



東方滙財證券國際控股有限公司

ORIENT SECURITIES INTERNATIONAL HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

Stock Code : 8001



2016

Annual Report

## **CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

**GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.**

**Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.**

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*This report, for which the directors (the “Directors”) of Orient Securities International Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.*

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## CORPORATE INFORMATION

### BOARD OF DIRECTORS

#### *Executive Directors*

Mr. Lam Shu Chung (*Chairman*)  
Ms. Lee Nga Ching

#### *Non-executive Director*

Ms. Tse Ka Pui Jessica

#### *Independent non-executive Directors*

Mr. Lee Siu Leung  
Mr. Tang Chung Wai  
Ms. Chan Man Yi

### AUTHORISED REPRESENTATIVES

Mr. Lam Shu Chung  
Mr. Choy Mun Kei

### AUDIT COMMITTEE MEMBERS

Mr. Lee Siu Leung (*Chairman*)  
Mr. Tang Chung Wai  
Ms. Chan Man Yi

### NOMINATION COMMITTEE MEMBERS

Mr. Lee Siu Leung (*Chairman*)  
Mr. Tang Chung Wai  
Ms. Chan Man Yi

### REMUNERATION COMMITTEE MEMBERS

Mr. Lee Siu Leung (*Chairman*)  
Mr. Tang Chung Wai  
Ms. Chan Man Yi

### COMPLIANCE OFFICER

Ms. Lee Nga Ching

### COMPANY SECRETARY

Mr. Choy Mun Kei

### AUDITOR

BDO Limited  
*Certified Public Accountants*  
25/F, Wing On Centre  
111 Connaught Road Central  
Hong Kong

### COMPLIANCE ADVISER

Altus Capital Limited  
21 Wing Wo Street  
Central  
Hong Kong

### REGISTERED OFFICE

Codan Trust Company (Cayman) Limited  
Cricket Square, Hutchins Drive  
PO Box 2681, Grand Cayman  
KY1-1111, Cayman Islands

### HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Rooms 3101 & 3117-3118, 31/F.  
China Merchants Tower  
Shun Tak Centre  
Nos. 168-200 Connaught Road Central  
Hong Kong

### PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Codan Trust Company (Cayman) Limited  
Cricket Square, Hutchins Drive  
PO Box 2681, Grand Cayman  
KY1-1111 Cayman Islands

### HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

### PRINCIPAL BANKERS

Chong Hing Bank Limited  
Chong Hing Bank Centre  
24 Des Voeux Road Central  
Hong Kong

### STOCK CODE

8001

### WEBSITE OF THE COMPANY

[www.orientsec.com.hk](http://www.orientsec.com.hk)

# CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of Directors (the "Board") of the Company, I am delighted to present to you the annual report of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2016.

## REVIEW

In the 2016 financial year, the Group recorded a decrease in revenue of approximately HK\$28.5 million or 55.0% to approximately HK\$23.3 million compared with the 2015 financial year. Such decrease was mainly attributable to the significant drop in commission income from the brokerage services and the underwriting and placing services, same as disclosed in the quarterly reports and interim report for the 2016 financial year; and this drop cannot be fully compensated by a significant increase in interest income from money lending services by approximately HK\$11.0 million or 4.4 times compared with the 2015 financial year.

In line with the decrease in revenue, the loss before income tax of approximately HK\$1.7 million was recorded for the 2016 financial year whereas the profit before income tax of approximately HK\$32.2 million was recorded for the 2015 financial year. The Group already made a profit warning in early 2016 to make public be aware of a deterioration in financial performance and the main reason behind was consistent throughout the year.

From the liquidity perspective, the Group did placing of its shares in 2016 to increase the working capital level and broaden the shareholders base. After the placing, the Directors and senior management are of the view that the current working capital level is adequate to operate the current business at this scale. The Group also did not have any loan from financial institution at the moment.

The Directors and senior management will keep reviewing the working capital level on an on-going basis in order to maximise the return to shareholders. At the same time, they are mindful of the regulatory reporting and compliance requirements, and will continue to keep abreast of their development in additional to change of general business environment.

## OUTLOOK

Going forward to the 2017 financial year, as discussed in the "Management Discussion and Analysis" paragraphs, it is expected that the Group's revenue mix will be similar to the 2016 financial year with a relatively high portion in interest income from the money lending services than commission income from brokerage services and underwriting and placing services.

But at the same time, the Group will seek to minimise credit risk exposure by assessing and reviewing new and existing customers' portfolios carefully and conservatively and keep the outstanding balances of individual customers at a minimum level.

In addition, in order to strengthen the cash position of the Group and broaden the shareholder base, the Group conducted and completed a placing of its new 18,000,000 shares in February 2017.

## CHAIRMAN'S STATEMENT

Looking ahead, in order to maximise returns to our shareholders over the longer term, the Group will also keep seeking and developing new business strategies and plans for expanding its core businesses, including provision of new services and products to customers.

On behalf of the Board, I would like to take this opportunity to express my sincere gratitude to the Group's shareholders, bankers, customers and business partners for their continuous support, and to our management and staff members for their diligence, dedication and contribution to the growth of the Group.

On behalf of the Board,

**Lam Shu Chung**

*Chairman and Executive Director*

Hong Kong, 24 March 2017

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW AND OUTLOOK

The Group is principally engaged in the provision of (i) brokerage services; (ii) underwriting and placing services; (iii) margin financing services; and (iv) money lending services. During 2016, as disclosed in the first and third quarterly reports and interim report of 2016, the Group faced a significant drop in commission income from the brokerage services and the underwriting and placing services as compared to the corresponding period in 2015.

The Group and the management have been putting extra effort in developing the business. Nevertheless, the Group's performance relied on external factors, including Hong Kong and global economic environment, interest rate movement and the turnover of the Hong Kong securities market. At the same time, the Group is positioned to divert currently available resources to the money lending business with a view to maximize the returns to shareholders. As stated in previously issued reports, the financial performance as well as revenue mix of the Group may continue to change depending on the stock market environment. Brokerage income will continue to be directly correlated with the overall stock market trading volume while underwriting and placing income correlates to market fund raising activities, the number of underwriting and placing exercises the Group can be involved in, and/or the size of fund the customers intended to raise. In addition, the Group's interest income from margin financing services will be subject to customers' investment and financing needs. Such external factors are beyond the Group's control and the Group's financial performance is susceptible to fluctuation as a result.

As mentioned in previously issued reports in 2016, the Group's revenue in 2016 was not comparable with 2015, and this was the main reason for recording a loss before income tax for the year.

Going forward, it is expected that the Group's revenue mix will be similar to 2016 where the proportion of interest income from the money lending services over the Group's overall revenue will be increasing as compared to previous years before 2016.

## FINANCIAL REVIEW

### *Revenue*

The Group's revenue is mainly generated from (i) commission income from the brokerage services; (ii) commission income from the underwriting and placing services; (iii) interest income from the margin financing services; and (iv) interest income from the money lending services.

The total revenue for 2016 was approximately HK\$23.3 million (2015: HK\$51.7 million) which represents a HK\$28.5 million or 55.0% decrease compared with 2015. Such drop was attributable to (i) a decrease of approximately HK\$20.4 million in commission income from the underwriting and placing services; (ii) a decrease of approximately HK\$15.2 million in commission income from the brokerage services; (iii) a decrease of approximately HK\$3.8 million in interest income from the margin financing services, and (iv) an increase of approximately HK\$11.0 million in interest income from money lending services.

## MANAGEMENT DISCUSSION AND ANALYSIS

As mentioned above, the decrease in commission income from the brokerage services and the underwriting and placing services was due to the demand in the market which was beyond the Group's control, whereas the interest income from the money lending services is the Group's current main focus.

	2016 HK\$'000	2015 HK\$'000
Commission income from the brokerage services	5,562	20,804
Commission income from the underwriting and placing services	22	20,449
Interest income from the margin financing services	4,162	7,945
Interest income from the money lending services	13,522	2,526
Total	23,268	51,724

### *Other income*

The total other income for 2016 was approximately HK\$0.04 million (2015: HK\$0.3 million) which represents a 87.2% decrease compared with 2015.

	2016 HK\$'000	2015 HK\$'000
Interest income from bank deposits and employee's loan	14	62
Sundry income	26	250
	40	312



## MANAGEMENT DISCUSSION AND ANALYSIS

### Employee costs

Employee costs accounted for approximately 50.3% of the total expenses of the Group for 2016 (2015: 54.0%). The total employee costs for 2016 was approximately HK\$12.6 million (2015: HK\$10.7 million) and represented an increase of approximately HK\$1.9 million or 17.4% compared with 2015. The increase was mainly attributable to the increase in staff salaries and allowances by HK\$1.9 million which was due to annualised effort of recruiting of additional staff to support the operations of money lending business in 2015, and overall salary increment. As at 31 December 2016, the Group had a total of 36 employees including Directors (2015: 32).

	2016 HK\$'000	2015 HK\$'000
Commission paid to staff	1,135	1,045
Directors' emoluments	1,756	2,348
Staff salaries and allowances	8,763	6,860
Other staff costs including MPF and insurance	921	459
	12,575	10,712

### Administrative expenses

Administrative expenses accounted for approximately 49.7% of the total expenses of the Group for 2016 (2015: 45.9%). The total administrative expenses for 2016 was approximately HK\$12.4 million (2015: HK\$9.1 million) and represents an increase of approximately HK\$3.3 million or 36.3%. Such increase was mainly attributable to the increase in rent and rates and management fee of new office of approximately HK\$1.8 million, the increase in related removal expenses of approximately HK\$0.5 million, and increase in depreciation of approximately HK\$0.3 million over new fixed assets, which were grouped under other office expenses in the table below.

	2016 HK\$'000	2015 HK\$'000
Rent and rates and management fee for office	5,385	3,547
Stock information subscription fees and CCASS charges	1,438	2,071
Legal and professional fees, listing and compliance fees of the Company	1,758	1,400
Other office expenses excluding staff costs	3,821	2,081
Total	12,402	9,099

## MANAGEMENT DISCUSSION AND ANALYSIS

### *Income tax expense*

The income tax expense for 2016 was approximately HK\$1.8 million (2015: HK\$6.1 million) and such drop was consistent with the decrease in profits assessable under Hong Kong Profits tax.

### *Loss for the year*

The Group recorded a net loss attributable to owners of approximately HK\$3.5 million (2015: profit of HK\$26.1 million). Such change was heavily due to the decrease in total revenue of approximately HK\$28.5 million or 55.0%, with the reasons already disclosed in the first and third quarterly reports and interim report for 2016.

### LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

During the year ended 31 December 2016, the Group financed its operations by its own cash. As at 31 December 2016, the Group had net current assets of approximately HK\$249.2 million (2015: HK\$232.6 million), including cash of approximately HK\$75.2 million (2015: HK\$180.3 million). The current ratio, being the ratio of current assets to current liabilities, was approximately 6.4 times as at 31 December 2016 (2015: 3.1 times). The increase in the current ratio was mainly attributable to the lower balances of trade payables to cash and margin clients in 2016 compared to 2015.

The capital of the Group comprises only ordinary shares. Total equity attributable to owners of the Company amounted to approximately HK\$284.7 million as at 31 December 2016 (2015: HK\$273.8 million).

### EMPLOYEE INFORMATION

Total remuneration for the year ended 31 December 2016 (including directors' emoluments and commission paid to staff and directors excluding MPF contributions) was approximately HK\$11.6 million (2015: HK\$10.2 million). Such increase was mainly due to the increase in staff salaries and allowances as mentioned under the "Employee costs" section above. The Group's remuneration policies are formulated on the basis of performance, qualifications and experience of individual employee and make reference to the prevailing market conditions. Our remuneration packages comprise monthly fixed salaries and discretionary year-end bonuses based on individual performance, which are paid to employees as recognition of, and reward for, their contributions.

### CHARGES ON THE GROUP'S ASSETS

The Group did not have any charge arranged with any financial institution in Hong Kong in 2016 (2015: Nil).

### FOREIGN EXCHANGE EXPOSURE

The revenue and business costs of the Group were principally denominated in Hong Kong dollars, and as such the exposure to the risk of foreign exchange rate fluctuations for the Group was minimal. Hence, no financial instrument for hedging was employed.



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## MANAGEMENT DISCUSSION AND ANALYSIS

### **CONTINGENT LIABILITIES**

No material contingent liability had come to the attention of the Directors in 2016 and up to the date of results announcement and annual report issuance of the Company.

### **EVENT AFTER THE REPORTING PERIOD**

Up to the date of this report, the Group conducted and completed a placing of its new 18,000,000 shares after the year ended 31 December 2016. For details please refer to relevant announcements.

# CORPORATE GOVERNANCE REPORT

Pursuant to Rule 18.44 of the GEM Listing Rules, the Board is pleased to present this corporate governance report for the year ended 31 December 2016. This report highlights the key corporate governance practices of the Company.

## CORPORATE GOVERNANCE PRACTICES

The Group is committed to promoting high standards of corporate governance. The Directors of the Company believe that sound and reasonable corporate governance practices are essential for the growth of the Group and for safeguarding the shareholders' interests and the Group's assets.

The Company's corporate governance practices are based on the principles and code provisions as set out in the Corporate Governance Code (the "CG Code") in Appendix 15 of the GEM Listing Rules. Throughout the year ended 31 December 2016 and up to the date of this report, to the best knowledge of the Board, the Company has complied with all the code provisions set out in the CG Code, save for the deviations from code provision A.6.7 as explained below and as mentioned in the following section headed "Chairman and Chief Executive Officer" in this report.

Pursuant to A.6.7 of CG Code, the independent non-executive Directors, as equal board members, should attend general meetings and develop a balanced understanding of the views of shareholders of the Company. Due to other unavoidable engagements, two independent non-executive Directors were unable to attend annual general meeting of the Company held on 18 May 2016.

## DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct for dealing in securities of the Company by the Directors (the "Required standard of Dealing"). Having made specific enquiries of all the Directors, each of them have confirmed that they have complied with the Required Standard of Dealings throughout the year ended 31 December 2016. No incident of non-compliance was noted by the Company during the year.

## BOARD OF DIRECTORS

### *Composition of the Board*

Up to the date of this annual report, the Board comprises six directors, including two executive Directors, one non-executive Director and three independent non-executive Directors. Details of their composition by category are as follows:

### *Executive Directors*

Mr. Lam Shu Chung (*Chairman*)  
Ms. Lee Nga Ching

### *Non-executive Director*

Ms. Tse Ka Pui Jessica

### *Independent non-executive Directors*

Mr. Lee Siu Leung  
Mr. Tang Chung Wai  
Ms. Chan Man Yi

## CORPORATE GOVERNANCE REPORT

The biographical details of the Directors of the Company are set out under the section headed “Biographical Details of Directors and Senior Management” in this report.

The updated list of Directors and their role and function are published at the GEM website and the Company’s website ([www.orientsec.com.hk](http://www.orientsec.com.hk)).

The Company has arranged for appropriate insurance cover in respect of legal action against the Directors since 18 February 2014.

### *Independent non-executive Directors*

In compliance with Rules 5.05(1) and (2), and 5.05A of the GEM Listing Rules, the Company has appointed three independent non-executive Directors representing more than one-third of the Board, and with at least one of them possessing the appropriate professional qualifications or accounting or related financial management expertise. The independent non-executive Directors, together with the executive Directors, ensure that the Board prepares its financial and other mandatory reports in strict compliance with the relevant standards. The Company has received an annual confirmation of independence from each of the independent non-executive Directors and believes that their independence is in compliance the Rule 5.09 of the GEM Listing Rules.

### *The Board*

The Board has the responsibility for leadership and control of the Group. They are collectively responsible for promoting the success of the Group by directing and supervising the Groups’ affairs. The Board is accountable to shareholders for the strategic development of the Group with the goal of maximizing long-term shareholder value, while balancing broader stakeholder interests. The Board has delegated the day-to-day responsibility to the Executive Directors and senior management of the Company who meet on a regular basis to review the financial results and performance of the Group and make financial and operational decisions for the implementation of strategies and plans approved by the Board. The Board also communicates with shareholders and regulatory bodies and makes recommendations to shareholders on final dividends and the declaration of any interim dividend.

### *Board Meetings and Attendance*

The Board meets in person or through other electronic means of communication to determine overall strategic direction and objectives and approve quarterly, interim and annual results, and other significant matters. The Board held 12 meetings during the year ended 31 December 2016. Individual attendance records of each Director at the respective Board and committee meetings are set out in the table on page 16 of this report.

The Board meets regularly on a quarterly basis. Notice of at least 14 days is given to all Directors for a regular Board meeting. Apart from the regular Board meetings of the year, the Board also meets on other occasions when a Board-level decision on a particular matter is required. For such, reasonable notice is generally given. All Directors have full and timely access to all relevant information as well as the advice and services of the Company Secretary, senior management and Compliance Officer who are responsible for ensuring the compliance of the Company with the GEM Listing Rules and advising the Board on compliance matters. Directors are also provided with access to independent professional advice, where necessary, in carrying out their obligations as Directors of the Company. Any Directors and their associates who are considered to have conflict of interests or material interests in the proposed transactions or issues to be discussed in the Board meetings shall abstain from voting on the relevant resolutions and are not to be counted in the quorum at meetings.

## CORPORATE GOVERNANCE REPORT

At least 3 days (or such other period as agreed in advance) before each Board meeting, a draft agenda is sent out to all Directors in order to allow the Directors to include any other matters in the agenda that are required for discussion and resolution in the meeting. To enable the Directors to make informed decisions, Board papers together with all appropriate and relevant information in relation to the matters of the meeting are sent to all Directors 3 days or such other period as agreed before each Board meeting such that the Directors have sufficient time to review the related documents and be adequately prepared for the meeting.

The Company Secretary is responsible to keep minutes of all Board meetings and committees meetings. Draft minutes are normally circulated to all Directors for comments within a reasonable time after each meeting and the final versions are open for Directors' inspection.

### *Relationships between the Board*

There was no financial, business, family or other material relationship among the Directors. The biographical details of each of the Directors are set out in the section headed "Biographical Details of Directors and Senior Management" of this annual report.

### *Directors' Continuing Professional Development Programme*

Each Director receives comprehensive and formal induction and orientation to ensure he/she adequately understand the operations and business of the Group. The Company also provided detailed director's responsibilities and obligations statement pursuant to the GEM Listing Rules for the Director to review and study. In addition, materials in relation to regularly update on latest development in relation to the GEM Listing Rules, other applicable regulatory requirements and the Group's business and governance policies (the "Reading Materials in relation to Continuous Professional Developments") were circulated to the Directors. Continuing briefings and seminars for the directors will be arranged as necessary. The Directors are encouraged to participate in continuous professional developments to develop and refresh their knowledge and skills periodically.

During the year ended 31 December 2016 the Directors participated in the continuous professional developments in the following manner:

Name	Reading Materials in relation to Continuous Professional Developments	Attending seminars/courses/conferences in relation to Continuous Professional Developments
<b><i>Executive Directors</i></b>		
Mr. Lam Shu Chung	✓	
Ms. Lee Nga Ching	✓	✓
<b><i>Non-executive Director</i></b>		
Ms. Tse Ka Pui Jessica	✓	
<b><i>Independent non-executive Directors</i></b>		
Mr. Lee Siu Leung	✓	✓
Mr. Tang Chung Wai	✓	
Ms. Chan Man Yi	✓	✓

## CORPORATE GOVERNANCE REPORT

### CHAIRMAN AND CHIEF EXECUTIVE OFFICER (“CEO”)

The Company has not yet adopted A.2.1 of the CG Code. Pursuant to A.2.1 of the CG Code, the roles of Chairman and CEO should be separate and should not be performed by the same individual. The division of responsibilities between the Chairman and CEO should be clearly established and set out in writing.

Mr. Lam Shu Chung is the Chairman of the Board and is responsible for formulation of corporate strategy, overseeing the management of the Group and business development. The Chairman also takes the lead to ensure that the Board works effectively and acts in the best interest of the Company by encouraging the Directors to make active contributions to the Board’s affairs and promoting a culture of openness and debate.

The Company has no such position as the CEO and therefore the daily operation and management of the Company is monitored by the executive Directors as well as the senior management.

The Board is of the view that although there is no CEO, the balance of power and authority is ensured by the operation of the Board, which comprises experienced individuals who would meet from time to time to discuss issues affecting operation of the Company and the Group.

### APPOINTMENT AND RE-ELECTION OF DIRECTORS

#### *Executive Directors*

Mr. Lam Shu Chung, the executive Director, has entered into a service agreement with the Company on 25 March 2013 for an initial fixed term of three years commencing from 15 January 2014 (the “Listing Date”) and shall continue thereafter until terminated by either party by giving at least three months’ notice in writing to the other.

Ms. Lee Nga Ching, the executive Director, has entered into a service agreement with the Company for an initial fixed term of three years commencing from 8 June 2015 and shall continue thereafter until terminated by either party by giving at least three months’ notice in writing to the other.

Each of these executive Directors is entitled to the respective director’s fee. In addition, each of the executive Directors is also entitled to a discretionary bonus determined by the Board.

#### *Non-executive Director*

Ms. Tse Ka Pui Jessica, the non-executive Director, has entered into a letter of appointment with the Company for an initial fixed term of three years commencing from 28 April 2016 and shall continue thereafter until terminated by either party by giving at least three months’ notice in writing to the other.

The non-executive Director is entitled to a director’s fee. The Non-executive Director is also entitled to receive a discretionary bonus to be determined by the Board in its absolute discretion in respect of each financial year of the Company.

## CORPORATE GOVERNANCE REPORT

### *Independent non-executive Directors*

Mr. Lee Siu Leung, the independent non-executive Director has entered into a letter of appointment with the Company on 25 March 2013. The letter of appointment is for a term of three years commencing from the Listing Date and shall continue thereafter, provided that either party may terminate such appointment at any time by giving at least three months' notice in writing to the other.

Each of Mr. Tang Chung Wai and Ms. Chan Man Yi, the independent non-executive Directors, has entered into a letter of appointment with the Company with an initial fixed term of three years commencing from 28 April 2016 and shall continue thereafter until terminated by either party by giving at least three months' notice in writing to the other.

Each of the independent non-executive Directors is entitled to a director's fee. The independent non-executive Directors are also entitled to receive a discretionary bonus to be determined by the Board in its absolute discretion in respect of each financial year of the Company.

In accordance with the articles 84 of the Articles, one-third of the Directors are subject to retirement by rotation or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third shall retire from the office and being eligible offer themselves for re-election provided that every Director shall be subject to retirement by rotation at least once every three years. The Directors to be retired by rotation shall be those who have been longest in office since their last appointment or re-appointment.

### **BOARD COMMITTEES**

The Board has established the Audit Committee, the Nomination Committee and the Remuneration Committee in order to maintain high standard of corporate governance of the Company.

#### *Audit Committee*

The Audit Committee has been established with written terms of reference in compliance with Rules 5.28 and 5.29 of the GEM Listing Rules and code provision C.3.3 of the CG Code. The Audit Committee currently comprises three independent non-executive Directors and is chaired by Mr. Lee Siu Leung. The other members are Mr. Tang Chung Wai and Ms. Chan Man Yi.

The primary duty of the Audit Committee are mainly to make recommendations to the Board on the appointment, re-appointment and removal of external auditor, to approve their remuneration and terms of engagement, to review and monitor the external auditor's independence and objectivity and effectiveness of the audit process in accordance with applicable standards, to review the financial statements and material advice in respect of financial reporting; and oversee financial reporting system, internal control and risk management systems of the Group and monitor continuing connected transactions. All members of the Audit Committee are appointed by the Board.

The Audit Committee has met its responsibilities to review the Group's quarterly reports for the three months and nine months ended 31 March 2016 and 30 September 2016 respectively, interim report for the six months ended 30 June 2016 and the Group's audited annual results for the year ended 31 December 2016 and provided advice and comments thereon. The Audit Committee also made recommendations to the Board and the management of the Company in respect of the Group's financial reporting and internal control procedures.

The Audit Committee held 5 meetings during the year ended 31 December 2016. Individual attendance records of each member of the Audit Committee are set out in the table on page 16 of this report.



## CORPORATE GOVERNANCE REPORT

### *Nomination Committee*

The Nomination Committee has been established with written terms of reference in compliance with code provision A.5.2 of the CG Code. The Nomination Committee currently comprises three independent non-executive Directors and is chaired by Mr. Lee Siu Leung. The other members are Mr. Tang Chung Wai and Ms. Chan Man Yi.

The primary duties of the Nomination Committee are to review the structure, size and composition of the Board on regular basis; identify individuals suitably qualified to become Board members, to assess the independence of the independent non-executive Directors and to make recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors. All members of the Nomination Committee are appointed by the Board.

During the year ended 31 December 2016, the Nomination Committee reviewed and discussed the structure, size and composition of the Board and determined the policy for the nomination of Directors. The Nomination Committee is responsible for identifying potential directors, reviewing the credentials of the potential director base on his/her qualifications, skills, experience, credibility and reputation. Once the Nomination Committee confirmed the potential director(s) is/are qualified to be the Director(s) and his/her appointments are in the interests of the Company and the Shareholders as a whole, it will make recommendations to the Board for approval. The Nomination Committee held 5 meetings during the year ended 31 December 2016. Individual attendance records of each member of the Nomination Committee are set out in the table on page 16 of this report.

### *Remuneration Committee*

The Remuneration Committee has been established with written terms of reference in compliance with code provision B.1.1 of the CG Code. The Remuneration Committee currently comprises three independent non-executive Directors and is chaired by Mr. Lee Siu Leung. The other members are Mr. Tang Chung Wai and Ms. Chan Man Yi.

The primary duty of the Remuneration Committee is to review and make recommendations to the Board on the remuneration policy and other remuneration related matters, including benefits-in-kind and other compensation payable to the Directors and senior management and to ensure none of the Directors determine their own remuneration. All members of the Remuneration Committee are appointed by the Board.

During the year ended 31 December 2016, the Remuneration Committee determined the policy for the remuneration of executive Directors, assessed the performance of executive Directors and approved the terms of executive Director's services contracts. The Remuneration Committee adopted the model which is described in the code provision B.1.2 (c) (ii) of the CG Code and Report, it makes recommendations to the Board on the remuneration packages of individual executive Directors and senior management. The Remuneration Committee held 3 meetings during the year ended 31 December 2016. Individual attendance records of each member of the Remuneration committee are set out in the table on page 16 of this report.

## CORPORATE GOVERNANCE REPORT

### *Directors' Attendance Record at Meetings*

Details of the attendance of the Directors at the meetings of the Board and its respective committees during the year ended 31 December 2016 are as follows:

Name of Director	Board Meeting Attended/Eligible to attend	Audit Committee Meeting Attended/Eligible to attend	Nomination Committee Meeting Attended/Eligible to attend	Remuneration Committee Meeting Attended/Eligible to attend	General Meeting Attended/Eligible to attend
<b>Executive Directors</b>					
Mr. Lam Shu Chung	7/12	N/A	N/A	N/A	1/1
Ms. Lee Nga Ching	11/12	N/A	N/A	N/A	1/1
Ms. Fung Yuk Chun Emily (Resigned on 6 September 2016)	10/11	N/A	N/A	N/A	1/1
Mr. Chu Sung Hei (Resigned on 11 April 2016)	1/2	N/A	N/A	N/A	N/A
<b>Non-executive Director</b>					
Ms. Tse Ka Pui Jessica (Appointed on 28 April 2016)	8/8	N/A	N/A	N/A	1/1
<b>Independent non-executive Directors</b>					
Mr. Lee Siu Leung	11/12	5/5	5/5	3/3	1/1
Mr. Tang Chung Wai (Appointed on 28 April 2016)	5/8	1/3	3/3	1/1	0/1
Ms. Chan Man Yi (Appointed on 28 April 2016)	7/8	3/3	3/3	1/1	0/1
Mr. Choy Sze Chung Jojo (Retired on 18 May 2016)	6/6	3/3	2/2	2/2	1/1
Mr. See Lee Seng Reason (Retired on 18 May 2016)	5/6	3/3	2/2	2/2	1/1

### CORPORATE GOVERNANCE FUNCTION

The Board is responsible for performing the corporate governance duties in accordance with code provision D.3.1 to the CG Code which are included to develop and review the Company policies and practices on corporate governance, to review and monitor the training and continuous professional development of Directors and senior management of the Company, the issuer's policies and practices on compliance with legal and regulatory requirements and reviewing the issuer's compliance with the CG Code and disclosure in the Corporate Governance Report.

During the year ended 31 December 2016, the Board has performed the corporate governance duties stated in code provision D.3.1 of the CG Code.

## CORPORATE GOVERNANCE REPORT

### EMOLUMENTS TO THE DIRECTORS AND SENIOR MANAGEMENT

The emoluments paid to the 10 (2015: 9) Directors and 5 (2015: 3) senior management whose details are disclosed in the section headed "Biographical Details of Directors and Senior Management" were within the following bands:

	2016	2015
Nil to HK\$1,000,000	14	12
HK\$1,000,001 to HK\$1,500,000	1	—

Mr. Law Fai Shing, the Company Secretary, was counted as senior management in 2015.

### AUDITOR AND THEIR REMUNERATION

For the year ended 31 December 2016, remuneration paid and payable to the auditor of the Group (the "Auditor") are approximately HK\$470,000 (2015: HK\$420,000) for audit services. There was no significant non-audit service provided by the auditor of the Group for the year.

#### *Director's Acknowledgement*

The Directors acknowledge their responsibility for the preparation of the consolidated financial statements which give a true and fair view of the financial position of the Group. The Directors are not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Company's ability to continue as a going concern.

#### *Auditor's Statement*

The statement of the Auditor about their reporting responsibilities on the Company's financial statements for the year ended 31 December 2016 is set out in the section "Independent Auditor's Report" of this report.

#### *Financial Reporting*

The Management has provided to all Directors quarterly updates with quarterly consolidated financial statement of the Company's performance, position and prospects in sufficient details during the regular Board meetings. In addition, the Management has provided all members of the Board, in a timely manner, updates on any material changes to the performance, position and prospects of the Company and sufficient information for matters brought before the Board. The Management will spare no effort to provide all members of the Board with more detailed and promptly monthly updates giving a balanced and understandable assessment of the Company's performance, position and prospects in sufficient detail in coming future.

#### *Compliance with Relevant Laws and Regulations*

The Group recognises the importance of compliance with regulatory requirements and the risk of non-compliance with relevant requirements could lead to adverse impact on business operation and financial position of the Group.

The Board as a whole is responsible to ensure the Group is in compliance with relevant laws and regulations that have a significant impact on the Group. To the best of knowledge of the Board, the Group has complied with relevant laws and regulations during the year ended 31 December 2016.

## CORPORATE GOVERNANCE REPORT

### INTERNAL CONTROL

The Board has overall responsibilities for the establishment and maintenance of an adequate and effective internal control system to safeguard the Group's assets against unauthorized use or disposition, and to protect the interests of the shareholders of the Company. The Board has periodically assessed and reviewed the effectiveness of the Group's internal control system, including, in particular, financial, operational and compliance control and risk management functions. The Board will continue to assess the effectiveness of internal controls by considering reviews performed by the audit committee and executive management.

The Group has engaged external auditors to conduct independent internal control review for the year ended 31 December 2016. The review will cover parts of the system including financial, operational, compliance control and risk management functions.

### COMPANY SECRETARY

Mr. Law Fei Shing joined the Company on 12 February 2009 on a part-time basis and was engaged by the Company as its external company secretary for the period from 25 March 2013 to 19 May 2016. Its primary contact person at the Company was Ms. Fung Yuk Chun Emily, an executive director of the Company up to 6 September 2016.

Mr. Choy Mun Kei was appointed as the company secretary of the Company on 19 May 2016. The selection, appointment or dismissal of the company secretary is approved by the Board. Mr. Choy is an employee of the Company and accessible by all Directors for advice and services with a view of ensuring that Board procedures are followed. He supports the Board and board committees by ensuring good information flow and reports to the Board and assists the Board in functioning effectively and efficiently. During the year ended 31 December 2016, Mr. Choy has duly complied with the relevant professional training requirement under Rule 5.15 of the GEM Listing Rules. The biographical details of Mr. Choy are set out under the section "Biographical Details of Directors and Senior Management".

### SHAREHOLDERS' RIGHT

#### *Procedures for the Shareholders to convene an extraordinary general meeting*

Pursuant to article 58 of the Articles of Association of the Company, any one or more members holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Secretary of the Company, to require an extraordinary general meeting (the "EGM") to be called by the Board for the transaction of any business specified in such requisition.

Such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

## CORPORATE GOVERNANCE REPORT

### *Procedures for the Shareholders to put their enquiries to the board*

The Company endeavor to maintain two way communications with the Shareholders through various channels. The Shareholders are encouraged to send their enquiries about the Group to the Company's email at [info@orientsec.com](mailto:info@orientsec.com). hk or by mail to the principle address of the Company at Rooms 3101, 3117-3118, 31/F., China Merchants Tower, Shun Tak Centre, Nos. 168-200 Connaught Road Central, Hong Kong. All the enquiries are dealt with in a timely manner. The Shareholders are also encouraged to attend annual general meeting (the "AGM") and EGM of the Company and to put their enquiries to the Board directly. Notices are duly being circulated to the Shareholders in order to ensure each Shareholder is informed to attend the AGM and the EGM. The Chairman of the Board, chairmen of each of the Remuneration Committee, Nomination Committee and Audit Committee and the senior management attend the aforesaid meetings and respond proactively to the Shareholders' enquiries. The detailed procedures for conducting a poll are set out in the proxy forms and will be explained by the chairmen of the AGM and EGM orally in the beginning of the aforesaid meetings.

### *Procedures for putting forward proposals by Shareholders at Shareholders' meetings*

Shareholders may include a resolution to be considered at an EGM. The requirements and procedures are set out above in the paragraph headed "Procedures for the Shareholders to convene an extraordinary general meeting".

## INVESTOR RELATIONS

The Company believes that maintaining a high level of transparency is a key to enhance investor relations. It is committed to a policy of open and timely disclosure of corporate information to its shareholders and investment public.

The Company strengthens its communications with shareholders and investors through various channels including publication of quarterly, interim and annual reports, press releases and announcements regarding the latest developments of the Company in its corporate website at [www.orientsec.com.hk](http://www.orientsec.com.hk) at a timely manner.

## CONSTITUTIONAL DOCUMENTS

Pursuant to Rule 17.102 of the GEM Listing Rules, the Company has published on the respective websites of the Stock Exchange and the Company its Memorandum and Articles of Association. During the year ended 31 December 2016, there had not been any changes in the Company's constitutional documents.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

As the Group's business nature is provision of financial services in Hong Kong and primarily an office based group with relatively low energy, power and resources consumption, our direct environmental impact is immaterial in the process of the Group's daily operation and business development. We adhere closely to principles of sustainable development, seeking to achieve required standards in the areas of environmental protection, employment and labour practices, operations practices and community service. While acknowledging our responsibility to our stakeholders, we encourage our staff to recognise those responsibilities and behave in a responsible manner toward the society in which we function.

### ENVIRONMENTAL PROTECTION

#### *Emissions and use of resources*

The Group is committed to providing quality financial services to our clients in a manner that minimises our potential adverse impact on the environment. Due to the nature of our business, there is minimal direct impact to the environment and we do not generate hazardous waste. There is minimal need for our management and employees to overseas travel for business, so the main emission of the Group is the indirect greenhouse gas emissions from electricity consumption, which is mainly attributed to the use of lighting system, air-conditioning and office equipment. As the water consumption of the Group is minimal, our commitment to the environment is focused on the energy conservation, minimising the use of paper and the reduction of waste by recycling.

As a supporter of environmental protection, the Group strives for efficient and effective use of energy and resources in operation and management level of the Group. Energy conservation is a priority under environmental protection and energy-saving devices are used when applicable to reduce power consumption. The type of waste produced by the Group is mainly waste paper from daily operations. To enhance environmental awareness and encourage daily participation among the staff, there are recommendations to them to reduce energy wastage including, but not limited to:

- 1) Lights and electronic appliances in office premise will be turned off when not in use.
- 2) Every staff will turn off the power for each department's computers, photocopy machines, printers and facsimile machines when they are off duty or on leave.
- 3) Other than formal documents that require the use of papers, each department is advised to handle documents electronically. When the use of paper is required, double-sided printing or using recycle paper is recommended except for formal and confidential documents.

Relating to reduction of waste by recycling, the Group also collects used toner cartridges for passing to the printer company each time when they come to our office to replace the toner cartridges for recycling purpose. In addition, during the year, we have donated our unused desktop computers and LCD monitors to Caritas Computer Workshop for refurbishment of the donated computers for reuse by deprived people or non-profit making organisation.

#### *Environment and natural resources*

The Group seeks to work toward environmental best practice. This involves giving careful consideration to various operational aspects and activities to minimise any environmental impact. Green messages and practical tips for green living will be circulated amongst employees to achieve environmental sustainability.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### EMPLOYMENT AND LABOUR PRACTICES

#### *Employment, health and safety*

Human resources are the most valuable asset of the Group. Developing and retaining talents are vital to our success and maintaining good labour relation is essential for sustainable development of our business.

The Group is committed to providing them with a safe, pleasant and healthy working environment. The Group not only rewards and recognises employees by competitive remuneration package and promote career development and progression by providing opportunities for career advancement, but also provides support in different areas for its employees. The Group complies with all applicable laws and regulations in relation to employment matters.

The Group considers its employees as vital assets. Group medical insurance packages are provided to our staff at no expense. To maintain a safe and comfortable work environment, the professional cleaning company will clean and sanitise office areas and equipment regularly. The Group also designs and plans office layouts based on relevant safety provisions, and ensures that fire escapes are not blocked. Subsidiaries of the Group also review their office environment and their safety policies regularly to make sure that daily operations fully comply with all applicable laws and regulations.

#### *Development and training*

The Group is subject to various ordinances, rules and guidelines such as, but not limited to, the Securities and Futures Commission Ordinance (the "SFO"), Money Lenders Ordinance, the Personal Data (Privacy) Ordinance, the GEM Listing Rules and the SFC's Guideline on Anti-Money Laundering and Counter-Terrorist Financing. The Group is aware of the continuous development and updates of relevant laws and regulations, each department of the Group is responsible for determining its training needs for employee in its department and any suggested applicable training courses either arranged internally or by external service providers shall be submitted to the senior management of the Group for approval. Knowledge, skills and capacities of employees are vital to continuous business growth and success of the Group. The Group strives to ensure that all employees can fulfill the relevant job requirements in terms of education, training, technical and work experience.

#### *Labour standards*

The Group establishes recruitment policies according to applicable laws and regulations of Hong Kong. The Group makes certain that its employees are all above the minimum legal working age and have been fully protected in terms of labour standards, and that all laws and regulations prohibiting child labour and forced labour are complied. All recruitment, remuneration, training, and promotion mechanisms are carried out impartially, and individuals are assessed solely on the basis of professional experience and/or work performance. No one is subject to discrimination due to age, gender, race or skin colour. The management of the Group regularly reviews its internal management system, and revises its remuneration and welfare policies according to changes in labour laws, to ensure that its male and female employees enjoy all statutory rights.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### OPERATIONS PRACTICES

As a professional financial services provider, the Group has set up a comprehensive and effective compliance procedure to ensure its full compliance in daily operations with all applicable laws, rules and regulations. It also keeps a close eye on changes to laws and regulations in the areas where it operates, and makes appropriate and timely adjustments in its internal control policies. To ensure its overall operations are in line with all legal compliance requirements, the management of the Group also disseminates information on related changes by email or other means to update employees on new developments. The Group reviews its internal and external operations practices from time to time, and takes the initiative to revise management policies when necessary to adjust its corporate governance practices. In addition, the Group has obtained all the licences required by all relevant laws and regulations in Hong Kong, including those for carrying out dealing in securities and advising on securities under the Securities and Futures Ordinance and money lending business under the Money Lenders Ordinance. Management will ensure employees comply with all relevant laws and regulations whenever they provide professional financial and investment services both to clients and the general public.

#### *Product responsibilities*

In relation to financial services business, to avoid any loss suffered by clients due to systems failures or delays in transactions, the Group has established an emergency plan to ensure that proper measures are taken should system errors occur to reduce any potential client losses to a minimum. Management will also review our transaction system regularly and make improvement on our transaction system, including the internal control and management system or facilities, where necessary, to avoid occurrence of system failure.

Apart from its product and service quality, the Group emphasises the importance of the confidentiality of personal data and the privacy of our clients and we adhere to the provisions of the Personal Data (Privacy) Ordinance when collecting, processing and using clients' personal data.

#### *Anti-corruption*

All of the Group's operations comply with the legislation on standards of conduct, such as the Prevention of Bribery Ordinance in Hong Kong. The Group has worked to establish a corporate culture of integrity and justice, and treats integrity as one of its core business principles. To raise anti-corruption awareness among its employees, the Group lays out codes of conduct concerning the conflict of interest and business conduct in its employment handbook. We also encourage employees to report their interests and make good use of the accusation mechanism to eliminate illegal activities such as money laundering, bribery and fraud.

### COMMUNITY SERVICES

#### *Charity and community work*

The Group regards contributions to society as part of its mission. Our business development strategy also pays close attention to community welfare. The Group has been devoted to promote community development by taking the lead and encouraging employees to care for the community.

The Group targets through donations and sponsorships by supporting non-profit-making organisation to help charitable, cultural, medical, educational and other needs of society. The Group wishes to raise fund as caring for people in need and supporting charity activities.



## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### *Charity donations*

During the year, the Group made contributions to Medecins Sans Frontieres (“MSF”) Hong Kong by participating as a festival partner of an event called the “2016 MSF Film Festival” held between 1 to 4 December 2016. MSF is an international, independent, medical humanitarian non-governmental organisation and the event aims to raise awareness and funding for humanitarian action and MSF’s worldwide medical relief work.

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

### EXECUTIVE DIRECTORS

**Mr. Lam Shu Chung (林樹松)**, aged 60, is an Executive Director and the Chairman of the Company. He was appointed as a Director on 5 January 2009 and re-designated as an Executive Director on 12 February 2009. He is responsible for the formulation of corporate strategy, overseeing the management and business development. Further, Mr. Lam has been a director of Orient Securities Limited since July 2004 and has been responsible for overseeing the company's management and business development. Mr. Lam has about 23 years of experience in the Hong Kong financial market, ranging from the field of securities brokerage, foreign exchange to foreign banking.

**Ms. Lee Nga Ching (李雅貞)**, aged 39, was appointed as an Executive Director on 8 June 2015. She obtained a bachelor's degree in Business Administration in Accounting from City University of Hong Kong in 2004. She also obtained certificates of the Insolvency Preparatory I and II courses in 2005 and 2007 respectively. Ms. Lee possesses over 11 years of experience in financial due diligence, fraud and bribery investigations, internal control and insolvency administrations. She was employed by different institution, such as Baker Tilly Hong Kong, BDO McCabe Lo Limited, John Lees & Associates Limited, Kroll Associates (Asia) Limited and The Red Flag Group. The roles and responsibility of Ms. Lee are (i) to participate in the formation of corporate strategy and policy of the Company and its subsidiaries (collectively, the "Group"); (ii) to oversee business operation and financial performance of the Group; and (iii) to ensure adequate internal control and risk management procedures and compliance with relevant legislation, rules and guidelines of the Group.

### NON-EXECUTIVE DIRECTOR

**Ms. Tse Ka Pui Jessica (謝嘉佩)**, aged 41, has over 20 years of experience in the banking industry. Ms. Tse joined Bank of China (Hong Kong) Limited as a bank teller after graduated from High School in 1993. She was then promoted as Customer Service Manager and Branch Operation Manager in 2011 and 2013 respectively. She has accumulated extensive finance, marketing and management experience in Hong Kong.

### INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. Lee Siu Leung (李兆良)**, aged 50, was appointed as an independent non-executive Director on 18 March 2010. Mr. Lee has about 27 years of accounting experience. Mr. Lee obtained a bachelor's degree in social sciences from The University of Hong Kong in 1989. Mr. Lee is a certified public accountant (practising) and a fellow member of The Association of Chartered Certified Accountants. He is also certified as an associate of the Institute of Chartered Accountants in England and Wales in 2008, an associate of The Institute of Chartered Secretaries and Administrators in 2004, an associate of the Hong Kong Institute of Company Secretaries in 2004 and an associate of The Taxation Institute of Hong Kong in 1996.

**Mr. Tang Chung Wai (鄧宗偉)**, aged 54, has extensive experience in management. Mr. Tang is currently a director of Royal Garden Restaurant Limited and Yuen Long Town Hall Management Committee, Special Councilor of New Territories Heung Yee Kuk and Vice President of District Executive Committee (Yuen Long West District N.T. Region) of Scout Association of Hong Kong.

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

**Ms. Chan Man Yi (陳敏儀)**, aged 52, graduated from the Hong Kong Polytechnic University with a Master's degree in professional accounting and has over 24 years of experience in pension and provident fund industry. Ms. Chan is a member of The Hong Kong Institute of Certified Public Accountants and was a fellow member of The Association of Chartered Certified Accountants (2001-2016). Ms. Chan is currently the company secretary of Glory Mark Hi-Tech (Holdings) Limited, a company listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (stock code: 8159). She was an independent non-executive director, a member of the Nomination Committee and the Audit Committee of China Financial Leasing Group Limited, a company listed on the Main Board of the Stock Exchange of Hong Kong Limited (stock code: 2312) for the period from 1 February 2013 to 29 April 2015.

### SENIOR MANAGEMENT

**Mr. Wong Kwan Lok (黃君諾)**, aged 38, joined the Group in 2004 and is currently a senior vice president. Mr. Wong mainly focuses on sales and marketing and assists in business development. Mr. Wong has been licensed with SFC since 1998 and has been a Licensed Representative since joining Orient Securities Limited in 2004. He possesses over 13 years of experience in the securities brokerage industry and is licensed to carry on Type 1 regulated activity (dealing in securities). Mr. Wong was employed by Young Champion Management Services Limited (now known as Success International Management Services Limited) as a dealer of Young Champion Securities Limited for the period from November 2000 to September 2004.

**Mr. Lau Wai Man (劉偉文)**, aged 52, joined the Group in 2008 and is currently a Responsible Officer. He is a licensed person since August 1995. Mr. Lau is responsible for supervising in-house account executives in carrying out regulated activities. Mr. Lau possesses over 18 years of experience in the securities brokerage industry and his work experience includes acting as a sales representative, floor trader and account executive in various securities brokerage companies since 1995.

**Mr. Cheng Fung Kit (鄭豐傑)**, aged 38, has been a Responsible Officer of Orient Securities Limited to carry on Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities under the SFO since June 2016. He joined the Group in 2016. Mr. Cheng was appointed as an Executive Director of Orient Securities Limited in June 2016. He possesses over 16 years of experience in securities business from June 2000. He is responsible for business operations, compliance of the securities arm of the Group, supervising Licensed representatives in carrying out regulated activities and internal control. Mr. Cheng obtained a bachelor's degree in Business and Administration in Finance from Hong Kong University of Science and Technology in 2000.

**Mr. Lo Ka Ki (羅家奇)**, aged 48, joined the Group in 2015 and was appointed as Dealer of the Company in 2016. He possesses over 20 years of experience in foreign bank treasury and financial institution treasury. He is responsible for business operations and development, operating system development and supervising Licensed Representatives in carrying out regulated activities and the Group's internal control. He obtained a bachelor's degree of Business (Economics & Finance) at Royal Melbourne Institute of Technology University (RMIT). He is also a member of Treasury Markets Association.

**Mr. Choy Mun Kei (蔡滿基)**, aged 52, was appointed as company secretary of the Company on 19 May 2016. He is in charge of the company secretarial department of the Company. Mr. Choy is a certified public accountant (practising) of The Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. He holds a Master of Corporate Finance from The Hong Kong Polytechnic University.

## REPORT OF DIRECTORS

The Directors are pleased to present their report and the audited consolidated financial statements of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2016.

### PRINCIPAL ACTIVITIES

The Company was incorporated and registered as an exempted company with limited liability on 5 January 2009 under the Companies Law of the Cayman Islands.

The principal activities of the Group are the provision of its (i) brokerage services; (ii) underwriting and placing services; (iii) margin financing services and (iv) money lending services.

### BUSINESS REVIEW

A review of the Group's business during the year and a discussion on the Group's future development are provided in the Chairman's Statement. An analysis of the Group's performance during the year and a description of possible risks and uncertainties that the Group may be facing can be found under Management Discussion and Analysis. Also, the financial risk factors and capital management of the Group can be found in note 35 and note 38 to the consolidated financial statements, respectively. Discussions on the Group's key relationships with its customers and suppliers are contained in the Report of Directors. Discussions on the Group's policies and compliance with laws and regulations in respect of environmental and social aspects which have a significant impact on the Group are contained in the Environmental, Social and Governance Report. In addition, the Group's principal corporate governance practices adopted which have a significant impact on the Group are contained in the Corporate Governance Report.

### RESULTS

The Group's results for the year ended 31 December 2016 and the financial position of the Group at that date are set out in the consolidated financial statements from pages 38 to 87 of this annual report.

The Directors do not recommend the payment of a dividend for the year.

### FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five years is set out in the section headed "Financial Summary" on page 88 of this annual report. The summary does not form part of the audited consolidated financial statements.

### PROPERTY, PLANT AND EQUIPMENT

Details of movements in the Group's property, plant and equipment during the year are set out in note 16 to the consolidated financial statements.

### PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association or the laws of the Cayman Islands, the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing Shareholders.

### RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 27 to the consolidated financial statements and in the consolidated statement of changes in equity, respectively.

## REPORT OF DIRECTORS

### DISTRIBUTABLE RESERVES

As at 31 December 2016, the Company's reserves available for distribution to the Shareholders amounted to approximately HK\$93,279,000.

### USE OF PROCEEDS

During the year and up to the latest practicable date for the purpose of this report, the Company has completed two placings of new shares under general mandate on 31 August 2016 and 2 February 2017 respectively. For more details of these two placings, please refer to the Company's announcements dated 12 August 2016 and 17 January 2017 respectively. Among the net proceeds of approximately HK\$14.3 million from the placing completed on 31 August 2016, HK\$13.0 million has been used for expanding our money lending business with remaining proceeds of approximately HK\$1.3 million utilised as general working capital. Among the net proceeds of approximately HK\$10.7 million from the placing completed on 2 February 2017, approximately HK\$0.7 million has been utilised as general working capital of the Group. The remaining balance of HK\$10.0 million is kept in bank account of the Company and the Directors intend to utilise such balance for further expanding our money lending business as stated in the announcement of the Company dated 17 January 2017.

### CHARITABLE DONATIONS

During the year, the Group made charitable donations of HK\$60,000 (2015: Nil).

### DIRECTORS

The Directors of the Company during the year ended 31 December 2016 and up to the date of the report were:

#### *Executive Directors*

Mr. Lam Shu Chung (*Chairman*)  
Ms. Lee Nga Ching  
Ms. Fung Yuk Chun Emily (Resigned on 6 September 2016)  
Mr. Chu Sung Hei (Resigned on 11 April 2016)

#### *Non-executive Director*

Ms. Tse Ka Pui Jessica (Appointed on 28 April 2016)

#### *Independent Non-executive Directors*

Mr. Lee Siu Leung  
Mr. Tang Chung Wai (Appointed on 28 April 2016)  
Ms. Chan Man Yi (Appointed on 28 April 2016)  
Mr. Choy Sze Chung Jojo (Retired on 18 May 2016)  
Mr. See Lee Seng Reason (Retired on 18 May 2016)

In accordance with articles 84 (1) of the Company's Articles of Association, Mr. Lam Shu Chung and Mr. Lee Siu Leung will retire as Directors by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting (the "AGM").

### BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Biographical information of Directors and senior management of the Group are set out from pages 24 to 25 of this annual report.

## REPORT OF DIRECTORS

### DIRECTORS' SERVICE CONTRACTS

Executive Directors have entered into service contracts with the Company for an initial term of three years and be thereafter continuous unless and until (i) the termination by either party thereto giving no less than three months' prior written notice; or (ii) the Director not being re-elected as a Director in accordance with the Articles of Association of the Company.

The non-executive Director and independent non-executive Directors are appointed for a fixed term of three years and either party may terminate such appointment at any time by giving at least three months' notice in writing to the other.

### PERMITTED INDEMNITY PROVISION

The Company has arranged for appropriate insurance covering Director's and officers' liabilities in respect of legal actions against its Directors and senior management arising out of corporate activities. The permitted indemnity provision is in force for the benefit of the Directors as required by section 470 of Hong Kong Companies Ordinance when the Directors' Report prepared by the Directors is approved in accordance with section 391 of Hong Kong Companies Ordinance.

### DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed above and in notes 31 and 32 to the financial statements, no Director had material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

### MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

### EMOLUMENT POLICY

The remuneration committee was established for reviewing and determining the remuneration and compensation packages of the Directors with reference to their responsibilities, workload, the time devoted to the Group and the performance of the Group. The Directors may also receive options to be granted under a share option scheme. The Company has conditionally adopted a share option scheme. The details of the share option scheme are set out in the paragraph headed "Share Option Scheme" below.

Details of the emoluments of the Directors and the five highest paid individuals of the Group are set out in note 15 to the consolidated financial statements.

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

As at 31 December 2016, none of the Directors or chief executives of the Company (the "Chief Executives") had any interests or short positions in the Shares, underlying Shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of listed issuer as referred to in rule 5.46 of the GEM Listing Rules (the "Required Standard of Dealings").

## REPORT OF DIRECTORS

### INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS OF THE COMPANY IN THE SHARES AND UNDERLYING SHARES

As at 31 December 2016, so far as is known to the Directors and the Chief Executives and based on the public records filed on the website of the Stock Exchange and records kept by the Company, the interests and short positions of the persons or corporations (other than the Directors and the Chief Executives) in the Shares or underlying Shares as recorded in the register required to be kept under section 336 of the SFO were as follows:

Name	Capacity/Nature of interests	Number of share held	Approximate percentage of issued share capital (Note 3)
Time Era Limited (Note 1)	Beneficial interest	28,392,000	7.51%
Mr. Guo Jinkun (Note 1)	Interest of controlled corporation	28,392,000	7.51%
Ms. Shen Rongfang (Note 2)	Family interest	28,392,000	7.51%

Notes:

- 28,392,000 Shares are owned by Time Era Limited, the entire issued share capital of which is legally and beneficially owned by Mr. Guo Jinkun ("Mr. Guo"). Therefore, Mr. Guo is deemed to be interested in the shares held by Time Era Limited by virtue of Time Era Limited being controlled by Mr. Guo.
- Ms. Shen Rongfang is the spouse of Mr. Guo. Under the SFO, Ms. Shen Rongfang is deemed, or taken to be interested in all the shares in which Mr. Guo is interested.
- The percentage is calculated on the basis of 378,000,000 shares of the Company in issue as at 31 December 2016.

Save as disclosed above, as at 31 December 2016, there was no person or corporation (other than the Directors and the Chief Executives) who had any interest or short position in the Shares or underlying Shares as recorded in the register of interests required to be kept by the Company under section 336 of the SFO.

### OTHER INTERESTS DISCLOSEABLE UNDER THE SFO

Save as disclosed above, so far as is known to the Directors, there was no other person who had interest or short position in the Shares and underlying Shares that is discloseable under section 336 of the SFO.

### RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the paragraphs headed "INTERESTS AND SHORT POSITIONS OF THE DIRECTORS AND CHIEF EXECUTIVES OF THE COMPANY IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION" and "SHARE OPTION SCHEME" in this report, at no time during the year ended 31 December 2016 was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of Shares in, or debentures of, the Company or any other body corporate.

Save as disclosed above, at no time during the year ended 31 December 2016 had the Directors and the Chief Executives (including their spouses and children under 18 years of age) any interest in, or been granted, or exercised any rights to subscribe for the Shares (or warrants or debentures, if applicable) and its associated corporations (within the meaning of the SFO).

## REPORT OF DIRECTORS

### PURCHASE, REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2016, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

### SHARE OPTION SCHEME

The share option scheme enables the Company to grant options to any full-time or part-time employee of the Company or any member of the Group (the "Eligible Participant") as incentives or rewards for their contributions to the Group, the Company conditionally adopted a share option scheme (the "Scheme") on 19 December 2013 whereby the Board are authorised, at their absolute discretion and subject to the terms of the Scheme, to grant options to subscribe for the shares of the Company to the Eligible Participant. The Scheme will be valid and effective for a period of ten years commencing from the date of adoption of the Scheme which shall last until December 2023.

As at the date of this report, the total number of shares available for issue under the Scheme is 30,000,000 shares, representing 7.58% of the issued share capital of the Company.

Upon acceptance of an option to subscribe for shares granted pursuant to the Scheme (the "Option"), the Eligible Participant shall pay HK\$1.00 to the Company by way of consideration for the grant. The Option will be offered for acceptance for a period of 28 days from the date on which the Option is granted. The subscription price for the shares subject to Options will be a price determined by the Board and notified to each participant and shall be the highest of: (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the Options, which must be a day on which trading of shares take place on the Stock Exchange (the "Trading Day"); (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the 5 Trading Days immediately preceding the date of grant of the Options; and (iii) the nominal value of a share. For the purpose of calculating the subscription price, in the event that on the date of grant, the Company has been listed on the Stock Exchange for less than 5 Trading Days, the placing price shall be used as the closing price for any Trading Day falling within the period before the Listing Date. The Company shall be entitled to issue options, provided that the total number of shares which may be issued upon exercise of all options to be granted under the Scheme does not exceed 10% of the shares in issue from the Listing Date.

The Company may at any time refresh such limit, subject to the shareholders' approval and issue of a circular in compliance with the GEM Listing Rules, provided that the total number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under all the share option schemes of the Company does not exceed 30% of the shares in issue at the time. The maximum number of shares in respect of which options may be granted to any individual in any 12-month period shall not exceed 1% of the shares in issue on the last date of such 12-month period unless approval of the shareholders of the Company has been obtained in accordance with the GEM Listing Rules. An option may be exercised in accordance with the terms of the Scheme at any time during a period as the Board may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof.

As at the date of this report and since the adoption of the Scheme, no share option has been granted by the Company.

### REMUNERATION OF DIRECTORS, SENIOR MANAGEMENT AND FIVE INDIVIDUALS WITH HIGHEST EMOLUMENTS

Details of the emoluments of the Directors, senior management and five individuals with highest emoluments are set out in note 15 to the consolidated financial statements.



## REPORT OF DIRECTORS

### COMPETING INTERESTS

The Directors are not aware of any business that they themselves are currently conducting or is being conducted by connected or related parties during the year.

### RELATED PARTY TRANSACTIONS

During the year ended 31 December 2016, the Company monitored brokerage and margin financing transactions with three executive Directors of the Company. Since the applicable ratios of the aggregated annual caps of brokerage services and margin financing services for each of them is less than 5% and less than HK\$3,000,000, these transactions fall within the exemption under Rule 20.74(1) of the GEM Listing Rules and no reporting, announcement and independent shareholders' approval are required. Further information for income generated from brokerage and financing services for the aforesaid parties is set out in notes 31 and 32 to the consolidated financial statements.

### MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2016, the largest customer of the Group contributes approximately 11% of the revenue of the Group. The total revenue of the 5 largest customers accounted for 40% of the revenue of the Group.

As far as the Directors aware, neither the Director nor their associates nor any shareholder (which to the knowledge of Directors own more than 5% of the Company's issued share capital) had any interest in these 5 largest customers of the Group.

Due to the nature of the Group's business activities, the Group has no suppliers.

### CONFIRMATION OF INDEPENDENCE

The Company has received from each of the independent non-executive Directors an annual confirmation of independence pursuant to Rule 5.09 of the GEM Listing Rules and considers all the Independent Non-executive Directors to be independent.

### INTEREST OF COMPLIANCE ADVISER

As notified by Altus Capital Limited ("Altus"), the Company's compliance adviser, neither Altus nor any of its directors or employees or associates had any interest in the share capital of the Company or any member of the Group (including options or rights to subscribe for such securities) as at 31 December 2016.

### FINAL DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2016.

### ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The annual general meeting is scheduled for Friday, 19 May 2017. In order to determine entitlements to attend and vote at the annual general meeting, the register of members of the Company will be closed from Tuesday, 16 May 2017 to Friday, 19 May 2017, both days inclusive, during which period no transfer of shares of the Company will be effected. In order to be eligible to attend and vote at the forthcoming annual general meeting of the Company, all transfer document(s) accompanied by the relevant share certificate(s) must be lodged for registration with the branch share registrar and transfer office of the Company in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Monday, 15 May 2017.

## REPORT OF DIRECTORS

### CORPORATE GOVERNANCE

The Board is of the view that the Company has met the code provisions set out in the Corporate Governance Code and Corporate Governance Report contained in Appendix 15 to the GEM Listing Rules. A report on the principal corporate governance practices adopted by the Company is set out from pages 10 to 19 of this annual report.

### SUFFICIENCY OF PUBLIC FLOAT

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

### ENVIRONMENTAL POLICIES AND KEY RELATIONSHIP WITH EMPLOYEES

Discussion on the Group's environmental policies and key relationship with employees is contained in the section headed "Environmental, Social and Governance Report" on pages 20 to 23 of this annual report.

### KEY RELATIONSHIPS WITH CUSTOMERS

The Group has over 843 active securities accounts and money borrowers at the end of 2016.

In order to maintain relationships with customers, various means have been established to strengthen the communications between the customers including direct conservation to promote investment opportunities and invitation to casual business development events. In addition, the Group will continue to develop the customer base by utilising the network we have and referrals from existing customers.

### KEY RELATIONSHIPS WITH SUPPLIERS

The Group does not have any supplier during 2016 and up to the date of this report.

### AUDITORS

CCIF CPA Limited had retired and ceased to act as the auditors of the Company with effect from the conclusion of the annual general meeting of the company held on 19 May 2015. BDO Limited had been appointed as the auditors of the Company with effect from 21 July 2015 to fill the casual vacancy following the retirement of CCIF CPA Limited. Save as disclosed, there is no change of the auditor of the Company in the past three years.

The consolidated financial statements for the year ended 31 December 2016 have been audited by the Company's auditor, BDO Limited, who shall retire and, being eligible, offer themselves for re-appointment at the AGM. A resolution for the re-appointment of BDO Limited as auditor of the Company will be proposed at the AGM.

On behalf of the board

**Lee Nga Ching**  
*Executive Director*

Hong Kong, 24 March 2017

# INDEPENDENT AUDITOR'S REPORT



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**INDEPENDENT AUDITOR'S REPORT**  
**TO THE SHAREHOLDERS OF ORIENT SECURITIES INTERNATIONAL HOLDINGS LIMITED**  
*(incorporated in the Cayman Islands with limited liability)*

## OPINION

We have audited the consolidated financial statements of Orient Securities International Holdings Limited (the "Company") and its subsidiaries (together referred to as the "Group") set out on pages 38 to 87, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

## BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the HKICPA's "Code of Ethics for Professional Accountants" (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

## INDEPENDENT AUDITOR'S REPORT

### *Impairment assessment of trade, loan and interest receivables*

(Refer to notes 19 and 20 to the financial statements and the accounting policies as set out in note 4.9 to the financial statements)

As at 31 December 2016, the Group had trade receivables of HK\$59,390,000 arising from brokerage and margin financing business and loan and interest receivables of HK\$149,651,000 arising from money lending business. No impairment provision had been made over these balances.

Assessing impairment of trade, loan and interest receivables is a subjective area as it requires application of judgement and uses of estimates. Judgement is applied in assessing customers that may default and identifying evidence of impairment which include assessment on creditworthiness of customers, their repayment history, and application of collateral ratio, that is the level of securities collateral in proportion to the outstanding receivables balance. Estimates are used in assessing the recoverable amount of the securities collateral.

We focused on this area as a key audit matter. Assessing the assessment of recoverability performed by management involved critical judgement and estimation as mentioned in the aforementioned paragraph.

### *Our response*

#### *How our audit addressed the Key Audit Matter*

Our procedures in relation to management's impairment assessment on trade, loan and interest receivables included:

- testing and reviewing trade receivables and loan receivables ageing reports used by management in their assessment of recoverability;
- challenging management in applying the collateral ratio and considering other factors in identifying impairment;
- reviewing judgement applied in assessing the recoverability of trade receivables and loan receivables that were past due as at 31 December 2016; and
- reviewing debtors' historical repayments and subsequent settlements after year end and the market value of pledged collateral.

## INDEPENDENT AUDITOR'S REPORT

### OTHER INFORMATION IN THE ANNUAL REPORT

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors of the Company in discharging their responsibilities in this regard.

### AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with the terms of our engagement, and for no other purpose. We do not assume responsibility towards or liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

## INDEPENDENT AUDITOR'S REPORT

As part of an audit in accordance with HKSAAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

## INDEPENDENT AUDITOR'S REPORT

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**BDO Limited**

*Certified Public Accountants*

**Au Yiu Kwan**

Practising Certificate Number P05018

Hong Kong, 24 March 2017

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2016

	Notes	2016 HK\$'000	2015 HK\$'000
<b>Revenue</b>	6	23,268	51,724
Other income	7	40	312
Employee costs	9	(12,575)	(10,712)
Administrative expenses		(12,402)	(9,099)
Finance costs	10	—	(23)
<b>(Loss)/Profit before income tax</b>	11	<b>(1,669)</b>	32,202
Income tax expense	12	(1,800)	(6,097)
<b>(Loss)/Profit for the year, attributable to owners of the Company</b>		<b>(3,469)</b>	26,105
Other comprehensive income for the year		—	—
<b>Total comprehensive income for the year, attributable to owners of the Company</b>		<b>(3,469)</b>	26,105
<b>(Loss)/Earnings per share for (loss)/profit attributable to owners of the Company for the year</b>			
— Basic and diluted (HK cents)	14	(0.90)	7.25



# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

	Notes	2016 HK\$'000	2015 HK\$'000
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment	16	1,935	242
Other assets	17	550	957
Loan and interest receivables	20	31,622	39,980
Deposits	21	1,312	—
		<b>35,419</b>	<b>41,179</b>
<b>Current assets</b>			
Trade receivables	19	59,390	52,234
Loan and interest receivables	20	118,029	7,282
Prepayments, deposits and other receivables	21	2,028	1,307
Trust bank balances held on behalf of clients	22	40,579	100,171
Cash and cash equivalents	23	75,179	180,299
		<b>295,205</b>	<b>341,293</b>
<b>Current liabilities</b>			
Trade payables	24	41,459	105,177
Accruals and other payables	25	2,328	1,226
Tax payables		2,174	2,254
		<b>45,961</b>	<b>108,657</b>
<b>Net current assets</b>		<b>249,244</b>	<b>232,636</b>
<b>Net assets</b>		<b>284,663</b>	<b>273,815</b>
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	26	3,780	3,600
Reserves	27	280,883	270,215
<b>Total equity</b>		<b>284,663</b>	<b>273,815</b>

On behalf of the Board

**Lam Shu Chung**  
Director

**Lee Nga Ching**  
Director

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

	Equity attributable to owners of the Company				Total HK\$'000
	Share capital HK\$'000 (note 26)	Share premium* HK\$'000 (note 27)	Merger reserve* HK\$'000 (note 27)	Retained profits* HK\$'000	
<b>At 1 January 2015</b>	3,600	93,514	8	150,588	247,710
Profit for the year	—	—	—	26,105	26,105
Other comprehensive income	—	—	—	—	—
Total comprehensive income for the year	—	—	—	26,105	26,105
<b>At 31 December 2015 and 1 January 2016</b>	<b>3,600</b>	<b>93,514</b>	<b>8</b>	<b>176,693</b>	<b>273,815</b>
Loss for the year	—	—	—	(3,469)	(3,469)
Other comprehensive income	—	—	—	—	—
Total comprehensive income for the year	—	—	—	(3,469)	(3,469)
Issuance of new ordinary shares by way of placing (note 26(a))	180	14,137	—	—	14,317
<b>At 31 December 2016</b>	<b>3,780</b>	<b>107,651</b>	<b>8</b>	<b>173,224</b>	<b>284,663</b>

\* These reserve accounts comprise the consolidated reserves of HK\$280,883,000 (2015: HK\$270,215,000) in the consolidated statement of financial position.

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

	Notes	2016 HK\$'000	2015 HK\$'000
<b>Cash flows from operating activities</b>			
(Loss)/Profit before income tax		(1,669)	32,202
Adjustments for:			
Depreciation of property, plant and equipment	11	530	181
Interest income	7	(14)	(62)
Operating (loss)/profit before working capital changes		(1,153)	32,321
Decrease/(Increase) in other assets		407	(257)
(Increase)/Decrease in trade receivables		(7,156)	93,575
Increase in loan and interest receivables		(102,389)	(47,262)
(Increase)/Decrease in prepayments, deposits and other receivables		(2,033)	134
Decrease/(Increase) in trust bank balances held on behalf of clients		59,592	(37,904)
(Decrease)/Increase in trade payables		(63,718)	24,457
Increase in accruals and other payables		1,102	142
Cash (used in)/generated from operations		(115,348)	65,206
Hong Kong profits tax paid		(1,880)	(5,950)
Interest received		14	62
Net cash (used in)/generated from operating activities		(117,214)	59,318
<b>Cash flows from investing activities</b>			
Purchases of property, plant and equipment		(2,223)	(318)
<i>Net cash used in investing activities</i>		(2,223)	(318)
<b>Cash flows from financing activities</b>			
Net proceeds from issuance of ordinary shares by way of placing	26	14,317	—
<i>Net cash generated from financing activities</i>		14,317	—
<b>Net (decrease)/increase in cash and cash equivalents</b>		(105,120)	59,000
Cash and cash equivalents at the beginning of the year		180,299	121,299
<b>Cash and cash equivalents at the end of the year</b>	23	75,179	180,299

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

## 1. GENERAL INFORMATION

Orient Securities International Holdings Limited (the "Company") was incorporated and registered as an exempted company with limited liability on 5 January 2009 under the Companies Law of the Cayman Islands and acts as an investment holding company. Its shares were listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 15 January 2014. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and its principal place of business is Rooms 3101 & 3117-3118, 31st floor, China Merchants Tower, Shun Tak Centre, Nos. 168-200 Connaught Road Central, Hong Kong.

The Company and its subsidiaries (together the "Group") are principally engaged in the provision of:

- brokerage services
- underwriting and placing services
- securities, initial public offering financing services
- money lending services
- investment holding

## 2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

### 2.1 *Adoption of new/revised HKFRSs that are relevant to the Group's operations — effective 1 January 2016*

HKFRSs (Amendments)	Annual Improvements 2012-2014 Cycle
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation

#### ***Amendments to HKAS 1 — Disclosure Initiative***

The amendments are designed to encourage entities to use judgement in the application of HKAS 1 when considering the layout and content of their financial statements.

The adoption of the amendments has no impact on these financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

### 2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

(Continued)

#### 2.1 Adoption of new/revised HKFRSs that are relevant to the Group’s operations — effective 1 January 2016 (Continued)

##### **Amendments to HKAS 16 and HKAS 38 — Clarification of Acceptable Methods of Depreciation and Amortisation**

The amendments to HKAS 16 prohibit the use of a revenue-based depreciation method for items of property, plant and equipment. The amendments to HKAS 38 introduce a rebuttable presumption that amortisation based on revenue is not appropriate for intangible assets. This presumption can be rebutted if either the intangible asset is expressed as a measure of revenue or revenue and the consumption of the economic benefits of the intangible asset are highly correlated. The amendments are applied prospectively.

The adoption of the amendments has no impact on these financial statements as the Group has not previously used revenue-based depreciation methods.

#### 2.2 New and revised HKFRSs that have been issued but are not yet effective

The following new/revised HKFRSs, potentially relevant to the Group’s financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group’s current intention is to apply those changes on the date they become effective.

Amendments to HKAS 7	Disclosure Initiative <sup>1</sup>
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses <sup>1</sup>
HKFRS 9 (2014)	Financial Instruments <sup>2</sup>
HKFRS 15	Revenue from Contracts with Customers <sup>2</sup>
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15) <sup>2</sup>
HKFRS 16	Leases <sup>3</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2017

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2018

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2019

##### **Amendments to HKAS 7 — Disclosure Initiative**

The amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

##### **Amendments to HKAS 12 — Recognition of Deferred Tax Assets for Unrealised Losses**

The amendments relate to the recognition of deferred tax assets and clarify some of the necessary considerations, including how to account for deferred tax assets related to debt instruments measured at fair value.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

### 2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

(Continued)

#### 2.2 *New and revised HKFRSs that have been issued but are not yet effective* (Continued)

##### **HKFRS 9 (2014) — Financial Instruments**

HKFRS 9 (2014) introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income if the objective of the entity’s business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at fair value through other comprehensive income. All other debt and equity instruments are measured at fair value through profit or loss.

HKFRS 9 (2014) includes a new expected loss impairment model for all financial assets not measured at fair value through profit or loss replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

HKFRS 9 (2014) carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 (2014) retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

##### **HKFRS 15 — Revenue from Contracts with Customers**

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

### 2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

*(Continued)*

#### 2.2 *New and revised HKFRSs that have been issued but are not yet effective* *(Continued)*

##### **HKFRS 15 — Revenue from Contracts with Customers** *(Continued)*

HKFRS 15 requires the application of a 5 steps approach to revenue recognition:

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

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

##### **Amendments to HKFRS 15 — Revenue from Contracts with Customers (Clarifications to HKFRS 15)**

The amendments to HKFRS 15 included clarifications on identification of performance obligations; application of principal versus agent; licenses of intellectual property; and transition requirements.

##### **HKFRS 16 — Leases**

HKFRS 16, which upon the effective date will supersede HKAS 17 “Leases” and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the consolidated statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The Group has already commenced an assessment of the impact of adopting the above standards and amendments to existing standards to the Group. The Group is not yet in a position to state whether these new pronouncements will result in substantial changes to the Group’s accounting policies and financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

### 3. BASIS OF PREPARATION

#### 3.1 *Statement of compliance*

The financial statements have been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards (“HKASs”) and Interpretations (hereinafter collectively referred to as the “HKFRS”) and the disclosure requirements of the Hong Kong Companies Ordinance which concern the preparation of financial statements. In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of the Stock Exchange.

#### 3.2 *Basis of measurement*

The significant accounting policies that have been used in the preparation of these financial statements are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated. The adoption of new and amended HKFRSs and the impact on the Group’s financial statements, if any, are disclosed in note 2 to the financial statements.

The financial statements have been prepared under historical cost convention. The measurement bases are fully described in the accounting policies below.

It should be noted that accounting estimates and assumptions are used in preparation of the financial statements. Although these estimates are based on management’s best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 5 to the financial statements.

#### 3.3 *Functional and presentation currency*

The financial statements are presented in Hong Kong dollars (“HK\$”), which is also the functional currency of the Company. All values are rounded to the nearest thousand except when otherwise indicated.



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### 4.1 *Basis of consolidation*

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the effective dates of acquisition or up to the effective dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Group.

#### 4.2 *Subsidiaries*

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the reporting date.

#### 4.3 *Revenue recognition*

Revenue comprises the fair value of the consideration received or receivable for the rendering of services and the use by others of the Group's assets yielding interest and dividends. Revenue is recognised, when it is probable that the economic benefits will flow to the Group and when the revenue and costs, if applicable, can be measured reliably, on the following bases:

##### (a) *Commission income*

- Brokerage income is recognised on a trade date basis when the relevant transactions are executed.
- Underwriting, sub-underwriting, placing and sub-placing commission income are recognised in accordance with the terms of the underlying agreements or deal mandates when the relevant significant acts have been completed.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### 4.3 Revenue recognition *(Continued)*

##### **(b) Interest income**

- Interest income from bank deposit is accrued using effective interest method by reference to the principal deposited and at the rate applicable.
- Interest income from client and employee is accrued using effective interest method by reference to the outstanding balance and at the rate applicable.

#### 4.4 Borrowing costs

Borrowing costs incurred for the acquisition, construction or production of any qualifying asset are capitalised as part of the cost of that asset during the period of time that is required to complete and prepare the asset for its intended use. A qualifying asset is an asset which necessarily takes a substantial period of time to get ready for its intended use or sale. Other borrowing costs are expensed when incurred.

#### 4.5 Intangible assets *(other than goodwill)*

##### **Acquired intangible assets**

Intangible assets represent trading rights of the Stock Exchange, with which the holders have the right to trade on the Stock Exchange. Intangible assets acquired separately are measured initially at cost. After initial recognition, intangible assets with finite useful lives are carried at cost less accumulated amortisation and any impairment losses.

##### **Amortisation of intangible assets**

Amortisation of trading rights is provided on straight-line method over the estimated useful lives which are five years.

Amortisation commence when the intangible assets are available for use. The asset's amortisation method and estimated useful lives are reviewed, and adjusted if appropriate, at each reporting date.

##### **Impairment of intangible assets**

Intangible assets with finite lives are tested for impairment when there is an indication that an asset may be impaired. Intangible assets are tested for impairment by comparing their carrying amounts with their recoverable amounts (see note 4.7).

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### 4.6 *Property, plant and equipment*

Property, plant and equipment are carried at cost less any accumulated depreciation and any impairment losses.

Depreciation on property, plant and equipment is provided to write off the cost less their estimated residual value, if any, over their estimated useful lives, using straight-line method. The depreciation rates per annum are as follows:

Leasehold improvements	33.33%
Computer equipment	20%-50%
Office equipment	20%-33.33%
Furniture and fixtures	30%-33.33%
Motor vehicles	33.33%

The assets' estimated residual value, depreciation method and estimated useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other costs, such as repairs and maintenance, are charged to profit or loss of the financial period in which they are incurred.

Gain or loss arising on retirement or disposal is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset and is recognised in profit or loss.

#### 4.7 *Impairment of non-financial assets*

At the end of each reporting period, the Group reviews the carrying amounts of the following assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment; and
- intangible assets

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### 4.7 *Impairment of non-financial assets (Continued)*

If the recoverable amount (i.e. the higher of the fair value less costs of disposal and value-in-use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

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

Value-in-use is based on the estimated future cash flows expected to be derived from the asset, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

#### 4.8 *Leases*

An arrangement, comprising a transaction or a series of related transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or series of payments. Such a determination is made based on the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

##### ***Classification of assets leased to the Group***

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

##### ***Operating lease charges as lessee***

Where the Group has the right to use of assets held under operating leases, payments made under the leases are charged to profit or loss on straight-line basis over the lease terms unless another systematic basis is more representative of the time pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### 4.9 *Financial assets*

The Group classifies its financial assets at initial recognition, depending on the purpose for which the asset was acquired. Financial assets at fair value through profit or loss are initially measured at fair value and all other financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. Regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

The Group de-recognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for de-recognition in accordance with HKAS 39.

#### *Loans and receivables*

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of services to customers (trade debtors), and also incorporate other types of contractual monetary asset. Subsequent to initial recognition, they are carried at amortised cost using effective interest method, less any identified impairment losses.

#### *Impairment loss on financial assets*

The Group assesses, at the end of each reporting period, whether there is any objective evidence that financial asset is impaired. Financial asset is impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include:

- (a) significant financial difficulty of the debtor;
- (b) a breach of contract, such as a default or delinquency in interest or principal payments;
- (c) it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; or
- (d) granting concession to a debtor because of the debtor's financial difficulty.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### 4.9 *Financial assets (Continued)*

##### ***For loans and receivables***

An impairment loss is recognised in profit or loss and directly reduces the carrying amount of financial asset when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. The carrying amount of financial asset is reduced through the use of an allowance account. When any part of financial asset is determined as uncollectible, it is written off against the allowance account for the relevant financial asset.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

#### 4.10 *Financial liabilities*

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at fair value through profit or loss are initially measured at fair value and financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

The Group's financial liabilities include trade and other payables. They are included in line items in the consolidated statement of financial position as "Trade payables" and "Accruals and other payables". They are measured at amortised cost, using effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expired.

##### ***Trade and other payables***

Trade and other payables include trade payables and accruals and other payables. These are recognised initially at their fair value and subsequently measured at amortised cost, using effective interest method.

##### ***Effective interest method***

Effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### 4.11 *Accounting for income taxes*

Income taxes comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all taxable temporary differences. 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. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of reporting period.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income or when they relate to items recognised directly in equity in which case the taxes are also recognised directly in equity.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

The Group presents deferred tax assets and deferred tax liabilities in net if, and only if, (a) the Group has a legally enforceable right to set off current tax assets against current tax liabilities; and (b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either (i) the same taxable entity; or (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

#### 4.12 *Cash and cash equivalents*

Cash and cash equivalents comprise bank balances and cash on hand.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### 4.13 *Share capital and share premium*

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued.

Share premium includes any premiums received on the issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium to the extent that they are incremental costs directly attributable to the equity transaction.

#### 4.14 *Employee benefits*

##### ***Short-term employee benefits***

Short term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Short term employee benefits are recognised in the year when the employees render the related service.

##### ***Defined contribution retirement plan***

The Group operates a Mandatory Provident Fund Scheme (the "MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement scheme administered by independent trustees. Under the MPF scheme, the Group and its employees are each required to make contributions to the scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK\$30,000. Contributions to the scheme vest immediately.

Contributions to defined contribution retirement plans are recognised as an expense in profit or loss when the services are rendered by the employees.

##### ***Termination benefits***

Termination benefits are recognised on the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

#### 4.15 *Provisions and contingent liabilities*

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which it is probable will result in an outflow of economic benefits that can be reliably estimated.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### 4.16 *Foreign currency*

Transactions entered into by the Company and the Group in currencies other than the currency of the primary economic environment in which it/they operate(s) (the "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income, in which case, the exchange differences are also recognised in other comprehensive income.

#### 4.17 *Related parties*

- (a) A person or a close member of that person's family is related to the Group if that person:
  - (i) has control or joint control of the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of the key management personnel of the Group or of the Company's parent.
- (b) An entity is related to the Group if any of the following conditions applies:
  - (i) the entity and the Group are members of the same group.
  - (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### 4.17 *Related parties (Continued)*

- (b) *(Continued)*
  - (iii) both entities are joint ventures of the same third party.
  - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
  - (vi) the entity is controlled or jointly controlled by a person identified in (a).
  - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
  - (viii) the entity, of any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close family members of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include (a) that person's children and spouse or domestic partner; (b) children of that person's spouse or domestic partner; and (c) dependants of that person or that person's spouse or domestic partner.

#### 4.18 *Segment reporting*

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of clients, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segment which are not individually material may be aggregated if they share a majority of these criteria.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

### 5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

#### *Provision for impairment of receivables*

The Group makes provision for impairment of trade and other receivables and loan and interest receivables (collectively the "Receivables") based on an assessment of the recoverability of the Receivables. Provisions are applied to the Receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of doubtful debts requires the use of judgement and estimates based on the credit history of the clients and the current market conditions. Where the expectation is different from the original allowance in the period in which such estimate has been changed. The carrying amount of the Receivables as at 31 December 2016 was HK\$209,112,000 (2015: HK\$99,625,000).

#### *Income tax*

The Group is mainly subjected to income tax in Hong Kong. Significant judgement is required in determining the amount of the provision and the timing of payment. There are many transactions and calculations for which the ultimate tax expense is uncertain during the ordinary course of business. The Group recognises taxes based on estimates of the likely outcome with reference to current tax laws and practices. Where the final outcome of these matters is different from the amounts that were originally estimated, such differences will impact the provision for income tax and deferred tax in the period in which such determination is made.

### 6. REVENUE

The Group's revenue represents:

	2016 HK\$'000	2015 HK\$'000
Commission income from brokerage services	5,562	20,804
Commission income from underwriting and placing services	22	20,449
Interest income from margin financing services	4,162	7,945
Interest income from money lending services	13,522	2,526
	<b>23,268</b>	<b>51,724</b>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

### 7. OTHER INCOME

	2016 HK\$'000	2015 HK\$'000
Interest income on bank deposits	14	57
Interest income on employee's loan	—	5
Total interest income on financial assets that are not fair value through profit or loss	14	62
Sundry income	26	250
	40	312

### 8. OPERATING SEGMENT

The Group manages its businesses by business lines. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management, being the chief operating decision maker, for the purposes of resource allocation and performance assessment, the Group has presented the following four reportable segments. No operating segments have been aggregated to form any of the following reportable segments.

Brokerage	—	Provision of brokerage services
Underwriting and placing	—	Provision of underwriting and placing services
Margin financing	—	Provision of securities and initial public offering financing services
Money lending	—	Provision of money lending services

For the purposes of assessing segment performance and allocating resources between segments, the Group's most senior executive management monitors the revenue, results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all non-current and current assets. Segment liabilities include all current liabilities with the exception of current tax payable.

Revenue and expenses are allocated to the reportable segments with reference to revenue generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation and amortisation of assets attributable to those segments.

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 4.18. Segment profit represents the profit earned by each segment without allocation of interest income on employee's loan, sundry income and income tax expense.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

### 8. OPERATING SEGMENT *(Continued)*

The segment revenue, results and capital expenditure for the year ended 31 December 2016 and the segment assets and liabilities as at 31 December 2016 are as follows:

2016	Brokerage HK\$'000	Underwriting and placing HK\$'000	Margin financing HK\$'000	Money lending HK\$'000	Total HK\$'000
<b>Reportable segment revenue from external clients</b>	5,562	22	4,162	13,522	23,268
<b>Reportable segment (loss)/profit</b>	(7,212)	(66)	(5,417)	11,000	(1,695)
Interest income on bank deposits	14	—	—	—	14
Depreciation of property, plant and equipment	(198)	(40)	(159)	(133)	(530)
<b>Reportable segment assets</b>	109,159	—	59,205	162,260	330,624
Additions to non-current segment assets	830	166	664	563	2,223
<b>Reportable segment liabilities</b>	32,635	—	10,970	182	43,787

The segment revenue, results and capital expenditure for the year ended 31 December 2015 and the segment assets and liabilities as at 31 December 2015 were as follows:

2015	Brokerage HK\$'000	Underwriting and placing HK\$'000	Margin financing HK\$'000	Money lending HK\$'000	Total HK\$'000
<b>Reportable segment revenue from external clients</b>	20,804	20,449	7,945	2,526	51,724
<b>Reportable segment profit</b>	12,315	12,844	4,662	2,126	31,947
Interest income on bank deposits	57	—	—	—	57
Depreciation of property, plant and equipment	(90)	(35)	(54)	(2)	(181)
<b>Reportable segment assets</b>	287,830	—	47,380	47,262	382,472
Additions to non-current segment assets	156	63	94	5	318
<b>Reportable segment liabilities</b>	77,761	—	28,255	387	106,403

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

**8. OPERATING SEGMENT** *(Continued)*

The totals presented for the Group's operating segments are reconciled to the Group's key financial figures as presented in the financial statements as follows:

	2016 HK\$'000	2015 HK\$'000
Reportable segment (loss)/profit	(1,695)	31,947
Other income	26	255
Consolidated (loss)/profit before income tax	(1,669)	32,202
Reportable segment assets	330,624	382,472
Consolidated total assets	330,624	382,472
Reportable segment liabilities	43,787	106,403
Tax payables	2,174	2,254
Consolidated total liabilities	45,961	108,657

All activities of the Group are carried out in Hong Kong and all its revenue for the years ended 31 December 2016 and 2015 are derived from Hong Kong. Accordingly, no analysis of geographical information is presented.

Revenue from client contributing 10% or more of the total revenue of the Group during the year as follows:

	2016 HK\$'000	2015 HK\$'000
<b>Contributed by brokerage and margin financing segments</b>		
Client C	2,470	—
<b>Contributed by underwriting and placing segment</b>		
Client A	—	8,831
Client B	—	7,818
	2,470	16,649

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

### 9. EMPLOYEE COSTS

	2016 HK\$'000	2015 HK\$'000
Directors' emoluments (note 15)		
— Fees, salaries, allowances and bonuses	1,709	2,284
— Mandatory provident fund contributions	47	64
	1,756	2,348
Other staff		
— Commissions paid	1,135	1,045
— Salaries, allowances and bonuses	8,763	6,860
— Mandatory provident fund contributions	345	270
— Medical and insurance	174	162
— Staff welfare and recruitment	402	27
Total employee costs	12,575	10,712

### 10. FINANCE COSTS

	2016 HK\$'000	2015 HK\$'000
Facility arrangement fees	—	20
Interest expenses on bank overdrafts	—	3
	—	23

### 11. (LOSS)/PROFIT BEFORE INCOME TAX

	2016 HK\$'000	2015 HK\$'000
(Loss)/Profit before income tax is arrived at after charging:		
Auditor's remuneration	470	420
Depreciation for property, plant and equipment	530	181
Operating lease charges in respect of office premises	4,622	2,996

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

### 12. INCOME TAX EXPENSE

For the years ended 31 December 2016 and 2015, Hong Kong Profits Tax was provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong.

	2016 HK\$'000	2015 HK\$'000
Current tax — Hong Kong Profits Tax		
— Current year	1,800	6,117
— Overprovision in prior year	—	(20)
<b>Total income tax expense</b>	<b>1,800</b>	<b>6,097</b>

Reconciliation between income tax expense and accounting (loss)/profit at applicable tax rate is as follows:

	2016 HK\$'000	2015 HK\$'000
(Loss)/Profit before income tax	(1,669)	32,202
Tax calculated at Hong Kong Profits Tax rate of 16.5% (2015: 16.5%)	(275)	5,313
Tax effect of non-deductible expenses	834	839
Tax effect of non-taxable income	(2)	(8)
Tax effect of tax losses not recognised	1,323	—
Tax effect of unrecognised temporary differences	(80)	(27)
Overprovision in prior year	—	(20)
<b>Income tax expense</b>	<b>1,800</b>	<b>6,097</b>

As of 31 December 2016, the Group had tax losses of approximately HK\$8,021,000 (2015: Nil), subject to Inland Revenue Department's further approval, for offsetting future taxable profits of the companies which incurred the losses. Deferred tax assets have not been recognised in respect of these losses as it is not probable that future taxable profits will be available against which these tax losses can be utilised.

The Group had no significant unprovided deferred tax assets or liabilities during the year and at the end of the reporting period (2015: Nil).

### 13. DIVIDENDS

The directors of the Company do not recommend the payment of any dividend for the years ended 31 December 2016 and 2015.



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

### 14. (LOSS)/EARNINGS PER SHARE

The calculation of basic and diluted (loss)/earnings per share for the year ended 31 December 2016 is based on the following data:

	2016 HK\$'000	2015 HK\$'000
(Loss)/Profit attributable to owners of the Company	(3,469)	26,105

  

	2016	2015
	Weighted average number of ordinary shares	
For purpose of basic and diluted (loss)/earnings per share	383,747,072	360,000,000

As set out in note 26, 18,000,000 ordinary shares were issued by placing on 31 August 2016. The weighted average number of ordinary shares in issue during the year was adjusted to reflect the placing.

Diluted (loss)/earnings per share equals to basic earnings as there were no dilutive potential ordinary shares outstanding during the years ended 31 December 2016 and 2015.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

**15. EMOLUMENTS OF DIRECTORS, FIVE HIGHEST PAID INDIVIDUALS AND SENIOR MANAGEMENT***Directors' emoluments*

The aggregate amounts of emoluments paid and payable to the directors of the Company are as follows:

2016	Fees HK\$'000	Salaries, allowances and benefits in kind* HK\$'000	Discretionary bonuses HK\$'000	Mandatory provident fund contributions HK\$'000	Total HK\$'000
<b>Executive Directors</b>					
Lam Shu Chung	—	480	—	18	498
Fung Yuk Chun, Emily (note (ii))	—	321	—	14	335
Chu Sung Hei (note (ii))	—	117	—	5	122
Lee Nga Ching (note (viii))	—	320	15	10	345
<b>Non-Executive Director</b>					
Tse Ka Pui Jessica (note (iii))	146	—	12	—	158
<b>Independent Non-Executive Directors</b>					
Lee Siu Leung	96	—	—	—	96
See Lee Seng, Reason (note (v))	36	—	—	—	36
Choy Sze Chung (note (v))	36	—	—	—	36
Chan Man Yi (note (iv))	65	—	—	—	65
Tang Chung Wai (note (iv))	65	—	—	—	65
	444	1,238	27	47	1,756

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

### 15. EMOLUMENTS OF DIRECTORS, FIVE HIGHEST PAID INDIVIDUALS AND SENIOR MANAGEMENT (Continued)

#### Directors' emoluments (Continued)

	Fees HK\$'000	Salaries, allowances and benefits in kind* HK\$'000	Discretionary bonuses HK\$'000	Mandatory provident fund contributions HK\$'000	Total HK\$'000
<b>2015</b>					
<b>Executive Directors</b>					
Lam Shu Chung	—	480	80	18	578
Fung Yuk Chun, Emily (note (i))	—	420	70	18	508
Chu Sung Hei (note (ii))	—	420	70	18	508
Lee Nga Ching (note (viii))	—	237	20	10	267
<b>Non-Executive Director</b>					
Lum Pak Sum (note (vi))	150	—	—	—	150
<b>Independent Non-Executive Directors</b>					
Lee Siu Leung	96	—	—	—	96
Fong Ping Wah (note (vii))	49	—	—	—	49
See Lee Seng, Reason (note (v))	96	—	—	—	96
Choy Sze Chung (note (v))	96	—	—	—	96
	487	1,557	240	64	2,348

\* Being "salaries, allowances and benefits in kind" paid or payable to executive directors in connection with the management of affairs of the Company and its subsidiaries.

Notes:

- (i) Ms. Fung Yuk Chun, Emily resigned as Executive Director on 6 September 2016.
- (ii) Mr. Chu Sung Hei resigned as Executive Director on 11 April 2016.
- (iii) Ms. Tse Ka Pui Jessica was appointed as Non-Executive Director on 28 April 2016.
- (iv) Ms. Chan Man Yi and Mr. Tang Chung Wai were appointed as Independent Non-Executive Directors on 28 April 2016.
- (v) Mr. Choy Sze Chung Jojo and Mr. See Lee Seng, Reason retired as Independent Non-Executive Directors on 18 May 2016.
- (vi) Mr. Lum Pak Sum resigned as Non-Executive Director on 1 July 2015.
- (vii) Mr. Fong Ping Wah was appointed as Independent Non-Executive Director on 1 January 2015 and resigned on 14 July 2015.
- (viii) Ms. Lee Nga Ching was appointed as Executive Director on 8 June 2015.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

### 15. EMOLUMENTS OF DIRECTORS, FIVE HIGHEST PAID INDIVIDUALS AND SENIOR MANAGEMENT *(Continued)*

#### *Directors' emoluments (Continued)*

There was no arrangement under which a director waived or agreed to waive any emoluments in respect of the years ended 31 December 2016 and 2015.

During the years ended 31 December 2016 and 2015, no emolument was paid by the Group to the directors as an inducement to join or upon joining the Group, or as compensation for loss of office.

#### *Emoluments of five highest paid individuals*

The five individuals whose emoluments were the highest in the Group for the year included two (2015: three) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining three (2015: two) individuals during the year are as follows:

	2016 HK\$'000	2015 HK\$'000
Salaries, commission, allowances and benefits in kind	2,015	837
Discretionary bonuses	175	100
Mandatory provident fund contributions	54	27
	2,244	964

The emoluments of these remaining three (2015: two) highest paid individuals fell within the following bands:

	Number of individuals	
	2016	2015
Nil — HK\$1,000,000	2	2
HK\$1,000,001 to HK\$1,500,000	1	—

During the years ended 31 December 2016 and 2015, no emolument was paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office.

#### *Emoluments of senior management*

Senior management of the Group included one (2015: one) individuals whose emoluments are reflected in the analysis presented above. The emoluments paid or payable to other members of senior management fell within the following bands:

	Number of individuals	
	2016	2015
Below HK\$1,000,000	5	3

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

### 16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK\$'000	Computer equipment HK\$'000	Office equipment HK\$'000	Furniture and fixtures HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
<b>At 1 January 2015</b>						
Cost	—	3,317	697	1,665	371	6,050
Accumulated depreciation	—	(3,262)	(674)	(1,638)	(371)	(5,945)
Net carrying amount	—	55	23	27	—	105
<b>Year ended 31 December 2015</b>						
Opening net carrying amount	—	55	23	27	—	105
Additions	—	279	5	34	—	318
Depreciation	—	(150)	(13)	(18)	—	(181)
Closing net carrying amount	—	184	15	43	—	242
<b>At 31 December 2015</b>						
Cost	—	3,596	673	1,671	371	6,311
Accumulated depreciation	—	(3,412)	(658)	(1,628)	(371)	(6,069)
Net carrying amount	—	184	15	43	—	242
<b>Year ended 31 December 2016</b>						
Opening net carrying amount	—	184	15	43	—	242
Additions	1,501	473	120	129	—	2,223
Depreciation	(198)	(261)	(27)	(44)	—	(530)
Closing net carrying amount	1,303	396	108	128	—	1,935
<b>At 31 December 2016</b>						
Cost	1,501	4,069	793	1,800	371	8,534
Accumulated depreciation	(198)	(3,673)	(685)	(1,672)	(371)	(6,599)
Net carrying amount	1,303	396	108	128	—	1,935

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

### 17. OTHER ASSETS

The balances represent statutory and other deposits which are placed with various exchanges and clearing houses at the end of the reporting period. These balances are non interest-bearing.

### 18. INTANGIBLE ASSETS

The intangible assets represent the trading rights of the Stock Exchange. The cost of the intangible assets is HK\$3,680,000 and the said amount had been fully amortised in prior years.

### 19. TRADE RECEIVABLES

	Notes	2016 HK\$'000	2015 HK\$'000
Trade receivables arising from the business of dealing in securities:			
— Cash clients	(a)	185	225
— Clearing house	(a)	—	4,629
— Margin finance loans	(b)	59,205	47,380
Trade receivables, net		59,390	52,234

Notes:

- (a) These balances are required to be settled on the settlement dates of their respective transactions (normally one or two business days after the respective trade dates). The trade receivables from cash clients bear interest at commercial rates (normally at HK\$ Prime Rate plus a spread).
- (b) These are secured by clients' pledged securities, repayable on demand and bear interest at variable commercial rates. No ageing analysis is disclosed, as in the opinion of the directors of the Company, this analysis does not give additional value in view of the nature of business of securities margin financing.

As at 31 December 2016, total market value of securities pledged as collaterals in respect of the margin finance loans were approximately HK\$222,345,000 (2015: HK\$412,882,000). The collaterals held can be repledged and can be sold at the Group's discretion to settle any outstanding amounts due from margin clients. The amount of credit facilities granted to them is determined based on a discount on the market value of securities accepted by the Group. Any excess in the lending ratio will trigger a margin call which the clients have to make good the shortfall.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

### 19. TRADE RECEIVABLES (Continued)

Notes: (Continued)

- (c) Trade receivables arising from cash clients and clearing house (net of allowance for doubtful debts), if any, with the following ageing analysis, presented based on the trade date which is the revenue recognition date, as at the end of the reporting period:

	2016 HK\$'000	2015 HK\$'000
Current	185	4,854

- (d) Ageing analysis of trade receivables arising from cash clients and clearing house that are neither individually nor collectively considered to be impaired is as follows:

	2016 HK\$'000	2015 HK\$'000
Neither past due nor impaired	185	4,854

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

In determining the recoverability of trade receivables, the Group considers any change in the credit quality of the trade receivables from the date credit was initially granted and subsequent settlement up to the end of the reporting period. In the opinion of the directors of the Company, there is no further credit provision required in excess of the allowance for doubtful debts. The Group does not hold any collateral over these balances.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

## 20. LOAN AND INTEREST RECEIVABLES

	2016 HK\$'000	2015 HK\$'000
<i>Money lending services</i>		
Loan receivables	147,836	47,262
Interest receivables	1,815	—
Less: Portion due within one year included under current assets	(118,029)	(7,282)
Non-current portion included under non-current assets	31,622	39,980

Notes:

- (a) As at 31 December 2016, loan and interest receivables included balances of approximately HK\$300,000 (2015: Nil) are secured with collateral by customers. The directors consider the exposure of credit risk of these secured receivables, after taking into account the value of the collateral, is insignificant, as the fair value of the collateral is higher than the outstanding amount of these receivables at the end of the reporting period. Remaining balance of loan and interest receivables of HK\$149,351,000 (2015: HK\$47,262,000) are unsecured.

All the loan receivables are interest bearing at effective interest rates ranging from 13.94% to 41.28% (2015: 13.94%) per annum and with repayment periods ranging from one year to five years (2015: five years).

- (b) Ageing analysis of loan and interest receivables that are neither individually nor collectively considered to be impaired is as follows:

	2016 HK\$'000	2015 HK\$'000
Within one year	118,029	7,282
In the second to fifth years	31,622	39,980
	149,651	47,262

The amounts that were neither past due nor impaired related to several borrowers that had good and reliable rating.

## 21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2016 HK\$'000	2015 HK\$'000
<b>Non-current assets</b>		
Rental deposits	1,312	—
<b>Current assets</b>		
Other receivables	71	129
Prepayments	332	253
Rental and other deposits	1,625	925
	2,028	1,307



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

### 22. TRUST BANK BALANCES HELD ON BEHALF OF CLIENTS

The Group maintains segregated trust accounts with authorised institutions to hold clients' monies in accordance with the Securities and Futures (Client Money) Rules under the Securities and Futures Ordinance. These clients' monies are maintained in three trust bank accounts, bear interest at commercial rate with original maturity of three months or less. In the consolidated statement of financial position, the Group has classified the clients' monies as bank balances held on behalf of clients as current assets and recognised the corresponding trade payables (note 24) to the respective clients and other institutions as current liabilities as it is liable for any loss or misappropriation of clients' monies. The Group is not allowed to use the clients' monies to settle its own obligations.

### 23. CASH AND CASH EQUIVALENTS

	Note	2016 HK\$'000	2015 HK\$'000
Cash at bank	(a)	75,171	180,299
Cash on hand		8	—
Cash and bank balances		75,179	180,299

Note:

- (a) During the year, interest rates on the cash at bank and deposits with banks of the Group ranged from Nil to 0.02% (2015: Nil to 0.02%) per annum.

### 24. TRADE PAYABLES

	2016 HK\$'000	2015 HK\$'000
Trade payables arising from the business of dealing in securities:		
— Cash clients	25,414	76,872
— Clearing house	5,025	—
— Margin clients	10,970	28,255
— Clients' deposits	50	50
	41,459	105,177

Notes:

- (a) The settlement terms of trade payables arising from the business of dealing in securities are two days after trade date. Trade payables to clients bear variable interest at commercial rates.
- (b) Trade payables included HK\$40,579,000 as at 31 December 2016 (2015: HK\$100,171,000) payable to clients and other institutions in respect of the trust and segregated bank balances received and held for clients in the course of conducting the regulated activities. However, the Group currently does not have an enforceable right to offset these payables with the deposits placed.
- (c) Included in above as at 31 December 2016 were amounts due to three directors of the Company of Nil (2015: HK\$982,000).
- (d) No ageing analysis in respect of trade payables attributable to dealings in securities transactions is disclosed as, in the opinion of the directors, this analysis does not give additional value in view of the nature of business of dealing in securities.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

## 25. ACCRUALS AND OTHER PAYABLES

	2016 HK\$'000	2015 HK\$'000
Accruals	2,179	1,006
Commissions rebate to clients	34	77
Stamp duties, levy fee, trading fees, clearing fees and CCASS fee payables	115	143
	<b>2,328</b>	<b>1,226</b>

## 26. SHARE CAPITAL

	2016		2015	
	Number	HK\$	Number	HK\$
<i>Authorised share capital</i>				
At the beginning and end of the year	20,000,000,000	200,000,000	20,000,000,000	200,000,000
<i>Issued and fully paid</i>				
At beginning of the year	360,000,000	3,600,000	360,000,000	360,000,000
Issuance of new ordinary shares by way of placing (note (a))	18,000,000	180,000	—	—
At the end of the year	<b>378,000,000</b>	<b>3,780,000</b>	360,000,000	3,600,000

Note:

- (a) The Company completed placing of its 18,000,000 new ordinary shares to independent third parties on 31 August 2016 at the placing price of HK\$0.82 per placing share and raised HK\$14.3 million after deducting all direct costs including commission.

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 meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets and in all other respects.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

### 27. RESERVES

#### Group

Reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity.

#### Company

Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

	Share premium HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
<b>At 1 January 2015</b>	93,514	(4,273)	89,241
Loss for the year	—	(5,061)	(5,061)
Other comprehensive income	—	—	—
Total comprehensive income for the year	—	(5,061)	(5,061)
<b>At 31 December 2015 and 1 January 2016</b>	93,514	(9,334)	84,180
Loss for the year	—	(5,038)	(5,038)
Other comprehensive income	—	—	—
Total comprehensive income for the year	—	(5,038)	(5,038)
Issuance of new ordinary shares by way of placing (note 26(a))	14,137	—	14,137
<b>At 31 December 2016</b>	107,651	(14,372)	93,279

Notes:

- (a) Merger reserve of the Group represents the difference between the nominal value of the share capital of Capital Business International Limited acquired pursuant to the group reorganisation in preparation for the listing of the Company and the nominal value of share capital of the Company issued in exchange thereof.
- (b) Under the Companies Law of the Cayman Islands, the share premium of the Company is distributable to the owners of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

### 28. OPERATING LEASE COMMITMENTS

At the reporting date, the total future minimum lease payments as a lessee under non-cancellable operating leases, in respect of office premises, are payable as follows:

	2016 HK\$'000	2015 HK\$'000
Within one year	4,636	2,246
In the second to fifth years, inclusive	6,781	—
	<b>11,417</b>	<b>2,246</b>

Operating leases relate to office premises with lease term of three years. The Group does not have an option to purchase the leased asset and will renegotiate the terms and renew the leases at the expiry dates or at dates as mutually agreed between the Group and respective lessor. None of the leases include contingent rentals.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

### 29. COMPANY LEVEL STATEMENT OF FINANCIAL POSITION

Notes	2016 HK\$'000	2015 HK\$'000
<b>ASSETS AND LIABILITIES</b>		
<b>Non-current assets</b>		
Investments in subsidiaries	—	—
	—	—
<b>Current assets</b>		
Prepayments	103	101
Amounts due from subsidiaries	82,257	82,395
Cash and cash equivalents	18,287	8,884
	100,647	91,380
<b>Current liabilities</b>		
Accruals and other payables	633	638
Amounts due to a subsidiary	2,955	2,962
	3,588	3,600
<b>Net current assets</b>	<b>97,059</b>	<b>87,780</b>
<b>Net assets</b>	<b>97,059</b>	<b>87,780</b>
<b>EQUITY</b>		
Share capital	26	3,780
Reserves	27	93,279
<b>Total equity</b>	<b>97,059</b>	<b>87,780</b>

On behalf of the Board

**Lam Shu Chung**  
Director

**Lee Nga Ching**  
Director

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

## 30. INVESTMENTS IN SUBSIDIARIES

Particulars of the principal subsidiaries as at 31 December 2016 and 2015 are as follows:

Name	Place of incorporation/ operation	Particulars of issued capital		Percentage of issued capital held by the Company				Principal activities and place of operations
		2016	2015	2016		2015		
				Directly	Indirectly	Directly	Indirectly	
Capital Business International Limited	British Virgin Islands/ Hong Kong	Ordinary shares of US\$1,000	Ordinary shares of US\$1,000	100	—	100	—	Investment holding
Orient Securities Holdings Limited	Hong Kong/ Hong Kong	Ordinary shares of HK\$18,832	Ordinary shares of HK\$18,832	—	100	—	100	Investment holding
Orient Securities Limited	Hong Kong/ Hong Kong	Ordinary shares of HK\$20,000,000	Ordinary shares of HK\$20,000,000	—	100	—	100	Provision of brokerage service, underwriting and placing service and securities and initial public offering margin financing service
Orient Securities Finance Limited	Hong Kong/ Hong Kong	Ordinary shares of HK\$10,000	Ordinary shares of HK\$10,000	—	100	—	100	Provision of money lending service

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

### 31. LOANS TO OFFICERS

Name/ Relationship	Notes	Nature of account	At	Maximum	At
			31 December 2016	outstanding during the year	1 January 2016
			Debit/ (Credit)	HK\$'000	Debit/ (Credit)
			HK\$'000	HK\$'000	HK\$'000
<b>Directors</b>					
Fung Yuk Chun, Emily	(a),(b),(c)	Margin and cash accounts	N/A	3	(560)
Chu Sung Hei	(a),(b),(d)	Margin account	N/A	331	(21)
Lam Shu Chung	(a),(b)	Margin account	—	—	(401)

Notes:

- (a) On normal commercial terms and at rates no more favourable than those available to other independent third parties.
- (b) Trade receivables arising from securities brokerage transactions via margin accounts (except those settled within two days after relevant securities brokerage transactions) during the year were secured by pledged securities under the margin account, repayable on demand and bear interest at 8.25% (2015: 8.25%) per annum. The settlement terms of the relevant securities brokerage transactions were two days after trade date and the trade receivable was non-interest bearing before settlement date.
- (c) Ms. Fung Yuk Chun Emily resigned as an executive director on 4 September 2016 and closed the margin and cash accounts on 9 December 2016.
- (d) Mr. Chu Sung Hei resigned as an executive director on 11 April 2016 and closed the margin account on 18 May 2016.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

## 32. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances detailed elsewhere in these financial statements, the Group had the following material transactions with the directors and key management personnel during the year:

	Notes	2016 HK\$'000	2015 HK\$'000
<b>Directors</b>			
Fung Yuk Chun, Emily (Resigned on 6 September 2016)			
— Brokerage commission income received	(b)	2	18
Chu Sung Hei (Resigned on 11 April 2016)			
— Brokerage commission income received	(b)	12	95
— Interest income from margin financing	(a)	3	13
Lam Shu Chung			
— Brokerage commission income received	(b)	12	40
<b>Shareholders of ultimate holding company</b>			
Wong Kwan Lok			
— Brokerage commission income received	(c)	N/A	1,672
— Interest income from margin financing	(c)	N/A	230
Lam Shing Wan			
— Brokerage commission income received	(c)	N/A	1,407
— Interest income from margin financing	(c)	N/A	30

Notes:

- (a) The interest income was calculated at variable rate which ranged from 8.25% to 11.25% (2015: 8.25% to 11.25%) per annum.
- (b) The commission income was calculated at staff rates which ranged from 0.025% to 0.1% (subject to minimum charge of HK\$100).
- (c) Wong Kwan Lok and Lam Shing Wan ceased to be the shareholders of the ultimate holding company effective from 30 September 2015.

*Compensation of key management personnel*

	2016 HK\$'000	2015 HK\$'000
Short-term employee benefits	3,943	3,241
Post employment benefits	133	120
	4,076	3,361



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

### 33. CREDIT FACILITIES

As at 31 December 2016 and 2015, the Group had a bank overdraft facility with Chong Hing Bank Limited to the extent of HK\$20,000,000 (2015: HK\$20,000,000). Interest is charged at prime lending rate as quoted by Chong Hing Bank Limited per annum. The bank overdraft facility is subject to repayable on demand clause.

As at 31 December 2016 and 2015, the banking facilities were guaranteed by a corporate guarantee to the extent of HK\$20,000,000 (2015: HK\$20,000,000) executed by the Company.

As at 31 December 2016 and 2015, the Group had not utilised any of the above credit facilities.

### 34. SUMMARY OF FINANCIAL ASSETS AND LIABILITIES BY CATEGORY

The carrying amounts of the Group's financial assets and liabilities as recognised at the reporting dates are categorised as follows. See notes 4.9 and 4.10 to the financial statements for explanations about how the category of financial instruments affects their subsequent measurement.

	2016 HK\$'000	2015 HK\$'000
<b>Financial assets</b>		
<i>Loan and receivables</i>		
— Other assets	550	957
— Trade receivables	59,390	52,234
— Loan and interest receivables	149,651	47,262
— Other receivables	71	129
— Trust bank balances held on behalf of clients	40,579	100,171
— Cash and cash equivalents	75,179	180,299
	325,420	381,052
<b>Financial liabilities</b>		
<i>Financial liabilities measured at amortised costs</i>		
— Trade payables	41,459	105,177
— Accruals and other payables	2,328	1,226
	43,787	106,403

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

### 35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include statutory and other deposits, loan and interest receivables, trade and other receivables, and trade and other payables. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these risk exposures to ensure appropriate measures are implemented on a timely and effective manner.

#### 35.1 Market risk

##### (a) Foreign currency risk

Foreign currency risk is the risk of losses due to adverse changes in foreign exchange rates mainly relating to bank deposits and trade payables to margin and cash clients denominated in foreign currency. The management monitors foreign exchange exposure and will consider hedging significant foreign exchange exposure should the need arises. The policies to manage foreign currency risk have been followed by the Group since prior years and are considered to be effective.

It is the Group's policy for each subsidiary to transact business in local currencies as far as possible to minimise currency risk. Most of the Group's principal business are conducted and recorded in HK\$, the functional currency of the companies now comprising the Group, with certain bank deposits and trade payables to margin and cash client mainly denominated in United States Dollars ("US\$") and Renminbi ("RMB"). As HK\$ is pegged to US\$, there is no significant exposure expected on US\$ transactions and balances. For presentation purpose, the following tables summarise the Group's financial assets and liabilities denominated in currencies other than the functional currency of the entities to which they relate, as at 31 December 2016 and 2015.

	Expressed in HK\$'000	
	RMB	US\$
<b>As at 31 December 2016</b>		
Cash and cash equivalents	245	234
Trade payables	—	(4)
Overall net exposure	245	230
<b>As at 31 December 2015</b>		
Cash and cash equivalents	558	175
Trade payables	(313)	(4)
Overall net exposure	245	171

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

### 35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

#### 35.1 Market risk (Continued)

##### (a) Foreign currency risk (Continued)

The following tables indicate the approximate changes in the Group's profit or loss for the year and equity in response to reasonably possible changes in other foreign exchange rates to which the Group has significant exposure as at the reporting date. As US\$ is pegged to HK\$, the Group does not expect any significant changes in US\$/HK\$ exchange rates. No sensitivity analysis in respect of the Group's financial assets and liabilities denominated in US\$ is disclosed as in the opinion of the directors, such sensitivity analysis does not give additional value in view of insignificant change in the US\$/HK\$ exchange rates as at the reporting date.

	Increase/(Decrease) in foreign exchange rates		(Decrease) in loss/Increase in profit for the year		Increase/(Decrease) in equity	
	2016 %	2015 %	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
RMB	5	5	12	12	12	12

Decrease in the above foreign exchange rates at each reporting date would have the equal but opposite effect to the amounts shown above, on the basis that all other variables were held constant.

The sensitivity analysis has been determined by assuming that the changes in foreign exchange rates had occurred at the reporting date and that all other variables were held constant.

The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the next annual reporting date. In the management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign currency risk as the exposure at the end of the reporting period does not reflect the exposure during the year.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

### 35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

#### 35.1 *Market risk (Continued)*

##### **(b) Interest rate risk**

The Group is exposed to interest rate risk primarily through the impact of interest rate changes on bank balances, margin and cash client receivables and trade payables carrying interests at variable rates.

The following table illustrates the sensitivity of the profit or loss for the year to a change in interest rates of +1% and -1% (2015: +1% and -1%). The calculations are based on the Group's bank balances, margin and cash client receivables held at each reporting date. All other variables are held constant. In the management's opinion, the sensitivity analysis is unrepresentative of the inherent interest rate risk as the exposure at the end of the reporting period does not reflect the exposure during the year.

	2016 HK\$'000	2015 HK\$'000
If interest rates were 1% (2015: 1%) higher (Decrease in loss)/Increase in profit for the year	(1,751)	3,281
If interest rates were 1% (2015: 1%) lower Increase in loss/(Decrease in profit) for the year	1,751	(3,281)

#### 35.2 *Credit risk*

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group.

The Group's credit risk is primarily attributable to trade receivables due from clients and clearing house and loan receivables from clients. Management has a credit policy in place and the exposure to the credit risk is monitored on an on-going basis.

In respect of trade receivables due from clients, individual credit evaluations are performed on all clients including cash and margin clients. Cash clients are required to place deposits as prescribed by the Group's credit policy before execution of any purchase transaction. Receivables due from cash clients are due within the settlement period commonly adopted by the relevant market convention, which is usually within two days from the trade date. Because of the prescribed deposit requirements and the short settlement period involved, credit risk arising from the trade receivables due from cash clients is considered small. The Group normally obtains liquid securities and/or cash deposits as collateral for providing margin financing to its clients. Margin finance loans due from margin clients are repayable on demand. Market conditions and adequacy of securities collateral and margin deposits of each margin account are monitored by management on a daily basis. Margin calls and forced liquidation are made where necessary.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

### 35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

#### 35.2 *Credit risk (Continued)*

In respect of trade receivables due from clearing house, credit risk is considered low as the Group normally enters into transactions with clearing house which are registered with regulatory bodies and with sound reputation in the industry.

In respect of loan receivables from clients, the objective of the Group's measures to manage credit risk is to control potential exposure to recoverability problem. It is the Group's policy that all clients who wish to obtain loans from the Group are subject to management review. Receivables balances are monitored on an ongoing basis, management makes periodic collective assessment as well as individual assessment on the recoverability of loans, loans receivables based on historical payment records, the length of the overdue period, the fair value of the collaterals, the financial strength of the debtors and any other qualitative factors and ensure that follow-up action is taken to recover overdue debts. In this regard, management considers that the Group's credit risk is significantly reduced.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each client rather than the industry or country in which the clients operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual clients. As at 31 December 2016, 7% (2015: 14%) and 33% (2015: 55%) of the total trade and loan receivables due from clients were from the Group's largest client and the five largest clients.

Further quantitative data in respect of the collaterals and the Group's exposure to credit risk arising from trade and loan receivables are disclosed in notes 19 and 20 to the financial statements, respectively.

Bank balances are placed in various authorised institutions and the directors of the Company consider the credit risk for such is minimal.

The credit policies have been followed by the Group since prior years and are considered to be effective in limiting the Group's exposure to credit risk to a desirable level.

#### 35.3 *Liquidity risk*

Internally generated cash flows is the source of funds to finance the operations of the Group. The Group's liquidity risk management includes making available standby banking facilities and diversifying the funding sources. The Group regularly reviews the major funding positions to ensure adequate financial resources are available to meet their respective financial obligations.

As at 31 December 2016, the Group has available banking facilities of approximately HK\$20,000,000 (2015: HK\$20,000,000), which were not utilised (note 33).

The liquidity policies have been followed by the Group since prior years and are considered to be effective in managing liquidity risks.

The maturity profile of the Group's financial liabilities as at the reporting date, based on the contractual undiscounted cash flows, is as follows:

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

**35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES** *(Continued)***35.3 Liquidity risk** *(Continued)*

	Carrying amount HK\$'000	Total contractual undiscounted cash flow HK\$'000	On demand or within 1 year HK\$'000
<b>As at 31 December 2016</b>			
Trade payables	41,459	41,459	41,459
Accruals and other payables	2,328	2,328	2,328
	<b>43,787</b>	<b>43,787</b>	<b>43,787</b>
<b>As at 31 December 2015</b>			
Trade payables	105,177	105,177	105,177
Accruals and other payables	1,226	1,226	1,226
	<b>106,403</b>	<b>106,403</b>	<b>106,403</b>

**36. FAIR VALUE MEASUREMENT****36.1 Fair value of financial instruments measured at amortised cost**

The carrying amounts of the financial assets and financial liabilities measured at amortised cost as disclosed under non-current assets, current assets and current liabilities, respectively, approximate their fair value.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

### 37. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The Group currently has a legally enforceable right to set off the Continuous Net Settlement (CNS) money obligations receivables and payables with the clearing house, Hong Kong Securities Company Limited ("HKSCC") and it intends to settle on a net basis as trade receivables from or trade payables to HKSCC. For the net amounts of CNS money obligations receivables or payables and other receivables and payables (such as deposits included under other assets), they do not meet the criteria for offsetting in the consolidated financial statements since the right to set-off of the recognised amount is only enforceable following an event of default and the Group does not intend to settle the balance on a net basis.

- (a) Financial assets subject to offsetting, enforceable master netting arrangement and similar arrangements

	Amounts due from HKSCC	
	2016 HK\$'000	2015 HK\$'000
Gross amount of recognised financial assets (net of impairment)	37,862	65,341
Gross amount of recognised financial liabilities offset in the consolidated statement of financial position	(37,862)	(60,712)
Net amounts of financial assets included in the consolidated statement of financial position	—	4,629
Net amounts	—	4,629

- (b) Financial liabilities subject to offsetting, enforceable master netting arrangement and similar arrangements

	Amounts to HKSCC	
	2016 HK\$'000	2015 HK\$'000
Gross amount of recognised financial liabilities	42,887	60,712
Gross amount of recognised financial assets offset in the consolidated statement of financial position	(37,862)	(60,712)
Net amounts of financial liabilities included in the consolidated statement of financial position	5,025	—
Net amounts	5,025	—

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

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

- (c) Reconciliation to trade receivables and trade payables as presented in the consolidated statement of financial position

	2016 HK\$'000	2015 HK\$'000
<b>Trade receivables</b>		
Net amounts of financial assets included in the consolidated statement of financial position	—	4,629
Trade receivables not within the scope of offsetting disclosure	59,390	47,605
Trade receivables presented in the consolidated statement of financial position	59,390	52,234
<b>Trade payables</b>		
Net amounts of financial liabilities included in the consolidated statement of financial position	5,025	—
Trade payables not within the scope of offsetting disclosure	36,434	105,177
Trade payables presented in the consolidated statement of financial position	41,459	105,177

**38. CAPITAL MANAGEMENT**

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of capital and reserves, which include issued share capital and reserves as set out on the consolidated statement of financial position, consolidated statement of changes in equity and respective notes. The Group's overall strategy remains unchanged.

The management reviews the capital structure by considering the cost of capital and the risks associated with each class of capital. In view of this, the Group manages its overall capital structure through the drawdown and repayment of bank borrowings, payment of dividends and issuance of share capital.



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

### **38. CAPITAL MANAGEMENT** *(Continued)*

A subsidiary of the Group, Orient Securities is licensed with Securities and Futures Commission (“SFC”) for the business it operates in. Orient Securities is subject to liquid capital requirements under Securities and Futures (Financial Resources) Rules (“SF(FR)R”) adopted by the SFC. Under the SF(FR)R, Orient Securities must maintain a liquid capital (assets and liabilities adjusted as determined by SF(FR)R) in excess of HK\$3 million or 5% of its total adjusted liabilities, whichever is higher. The required information is filed with the SFC on a monthly basis.

Orient Securities has complied to maintain the required amount of liquid capital throughout the year.

### **39. EVENT AFTER THE REPORTING PERIOD**

Subsequent to year end date, the Company completed a placing of its 18,000,000 new ordinary shares to independent third parties at the placing price of HK\$0.61 per placing share and raised HK\$10.7 million after deducting all direct costs including commissions.

### **40. APPROVAL OF FINANCIAL STATEMENTS**

The financial statements for the year ended 31 December 2016 were approved and authorised for issue by the board of directors on 24 March 2017.

## FINANCIAL SUMMARY

## RESULTS

	Year ended 31 December				2016 HK\$'000
	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000	2015 HK\$'000	
REVENUE	28,634	36,150	43,356	51,724	23,268
Other income	30	46	218	312	40
Employee costs	(7,398)	(5,743)	(7,905)	(10,712)	(12,575)
Administrative expenses	(5,596)	(5,923)	(8,612)	(9,099)	(12,402)
Finance costs	(50)	(50)	(76)	(23)	—
Listing expenses	(2,771)	(7,653)	(3,901)	—	—
PROFIT/(LOSS) BEFORE INCOME TAX	12,849	16,827	23,080	32,202	(1,669)
Income tax expense	(2,744)	(4,037)	(5,150)	(6,097)	(1,800)
PROFIT/(LOSS) FOR THE YEAR, ATTRIBUTABLE TO OWNERS OF THE COMPANY	10,105	12,790	17,930	26,105	(3,469)
Other comprehensive income for the year	—	—	—	—	—
TOTAL COMPREHENSIVE INCOME FOR THE YEAR, ATTRIBUTABLE TO OWNERS OF THE COMPANY	10,105	12,790	17,930	26,105	(3,469)
EARNINGS/(LOSS) PER SHARE					
Basic and diluted	4.49 cents	5.68 cents	5.78 cents	7.25 cents	(0.90) cents

## ASSETS AND LIABILITIES

	As at 31 December				2016 HK\$'000
	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000	2015 HK\$'000	
Total assets	173,060	215,148	331,621	382,472	330,624
Total liabilities	(53,184)	(82,482)	(83,911)	(108,657)	(45,961)
Net assets	119,876	132,666	247,710	273,815	284,663