Company's New Product Approval Committee ("the NPA Committee"). The NPA Committee is appointed by the Operating Committee which in turns reports into the Management Committee which derives its delegated authority from the Board. The NPA Committee is charged with the responsibility for approving new products for the Company.

D. SEGMENTAL INFORMATION

During the current period, the Company has not commenced business. The profit and loss and operating assets of the Company are mainly contributed by the Treasury and Corporate activities including overhead expenses which cannot be reasonably allocated to specific business segments. All of the profit and loss, assets and liabilities are managed and booked in Hong Kong for the current period.

Profit and loss	**Treasury and Others US$'000**
Total operating income (net of interest expense)	-
Loss before income tax	(24)
Assets	
Cash and bank	13,000
Deferred tax assets	4
Prepayments	46
Total assets	13,050
Liabilities	
Other payable	(70)
Total liabilities	(70)

There are no loans and advances to customers for the current period.

There are no impairment losses, specific provision and collective provision for impaired assets for the current period.

There are no contingent liabilities and commitments as at 31 December 2014.

E. CROSS-BORDER CLAIM

Cross-border claims are on-balance sheet exposures of counterparties based on the location of the counterparties after taking into account any risk transfer. The risk transfers have been made if the claims are guaranteed by a party in a geographical area which is different from that of the counterparty or if the claims are on an overseas branch of a bank whose head office is located in another geographical area.

There are no cross-border claims for the Company as at 31 December 2014.

F. OVERDUE AND RESCHEDULED ASSETS

There are no impaired assets, rescheduled advances, overdue or repossessed assets as at 31 December 2014.

G. NON-BANK MAINLAND EXPOSURES

There are no non-bank mainland exposures as at 31 December 2014.

H. CURRENCY RISK

The currency risk arising from the Company's operation for those individual currencies which each constitutes more than 10% of the total net positions in all foreign currencies are as follows:

	USD
At 31 December 2014	**HK$'000**
Spot assets	100,800
Spot liabilities	(100,807)
Net short position	(7)

There are no forward purchases and sales, and net structure position in any particular foreign currency as at 31 December 2014.

I. LIQUIDITY

The average liquidity ratio for the current period is 76,985%.

The average liquidity ratio is calculated as the arithmetic mean of each calendar month's average liquidity ratio. The liquidity ratio is computed in accordance with the Fourth Schedule of the Banking Ordinance.

J. DERIVATIVE TRANSACTIONS

Derivatives transactions are used to manage the Company's own exposures to interest rate risks and foreign exchange risks. The principal derivative instruments used by the Company are interest rates swaps and foreign exchange swaps.

There are no derivatives transactions for the period ended 31 December 2014.

K. CAPITAL CHARGE FOR CREDIT, MARKET AND OPERATIONAL RISKS

The capital adequacy ratio as at 31 December 2014 is calculated in accordance with Banking (Capital) Rules of the Banking Ordinance. The Company uses the Standardized Approach ("STC approach") to calculate its credit risk.

The disclosure is made by multiplying the Company's risk-weighted amount derived from the relevant calculation approach by 8%, not the Company's actual "regulatory capital".

(a) Capital charge for credit risk

		Exposures after Recognised Credit Risk Mitigation		Risk-Weighted Amounts			
As at 31 December 2014	Total exposures US$'000	Rated # US$'000	Unrated @ US$'000	Rated # US$'000	Unrated @ US$'000	Total Risk-Weighted Amounts US$'000	Capital Requirement US$'000
On-balance sheet							
Bank exposures	13,000	13,000	-	2,600	-	2,600	208
Other exposures	46	-	46	-	46	46	4
	13,046	13,000	46	2,600	46	2,646	212

including exposures with ECAI issue specific rating and exposures which have an inferred rating (i.e. exposures which do not have an issue-specific rating but whose risk-weights are determined under the Capital Rules by reference to an ECAI issuer rating assigned to the obligor of the exposure or to an ECAI issue rating of any other exposures of the obligor).

@ exposures which do not have ECAI issue specific rating, nor inferred rating.

Standard & Poor's Rating Services, Moody's Investors Service and Fitch Ratings are the external credit assessment institutions (the "ECAIs") that the Company has used to determine the risk weight of the exposures from Banks. The Company follows the process as prescribed in Part 4 of the Banking (Capital) Rules to map ECAI issuer ratings to exposures booked in its banking book.

There are no credit exposures which are risk-weighted at 1250% for the period ended 31 December 2014.

There are no exposures which are covered by recognised collateral, recognised guarantees, or recognised credit derivative contracts for the period ended 31 December 2014.

There are no counterparty credit risk-related exposures for securities financial transactions and derivative contracts for the period ended 31 December 2014.

(b) Capital charge for market risk

The Company uses the Standardized Approach ("STM approach") to calculate its market risk. There is no capital charge for market risk as at 31 December 2014.

(c) Capital charge for operational risk

The Company will use the Basic Indicator Approach ("BIA approach") to calculate its operational risk after the Company's business commencement on 9 February 2015.

L. CAPITAL ADEQUACY RATIO

	As at 31 December 2014
Common Equity Tier 1 ("CET 1") capital ratio	490%
Tier 1 capital ratio	490%
Total capital ratio	490%

Component of capital base

Total capital after deductions used in the calculation of capital adequacy ratio as at 31 December 2014 is analysed as follows:

	2014 US$'000
CET 1 capital instruments	
Paid up ordinary share capital	13,000
Accumulated losses	(20)
CET 1 capital before deductions	12,980
Deductions: Deferred tax assets net of deferred tax liabilities	(4)
CET 1 capital after deductions	12,976
Additional tier 1 capital	-
Tier 2 capital	-
Total capital	12,976

Information relating to the disclosure of the full terms and conditions of the Company's capital instruments can be viewed on the website: http://www.morganstanley.com/about-us/global-offices/hong-kong

M. CAPITAL DISCLOSURE TEMPLATE

(a) Capital Disclosure Template

The following table shows the capital disclosure template specified by the HKMA in relation to the elements of the Company's regulatory capital.

(in thousands of US dollars)			Cross reference to Balance **Sheet**
	CET1 capital: instruments and reserves		
1	Directly issued qualifying CET1 capital instruments plus any related share premium	13,000	(1)
2	Retained earnings	(20)	(2)
3	Disclosed reserves	0	
4	*Directly issued capital subject to phase out from CET1 capital (only applicable to non-joint stock companies)*	Not applicable	
5	Minority interests arising from CET1 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in CET1 capital of the consolidation group)	0	
6	**CET1 capital before regulatory deductions**	12,980	
	CET1 capital: regulatory deductions		
7	Valuation adjustments	0	
8	Goodwill (net of associated deferred tax liability)	0	
#9	Other intangible assets (net of associated deferred tax liability)	0	
#10	Deferred tax assets net of deferred tax liabilities	4	(3)
11	Cash flow hedge reserve	0	
12	Excess of total EL amount over total eligible provisions under the IRB approach	0	
13	Gain-on-sale arising from securitization transactions	0	
14	Gains and losses due to changes in own credit risk on fair valued liabilities	0	
15	Defined benefit pension fund net assets (net of associated deferred tax liabilities)	0	
16	Investments in own CET1 capital instruments (if not already netted off paid-in capital on reported balance sheet)	0	
17	Reciprocal cross-holdings in CET1 capital instruments	0	
#18	Insignificant capital investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	0	
#19	Significant capital investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	0	
20	Mortgage servicing rights (amount above 10% threshold)	Not applicable	
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	Not applicable	
22	Amount exceeding the 15% threshold	Not applicable	
23	of which: significant investments in the common stock of financial sector entities	Not applicable	
24	of which: mortgage servicing rights	Not applicable	
25	of which: deferred tax assets arising from temporary differences	Not applicable	
26	National specific regulatory adjustments applied to CET1 capital	0	
26a	Cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties)	0	
26b	Regulatory reserve for general banking risks	0	
26c	Securitization exposures specified in a notice given by the Monetary Authority	0	

M. CAPITAL DISCLOSURE TEMPLATE (continued)

(a) Capital Disclosure Template (continued)

(in thousands of US dollars)			Cross reference to Balance **Sheet**
26d	Cumulative losses below depreciated cost arising from the institution's holdings of land and buildings	0	
26e	Capital shortfall of regulated non-bank subsidiaries	0	
26f	Capital investment in a connected company which is a commercial entity (amount above 15% of the reporting institution's capital base)	0	
27	Regulatory deductions applied to CET1 capital due to insufficient AT1 capital and Tier 2 capital to cover deductions	0	
28	**Total regulatory deductions to CET1 capital**	4	
29	**CET1 capital**	12,976	
	AT1 capital: Instruments		
30	Qualifying AT1 capital instruments plus any related share premium	0	
31	of which: classified as equity under applicable accounting standards	0	
32	of which: classified as liabilities under applicable accounting standards	0	
33	*Capital instruments subject to phase out arrangements from AT1 capital*	0	
34	AT1 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in AT1 capital of the consolidation group)	0	
35	*of which: AT1 capital instruments issued by subsidiaries subject to phase out arrangements*	0	
36	**AT1 capital before regulatory deductions**	0	
	AT1 capital: regulatory deductions		
37	Investments in own AT1 capital instruments	0	
38	Reciprocal cross-holdings in AT1 capital instruments	0	
#39	Insignificant capital investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	0	
40	Significant capital investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	0	
41	National specific regulatory adjustments applied to AT1 capital	0	
42	Regulatory deductions applied to AT1 capital due to insufficient Tier 2 capital to cover deductions	0	
43	**Total regulatory deductions to AT1 capital**	0	
44	**AT1 capital**	0	
45	**Tier 1 capital (Tier 1 = CET1 + AT1)**	12,976	
	Tier 2 capital: instruments and provisions		
46	Qualifying Tier 2 capital instruments plus any related share premium	0	
47	*Capital instruments subject to phase out arrangements from Tier 2 capital*	0	
48	Tier 2 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in Tier 2 capital of the consolidation group)	0	
49	*of which: capital instruments issued by subsidiaries subject to phase out arrangements*	0	
50	Collective impairment allowances and regulatory reserve for general banking risks eligible for inclusion inTier 2 capital	0	
51	**Tier 2 capital before regulatory deductions**	0	

M. CAPITAL DISCLOSURE TEMPLATE (continued)

(a) Capital Disclosure Template (continued)

(in thousands of US dollars)			Cross reference to Balance **Sheet**
	Tier 2 capital: regulatory deductions		
52	Investments in own Tier 2 capital instruments	0	
53	Reciprocal cross-holdings in Tier 2 capital instruments	0	
#54	Insignificant capital investments in Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	0	
55	Significant capital investments in Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	0	
56	National specific regulatory adjustments	0	
56a	Add back of cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties) eligible for inclusion in Tier 2 capital	0	
57	**Total regulatory deductions to Tier 2 capital**	0	
58	**Tier 2 capital**	0	
59	**Total capital (Total capital = Tier 1 + Tier 2)**	12,976	
60	**Total risk weighted assets**	2,646	
	Capital ratios (as a percentage of risk weighted assets)		
61	CET1 capital ratio	490%	
62	Tier 1 capital ratio	490%	
63	Total capital ratio	490%	
64	Institution specific buffer requirement (minimum CET1 capital requirement as specified in s.3B of the BCR plus capital conservation buffer plus countercyclical buffer requirements plus G-SIB or D-SIB requirements)	4%	
65	*of which: capital conservation buffer requirement*	0%	
66	*of which: bank specific countercyclical buffer requirement*	0%	
67	*of which: G-SIB and D-SIB buffer requirements*	0%	
68	CET1 capital surplus over the minimum CET1 requirement and any CET1 capital used to meet the Tier 1 and Total capital requirements under s.3B of the BCR	486%	
	National minima (if different from Basel 3 minimum)		
69	National CET1 minimum ratio	Not applicable	
70	National Tier 1 minimum ratio	Not applicable	
71	National Total capital minimum ratio	Not applicable	
	Amounts below the thresholds for deduction (before risk weighting)		
72	Insignificant capital investments in CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	0	
73	Significant capital investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	0	
74	Mortgage servicing rights (net of related tax liability)	Not applicable	
75	Deferred tax assets arising from temporary differences (net of related tax liability)	Not applicable	

MORGAN STANLEY ASIA INTERNATIONAL LIMITED (FORMERLY KNOWN AS “MORGAN STANLEY ASIA PRIVATE WEALTH MANAGEMENT LIMITED”)

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION
For the period from 19 May 2014 (date of incorporation) to 31 December 2014

M. CAPITAL DISCLOSURE TEMPLATE (continued)

(a) Capital Disclosure Template (continued)

(in thousands of US dollars)			Cross reference to Balance Sheet
Applicable caps on the inclusion of provisions in Tier 2 capital			
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to the basic approach and the standardized (credit risk) approach (prior to application of cap)	0	
77	Cap on inclusion of provisions in Tier 2 under the basic approach and the standardized (credit risk) approach	0	
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to the IRB approach (prior to application of cap)	0	
79	Cap for inclusion of provisions in Tier 2 under the IRB approach	0	
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)			
80	*Current cap on CET1 capital instruments subject to phase out arrangements*	Not applicable	
81	*Amount excluded from CET1 capital due to cap (excess over cap after redemptions and maturities)*	Not applicable	
82	*Current cap on AT1 capital instruments subject to phase out arrangements*	0	
83	*Amount excluded from AT1 capital due to cap (excess over cap after redemptions and maturities)*	0	
84	*Current cap on Tier 2 capital instruments subject to phase out arrangements*	0	
85	*Amount excluded from Tier 2 capital due to cap (excess over cap after redemptions and maturities)*	0	

Footnote:

# Indicates elements where a more conservative definition has been applied in the BCR relative to that set out in the Basel III capital standards.

Abbreviations:

CET1: Common Equity Tier 1

AT1: Additional Tier 1

M. CAPITAL DISCLOSURE TEMPLATE (continued)

(a) Capital Disclosure Template (continued)

Notes to the template

Row No.	Description	Hong Kong basis	Basel III basis
#9	**Other intangible assets (net of associated deferred tax liability)**	0	0
	Explanation As set out in paragraph 87 of the Basel III text issued by the Basel Committee (December 2011), mortgage servicing rights (MSRs) may be given limited recognition in CET1 capital (and hence be excluded from deduction from CET1 capital up to the specified threshold). In Hong Kong, an AI is required to follow the accounting treatment of including MSRs as part of intangible assets reported in the AI's financial statements and to deduct MSRs in full from CET1 capital. Therefore, the amount to be deducted as reported in row 9 may be greater than that required under Basel III. The amount reported under the column "Basel III basis" in this box represents the amount reported in row 9 (i.e. the amount reported under the "Hong Kong basis") adjusted by reducing the amount of MSRs to be deducted to the extent not in excess of the 10% threshold set for MSRs and the aggregate 15% threshold set for MSRs, DTAs arising from temporary differences and significant investments in CET1 capital instruments issued by financial sector entities (excluding those that are loans, facilities or other credit exposures to connected companies) under Basel III.		
#10	**Deferred tax assets net of deferred tax liabilities**	4	4
	Explanation As set out in paragraphs 69 and 87 of the Basel III text issued by the Basel Committee (December 2011), DTAs that rely on future profitability of the bank to be realized are to be deducted, whereas DTAs which relate to temporary differences may be given limited recognition in CET1 capital (and hence be excluded from deduction from CET1 capital up to the specified threshold). In Hong Kong, an AI is required to deduct all DTAs in full, irrespective of their origin, from CET1 capital. Therefore, the amount to be deducted as reported in row 10 may be greater than that required under Basel III. The amount reported under the column "Basel III basis" in this box represents the amount reported in row 10 (i.e. the amount reported under the "Hong Kong basis") adjusted by reducing the amount of DTAs to be deducted which relate to temporary differences to the extent not in excess of the 10% threshold set for DTAs arising from temporary differences and the aggregate 15% threshold set for MSRs, DTAs arising from temporary differences and significant investments in CET1 capital instruments issued by financial sector entities (excluding those that are loans, facilities and other credit exposures to connected companies) under Basel III.		

M. CAPITAL DISCLOSURE TEMPLATE (continued)

(a) Capital Disclosure Template (continued)

Row No.	Description	Hong Kong basis	Basel III basis
#18	**Insignificant capital investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)**	0	0
	Explanation For the purpose of determining the total amount of insignificant capital investments in CET1 capital instruments issued by financial sector entities, an AI is required to aggregate any amount of loans, facilities or other credit exposures provided by it to any of its connected companies, where the connected company is a financial sector entity, as if such loans, facilities or other credit exposures were direct holdings, indirect holdings or synthetic holdings of the AI in the capital instruments of the financial sector entity, except where the AI demonstrates to the satisfaction of the Monetary Authority that any such loan was made, any such facility was granted, or any such other credit exposure was incurred, in the ordinary course of the AI's business. Therefore, the amount to be deducted as reported in row 18 may be greater than that required under Basel III. The amount reported under the column "Basel III basis" in this box represents the amount reported in row 18 (i.e. the amount reported under the "Hong Kong basis") adjusted by excluding the aggregate amount of loans, facilities or other credit exposures to the AI's connected companies which were subject to deduction under the Hong Kong approach.		
#19	**Significant capital investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)**	0	0
	Explanation For the purpose of determining the total amount of significant capital investments in CET1 capital instruments issued by financial sector entities, an AI is required to aggregate any amount of loans, facilities or other credit exposures provided by it to any of its connected companies, where the connected company is a financial sector entity, as if such loans, facilities or other credit exposures were direct holdings, indirect holdings or synthetic holdings of the AI in the capital instruments of the financial sector entity, except where the AI demonstrates to the satisfaction of the Monetary Authority that any such loan was made, any such facility was granted, or any such other credit exposure was incurred, in the ordinary course of the AI's business. Therefore, the amount to be deducted as reported in row 19 may be greater than that required under Basel III. The amount reported under the column "Basel III basis" in this box represents the amount reported in row 19 (i.e. the amount reported under the "Hong Kong basis") adjusted by excluding the aggregate amount of loans, facilities or other credit exposures to the AI's connected companies which were subject to deduction under the Hong Kong approach.		
#39	**Insignificant capital investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)**	0	0
	Explanation The effect of treating loans, facilities or other credit exposures to connected companies which are financial sector entities as CET1 capital instruments for the purpose of considering deductions to be made in calculating the capital base (see note re row 18 to the template above) will mean the headroom within the threshold available for the exemption from capital deduction of other insignificant capital investments in AT1 capital instruments may be smaller. Therefore, the amount to be deducted as reported in row 39 may be greater than that required under Basel III. The amount reported under the column "Basel III basis" in this box represents the amount reported in row 39 (i.e. the amount reported under the "Hong Kong basis") adjusted by excluding the aggregate amount of loans, facilities or other credit exposures to the AI's connected companies which were subject to deduction under the Hong Kong approach.		

M. CAPITAL DISCLOSURE TEMPLATE (continued)

(a) Capital Disclosure Template (continued)

Row No.	Description	Hong Kong basis	Basel III basis
#54	**Insignificant capital investments in Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation**	0	0
	Explanation The effect of treating loans, facilities or other credit exposures to connected companies which are financial sector entities as CET1 capital instruments for the purpose of considering deductions to be made in calculating the capital base (see note re row 18 to the template above) will mean the headroom within the threshold available for the exemption from capital deduction of other insignificant capital investments in Tier 2 capital instruments may be smaller. Therefore, the amount to be deducted as reported in row 54 may be greater than that required under Basel III. The amount reported under the column "Basel III basis" in this box represents the amount reported in row 54 (i.e. the amount reported under the "Hong Kong basis") adjusted by excluding the aggregate amount of loans, facilities or other credit exposures to the AI's connected companies which were subject to deduction under the Hong Kong approach.		

(b) Balance Sheet Reconciliation

The following table shows a reconciliation of amounts shown in the balance sheet of the Company to the capital components of regulatory capital:

	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Cross reference to Definition of Capital Components
At December 31, 2014	**US$'000**	**US$'000**	**US$'000**
ASSETS			
Cash at bank	13,000	13,000	
Deferred tax assets	4	4	(3)
Prepayments	46	46	
TOTAL ASSETS	**13,050**	**13,050**	
LIABILITIES			
Other payables	70	70	
TOTAL LIABILITIES	**70**	**70**	
SHAREHOLDERS' EQUITY			
Share capital	13,000	13,000	(1)
Accumulated losses	(20)	(20)	(2)
TOTAL SHAREHOLDERS' EQUITY	**12,980**	**12,980**	
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	**13,050**	**13,050**	

MORGAN STANLEY ASIA INTERNATIONAL LIMITED
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M. CAPITAL DISCLOSURE TEMPLATE (continued)

(c) Main Features of Capital Instruments

The following table shows the main features of outstanding capital instruments issued.

1	Issuer	Morgan Stanley Asia International Limited
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	Not applicable
3	Governing law(s) of the instrument	Hong Kong Law
	Regulatory treatment	
4	Transitional Basel III rules#	Not applicable
5	Post-transitional Basel III rules+	Common Equity Tier 1
6	Eligible at solo*/group/group & solo	Solo
7	Instrument type (type to be specified by each jurisdiction)	Ordinary shares
8	Amount recognized in regulatory capital (Currency in million, as of most recent reporting date)	US$13 million
9	Par value instrument	US$13 million
10	Accounting classification	Shareholders' equity
11	Original date of issuance	1 share issued on May 19, 2014 13,000,000 shares issued on July 11, 2014
12	Perpetual or dated	Perpetual
13	Original maturity date	No maturity
14	Issuer call subject to prior supervisory approval	No
15	Optional call date, contingent call dates and redemption amount	Not applicable
16	Subsequent call dates, if applicable	Not applicable
	Coupons / dividends	
17	Fixed or floating dividend/coupon	Floating
18	Coupon rate and any related index	Not applicable
19	Existence of a dividend stopper	No
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary
21	Existence of step up or other incentive to redeem	No
22	Noncumulative or cumulative	Noncumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger (s)	Not applicable
25	If convertible, fully or partially	Not applicable
26	If convertible, conversion rate	Not applicable
27	If convertible, mandatory or optional conversion	Not applicable
28	If convertible, specify instrument type convertible into	Not applicable
29	If convertible, specify issuer of instrument it converts into	Not applicable
30	Write-down feature	No
31	If write-down, write-down trigger(s)	Not applicable
32	If write-down, full or partial	Not applicable
33	If write-down, permanent or temporary	Not applicable
34	If temporary write-down, description of write-up mechanism	Not applicable

M. CAPITAL DISCLOSURE TEMPLATE (continued)

(c) Main Features of Capital Instruments (continued)

35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Not applicable
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	Not applicable

Footnote:

Regulatory treatment of capital instruments subject to transitional arrangements provided for in Schedule 4H of the Banking (Capital) Rules.
+ Regulatory treatment of capital instruments not subject to transitional arrangements provided for in Schedule 4H of the Banking (Capital) Rules.
* Included solo-consolidated

N. COMPARATIVE FIGURES

The Company became a restricted licence bank registered under the Banking Ordinance in Hong Kong with effect from 10 December 2014. There is no comparative information to be disclosed.