PF Group Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8221

2017
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.

This report, for which the directors (the “Directors”) of PF Group Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (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. Lo Tak Wing Benson *(Chairman)*
Mr. Lo Shiu Wing Chester *(Chief Executive Officer)*

Non-executive Director

Mr. Khoo Ken Wee

Independent Non-executive Directors

Mr. Ma Wai Hung Vincent
Mr. Mok Kwai Pui Bill
Mr. Ng Shu Bun Andrew

AUDIT COMMITTEE

Mr. Mok Kwai Pui Bill *(Chairman)*
Mr. Ma Wai Hung Vincent
Mr. Ng Shu Bun Andrew

REMUNERATION COMMITTEE

Mr. Ng Shu Bun Andrew *(Chairman)*
Mr. Ma Wai Hung Vincent
Mr. Mok Kwai Pui Bill
Mr. Lo Tak Wing Benson

NOMINATION COMMITTEE

Mr. Ma Wai Hung Vincent *(Chairman)*
Mr. Mok Kwai Pui Bill
Mr. Ng Shu Bun Andrew
Mr. Lo Shiu Wing Chester

COMPLIANCE OFFICER

Mr. Lo Shiu Wing Chester

COMPANY SECRETARY

Mr. Lam Tak Ming *CPA*

AUTHORISED REPRESENTATIVES

Mr. Lo Tak Wing Benson
Mr. Lam Tak Ming

REGISTERED OFFICE

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KY1-1111
Cayman Islands

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HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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North Point, Hong Kong

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Cayman Islands

AUDITOR

Deloitte Touche Tohmatsu
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Hong Kong

COMPLIANCE ADVISER

Ample Capital Limited
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Two Chinachem Plaza
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Central, Hong Kong

PRINCIPAL BANKER

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Central, Hong Kong

STOCK CODE

8221

COMPANY WEBSITE

www.pfs.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 March 2017.

REVIEW

During the year under review, the global financial market was clouded with uncertainties and remained volatile due to, among others, concerns over the interest rates hike, the unpredictable long term effects surrounding the referendum outcome of the British exit from the European Union and the slowdown of the China's economic growth. The market sentiment in Hong Kong was inevitably affected by the overall economic and political situation.

Notwithstanding the foregoing, as a result of the management's efforts in developing the Group's business, the Group had achieved a substantial growth in operating results in adversity during the year ended 31 March 2017. Total revenue and net profit for the year were approximately HK$71.3 million and HK$25.6 million, respectively, representing a substantial year-on-year growth of approximately 74.1% and 271.5%, respectively. For the year ended 31 March 2017, despite the decrease in commission income from securities dealing and brokerage services, the Group's revenue from placing and underwriting business and margin financing business increased by approximately 183.2% and 39.0%, respectively as compared to the year ended 31 March 2016. Furthermore, the Group hired two asset management staff (i.e. a chief investment officer and an assistant portfolio manager) in July 2016 to resume its asset management business and for the period from August 2016 to March 2017, the Group recorded a revenue of approximately HK$4.0 million from its asset management services. The management has always been exploring business opportunities to bring greater returns to shareholders of the Company. During the year ended 31 March 2017, the Group completed a referral transaction for the acquisition of a controlling stake in a company listed on the Stock Exchange and the general offer on behalf of the acquirer in which the Group had generated total revenue of HK$10.0 million.

The shares of the Company have been successfully listed on GEM of the Stock Exchange by way of placing since 6 January 2017 and the net proceeds received from the placing was amounted to approximately HK$55.3 million. The successful listing represented a milestone of the Group that it has not only provided the Group a platform in the capital market, but also facilitated the Group to further promote its corporate image in the market. From the liquidity perspective, the Directors are of the view that the available working capital level is adequate for the Group's operation and business objectives.

OUTLOOK

The Directors and senior management of the Group will continue to monitor the Group's risk and credit exposure prudently, review the working capital level on an on-going basis, keep abreast of the latest developments of statutory requirements and the Hong Kong financial industry in order to maximise returns to shareholders.

Going forward, with the increased public awareness and enhanced capital resources upon the successful listing of the Company's shares on the GEM of the Stock Exchange in January 2017, the Group and the Directors shall continue to strive and achieve the business objective to increase the Group's exposure and scale of operations in Hong Kong within the capital markets and to capture a larger market share.

CHAIRMAN'S STATEMENT

APPRECIATION

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

On behalf of the Board,

Lo Tak Wing Benson
Chairman and Executive Director

Hong Kong, 22 June 2017

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is principally engaged in the provision of (i) securities dealing and brokerage services; (ii) placing and underwriting services; (iii) financing services including securities and initial public offering ("IPO") margin financing; and (iv) asset management services. The Group's services mainly relate to equity and debt securities trading on the Stock Exchange in Hong Kong.

The Group conducts its abovementioned principal business activities through Pacific Foundation Securities Limited ("PFSL"), the operating subsidiary of the Company, which is a corporation licensed to carry on Type 1 (dealing in securities) and Type 9 (asset management) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

Since 6 January 2017, the shares of the Company have been successfully listed on GEM of the Stock Exchange (the "Listing") by way of placing at the placing price of HK$0.15 per share (the "Placing").

Securities Dealing and Brokerage Services

The Group provides securities and brokerage services to customers for trading in securities listed on the Stock Exchange which comprise of corporate and individual customers. For the year ended 31 March 2017, the Group had 618 active securities trading accounts (2016: 718).

For the year ended 31 March 2017, the securities market of Hong Kong was clouded with uncertainties and performed less well than that for the year ended 31 March 2016. The market's average daily transaction value recorded a year-on-year decrease of approximately 34.2%. Affected by the general business climate in the reporting period, the total transaction value of securities trading carried out by the Group on behalf of customers decreased to approximately HK$3.1 billion for the year ended 31 March 2017 (2016: HK$5.3 billion). As a result, the Group's commission income from securities dealing and brokerage services decreased significantly by approximately 52.5% from approximately HK$10.9 million for the year ended 31 March 2016 to approximately HK$5.2 million for the year ended 31 March 2017.

Placing and Underwriting Services

The Group acts as an underwriter or a sub-underwriter or a placing agent or a sub-placing agent for companies listed or to be listed on the Stock Exchange or for shareholders of companies listed on the Stock Exchange for their fund raising exercises such as IPOs, rights issue, open offer or placing of new or existing shares or bonds.

For the year ended 31 March 2017, the Group completed 30 placing and underwriting engagements (2016: 12 engagements), including 19 new listing engagements, 9 placing of new or existing shares or bonds engagements and 2 rights issue engagements, with total transaction value of approximately HK$1.9 billion (2016: HK$0.6 billion). Due to the increase in both the number of engagements completed and the overall transaction value, fee and commission income from placing and underwriting activities increased significantly by approximately 183.2% from approximately HK$15.9 million for the year ended 31 March 2016 to approximately HK$45.0 million for the year ended 31 March 2017.

Margin Financing Services

Interest income from margin financing mainly represents the interest income generated from the provision of margin financing services to customers who would like to purchase securities listed on the Stock Exchange on a margin basis, which offers funding flexibility to the Group's customers.

Margin financing services of the Group recorded a remarkable growth during the year due to the keen demand for financing services from the Group's customers. The Group recorded an average daily margin loan balance of approximately HK$91.1 million for the year ended 31 March 2017 (2016: HK$76.8 million). Interest income from margin financing services for the year ended 31 March 2017 surged to approximately HK$5.9 million, representing an increase of approximately 39.0% as compared to approximately HK$4.2 million recorded for the year ended 31 March 2016, which was mainly attributable to the increase in average daily margin loan provided by the Group.

Asset Management Services

On 27 May 2015, the Group entered into a novation agreement with its single asset management client ("Client A") and ceased to provide asset management services to Client A. Fee income from asset management services for the year ended 31 March 2016 of approximately HK$0.4 million represented the management fee received from Client A.

The Group's asset management operations have been resumed in July 2016. As at 31 March 2017, the Group had four asset management clients and the discretionary funds managed by the Group amounted to approximately HK$119.6 million. Pursuant to the relevant asset management agreements with these clients, the Group acts as an investment manager and provides wealth management services to them on a discretionary basis pursuant to each client's investment requirements, objectives and restrictions, and is entitled to management fees with a range from 1.0% per annum to 2.0% per annum and performance fees with a range from 15% to 20%. For the year ended 31 March 2017, the Group recorded a total fee income from its asset management services of approximately HK$4.0 million.

Other Services

In addition to the above business activities, the Group may on a case by case basis come across other projects, the fee income from which is recorded as other revenue.

For the year ended 31 March 2016, other revenue mainly consisted of a referral fee income of approximately HK$9.4 million in relation to the referral of a potential investor to a controlling shareholder of a company listed on the Stock Exchange who was looking for purchasers of the controlling interest in such listed company.

For the year ended 31 March 2017, the Group completed another referral transaction for the acquisition of a controlling stake in a company listed on the Stock Exchange and generated a referral fee income of HK$6.8 million. Subsequently, the Group had also completed a general offer on behalf of the acquirer and was entitled to a professional service fee and a loan commitment fee of HK$0.5 million and HK$2.7 million, respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Key Financial Data

	As at/Year ended 31 March		Approximate percentage change
	2017	2016	
Results of operation (HK$'000)			
Revenue	**71,262**	40,921	74.1%
Profit before tax	**32,286**	9,636	235.1%
Net profit	**25,573**	6,883	271.5%
Financial position (HK$'000)			
Current assets	**325,738**	214,594	51.8%
Current liabilities	**104,673**	93,413	12.1%
Net assets	**223,281**	123,357	81.0%
Key financial ratios			
Net profit margin	**35.9%**	16.8%	
Return on equity	**11.5%**	5.6%	
Return on total assets	**7.8%**	3.2%	
Current ratio	**3.1 times**	2.3 times	
Net debt to equity ratio	**Net cash position**	Net cash position	
Gearing ratio	**Not applicable**	27.8%	

Revenue

The Group's revenue comprises (i) commission income from securities dealing and brokerage services; (ii) fee and commission income from placing and underwriting activities; (iii) interest income from margin financing; (iv) fee income from asset management services; and (v) income from other services provided.

	2017	2016
	HK$'000	*HK$'000*
Commission income from securities dealing and brokerage services	**5,184**	10,918
Fee and commission income from placing and underwriting activities	**44,988**	15,884
Interest income from margin financing	**5,901**	4,245
Fee income from asset management services	**3,997**	434
Others	**11,192**	9,440
	71,262	40,921

The Group recorded a total revenue for the year ended 31 March 2017 of approximately HK$71.3 million, representing an increase of approximately HK$30.3 million, or 74.1% from approximately HK$40.9 million for the year ended 31 March 2016. The significant increase in revenue was mainly attributed to:

(i) an increase in revenue generated from the placing and underwriting services by approximately HK$29.1 million mainly as a result of the increase in both the number of transactions and overall transaction value of placing and underwriting transactions participated by the Group during the year;

(ii) an increase in interest income from margin financing by approximately HK$1.7 million which was mainly attributable to the increase in average daily margin loan provided by the Group during the year;

(iii) the resumption of the Group's asset management services in July 2016 from which the Group generated fee income of approximately HK$4.0 million during the year; and

(iv) the recognition of other revenue of approximately HK$11.2 million which mainly comprised settlement fee of approximately HK$1.1 million, referral fee of HK$6.8 million, professional service fee of HK$0.5 million and loan commitment fee of HK$2.7 million.

Such increase was partly offset by the decrease in commission income from securities dealing and brokerage services from approximately HK$10.9 million for the year ended 31 March 2016 to approximately HK$5.2 million for the year ended 31 March 2017.

Other Gains and Losses

Other gains and losses mainly consist of interest charged on overdue accounts receivable (at 5% plus prime rate), settlement and handling fee income and fair value loss on held-for-trading investment. The total other gains and losses for the year ended 31 March 2017 was approximately HK$0.5 million (2016: HK$0.2 million).

Commission Expenses

Commission expenses represent commission paid to the Group's accounts executives (including in-house and self-employed accounts executives) and commission paid to sub-placing agents or sub-underwriters engaged by the Group for the fund raising exercises participated by the Group. Total commission expenses increased by approximately 21.3% from approximately HK$4.0 million for the year ended 31 March 2016 to approximately HK$4.9 million for the year ended 31 March 2017 which was mainly due to the increase in commission paid to sub-placing agents or sub-underwriters.

Staff Costs

Staff costs include staff salaries, bonus, allowances, Directors' emoluments and contribution to Mandatory Provident Fund. As at 31 March 2017, the Group had a total of 27 employees including Directors (2016: 21). Staff costs is a major expense item for the Group which accounted for approximately 33.0% of the total expenses of the Group for the year ended 31 March 2017 (2016: 30.2%). Total staff costs for the year ended 31 March 2017 was approximately HK$15.3 million, representing an increase of approximately HK$4.9 million or 47.6% from approximately HK$10.3 million for the year ended 31 March 2016. Such increase was mainly attributable to the increase in number of employees and bonus for the year.

Other Operating Expenses

Other operating expenses primarily consist of donations, entertainment expenses, legal and professional fees, office rent and rates, subscription fees, stock information expenses and various miscellaneous office expenses. For the year ended 31 March 2017, the Group's other operating expenses increased to approximately HK$12.1 million as compared to approximately HK$10.6 million for the year ended 31 March 2016, representing an increase of approximately 14.3%, which was mainly due to the increase in legal and professional fees of approximately HK$2.0 million.

Listing Expenses

For the purpose of the Listing, the Group incurred listing expenses of approximately HK$7.0 million for the year ended 31 March 2017 (2016: HK$6.0 million).

Income Tax Expense

Income tax expense for the year ended 31 March 2017 was approximately HK$6.7 million (2016: HK$2.8 million) and such growth was consistent with the increase in profits assessable under Hong Kong profits tax.

Profit for the Year

As a result of the foregoing, profit increased significantly by approximately HK$18.7 million, or 271.5% from approximately HK$6.9 million for the year ended 31 March 2016 to approximately HK$25.6 million for the year ended 31 March 2017.

Dividend

The Directors do not recommend the payment of any dividend in respect of the year ended 31 March 2017 (2016: nil).

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group had amounts due to Directors and bank borrowings of approximately HK$24.3 million and HK$10.0 million, respectively as at 31 March 2016 (collective the "Debts"), which were fully settled during the year ended 31 March 2017. The Group did not have any outstanding debt as at 31 March 2017 and therefore the gearing ratio was not applicable.

For the year ended 31 March 2017, after the settlement of the Debts, the Group mainly financed its operations, capital expenditure and other capital requirements by internal resources and net proceeds raised from the Placing.

As at 31 March 2017, the net current assets of the Group amounted to approximately HK$221.1 million (2016: HK$121.2 million), including cash and cash equivalents of approximately HK$106.8 million (2016: HK$36.7 million). The current ratio of the Group, being the ratio of current assets to current liabilities, was approximately 3.1 times (2016: 2.3 times). The increase in net current assets and current ratio was mainly due to the increase in total bank balances as at 31 March 2017 compared to 31 March 2016.

The capital of the Group comprises only ordinary shares. As at 31 March 2017, the total equity attributable to owners of the Company amounted to approximately HK$223.3 million (2016: HK$123.4 million). Such increase was mainly attributed by the profit for the year ended 31 March 2017 of approximately HK$25.6 million and the net proceeds of approximately HK$55.3 million raised from the Placing.

ACHIEVEMENT OF BUSINESS OBJECTIVES

As set out in the prospectus of the Company dated 12 December 2016 (the "Prospectus"), the principal business objective of the Group is to increase the Group's exposure and scale of operations in Hong Kong within the capital markets and to capture a larger market share. Set out below are the key business strategies adopted by the Group in order to achieve such business objective and the Group's actual business progress:

(i) Developing the Group's brokerage services with a focus on enlarging its customer base and targeting high net worth customers from the mainland China

In order to further enhance the Group's reputation and public awareness after listing so as to soliciting new customers through referrals, the two new asset management staff hired in July 2016 were involved in the promotion and marketing activities for the Group by, among other things, providing weekly stock market commentary published in various local newspapers, participating in radio broadcasts hosted by Hong Kong Radio and discussing the Hong Kong stock market. For the year ended 31 March 2017, there were 11 new mainland China clients who have opened securities accounts with the Group, which have accounted for approximately 9.8% of the total new clients during the year.

For the year ended 31 March 2017, the Group's securities dealing and brokerage business was adversely affected by the general securities market performance of Hong Kong. As such, during the year and up to the date of this report, the Group did not hire any new in-house accounts executive, but the management will continue to review the market condition from time to time and look for suitable candidates when appropriate.

(ii) Developing the Group's placing and underwriting services

During the year ended 31 March 2017, the Group completed 30 placing and underwriting engagements (2016: 12 engagements) with a total transaction value of approximately HK$1.9 billion (2016: HK$0.6 billion) and the fee and commission income from placing and underwriting activities increased significantly by approximately 183.2%. The Directors believe there still exists ample opportunities for the Group to strive and expand.

(iii) Enhancing PFSL's revolving capital resources

The Group planned to apply majority of the net proceeds from the Placing to its margin financing services. With these additional capital resources and coupled with the keen demand for financing services from the Group's customers, the Directors believe that the margin financing business of the Group will continue to expand in the long run.

Furthermore, as margin receivable, subject to the Hong Kong Securities and Futures (Financial Resources) Rules ("SF(FR)R") calculation, is classified as liquid assets, the funds designated for margin financing also improved the liquid capital and thus raising the Group's capacity of undertaking underwriting activities.

(iv) Enhancing the Group's quality of service offered to its customers by upgrading the Group's IT systems as well as increasing the capital markets knowledge and development of the staff

At the date of this report, the upgrade of the Group's IT systems was already in progress and is expected to be completed in the second half calendar year of 2017. All Directors and employees are encouraged to attend relevant training courses to keep abreast of the latest market and regulation changes.

MANAGEMENT DISCUSSION AND ANALYSIS

USE OF PROCEEDS

Net proceeds from the Placing was approximately HK$55.3 million. As disclosed in the Prospectus and the allotment results announcement of the Company dated 5 January 2017 (the "Announcement"), (i) approximately HK$48.1 million or approximately 87.0% of the net proceeds will be used for the expansion of the Group's margin financing services; (ii) approximately HK$1.7 million or approximately 3.0% of the net proceeds will be used to upgrade the Group's IT systems; and (iii) approximately HK$5.5 million or approximately 10.0% of the net proceeds will be used as general working capital of the Group.

The Group's planned and actual use of net proceeds from the Placing up to 31 March 2017 is as follows:

	Planned use of proceeds up to 31 March 2017 adjusted in the same manner and proportion as stated in the Prospectus and the Announcement	**Actual usage up to 31 March 2017**
	HK$ million	*HK$ million*
Expansion of margin financing services	7.5	7.5
Upgrade of the Group's IT Systems	–	–
General working capital	5.5	5.5
	13.0	13.0

RISK RELATING TO THE FUTURE PLAN

As set out in more details in the section headed "Business Objectives and Strategies" in the Prospectus, the Group intended to (i) develop its brokerage services; (ii) develop its placing and underwriting services through establishing new relationships and maintain existing relationships with other investment banks and professionals in the industry; and (iii) enhance its quality of service.

The above expansion plans are based on the intentions and assumptions at that time. The future execution may be subject to capital investment and human resources constraints. Furthermore, the expansion plans may also be hindered by other factors beyond the Group's control, such as the general market conditions, the performance of the financial service industry, and the economic and political environment of Hong Kong, mainland China and globally. Therefore, the Group's expansion plans may not materialise in accordance with the timetable or at all.

OUTLOOK

The Directors and senior management of the Group will continue to monitor the Group's risk and credit exposure prudently, review the working capital level on an on-going basis, keep abreast of the latest developments of statutory requirements and the Hong Kong financial industry in order to maximise returns to shareholders.

Going forward, with the increased public awareness and enhanced capital resources upon the Listing, the Group and the Directors shall continue to strive and achieve the business objective to increase the Group's exposure and scale of operations in Hong Kong within the capital markets and to capture a larger market share.

EMPLOYEE INFORMATION

As at 31 March 2017, the Group had a total of 27 employees including Directors (2016: 21). Total staff costs (including staff salaries, bonus, allowances, Directors' emoluments and contribution to Mandatory Provident Fund) for the year ended 31 March 2017 were approximately HK$15.3 million (2016: HK$10.3 million). Employees' remuneration was determined based on the employees' qualification, experience, position and seniority. The remuneration packages comprise mainly 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.

PLEDGE OF THE GROUP'S ASSETS

As at 31 March 2017, the Group had pledged its bank deposit amounting to HK$5.0 million (2016: HK$5.0 million) for banking facilities granted by a bank in Hong Kong to the Group.

FOREIGN EXCHANGE EXPOSURE

The turnover and operation costs of the Group were principally denominated in Hong Kong dollars, hence the exposure to the risk of foreign exchange rate fluctuations for the Group was minimal. As such, no financial instrument for hedging was employed.

SIGNIFICANT INVESTMENTS

The Group did not hold any significant investments during the year ended 31 March 2017 (2016: nil).

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

Save for the reorganisation, as fully explained in the section headed "History, Reorganisation and Development" in the Prospectus, undertaken in preparation for the Listing, there was no material acquisition or disposal of subsidiaries and affiliated companies during the year ended 31 March 2017.

CAPITAL COMMITMENTS

As at 31 March 2017, the Group did not have any significant capital commitments.

CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as at 31 March 2017 (2016: nil).

EVENT AFTER THE REPORTING PERIOD

After the reporting period and up to the date of this report, there was no significant event relevant to the business or financial performance of the Group that come to the attention of the Directors.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group's risk management objectives are to achieve a proper balance between risks and yield, minimise the adverse impacts of risks on the Group's operating performance, and maximize the benefits of the shareholders. The Group has in place a risk management structure and implemented compliance and operational manuals, which contain credit policies, operating procedures and other internal control measures for control of exposure to risks during the course of business activities.

Credit Risk

The Group is exposed to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for the determination of credit limits, credit approvals and other monitoring procedures to ensure follow-up action is taken to recover overdue debts. In addition, the Group holds collateral to cover its credit risks associated with its accounts receivable from margin clients and reviews the recoverable amount of each individual accounts receivable at the end of each reporting period to ensure adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

Liquidity Risk

PFSL is subject to liquid capital requirements under the SF(FR)R. The management of the Group closely monitors, on a daily basis, the liquid capital level of PFSL to ensure compliance with the requirements under the SF(FR)R.

The Group also has other monitoring systems to monitor and maintain a level of cash and cash equivalents deems adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. In addition, as at 31 March 2017, the Group had available banking facilities of HK$55.0 million to meet any contingency in its operations.

Operational Risk

The Group has responsible officers and compliance officers in charge of overseeing the day-to-day operations, controlling and monitoring compliance issues and solving dealing problems. They also formulate and update the compliance and operational manuals for each business function based on regulatory and industrial requirements to standardise the Group's operational procedures and reduce human errors.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Lo Tak Wing Benson (羅德榮) ("Mr. B Lo"), aged 54, is the chairman of the Board and an executive Director. Mr. B Lo is the brother of Mr. Lo Shiu Wing Chester, another executive Director. He was appointed as a Director on 3 August 2015 and was designated as an executive Director and the chairman of the Board on 1 February 2016. Mr. B Lo joined the Group in September 1990 as a director of Pacific Foundation Securities Limited ("PFSL"), a subsidiary of the Group. He is responsible for the formulation of corporate strategy, overall management, business development and customer referrals.

Mr. B Lo has attained more than 26 years' of experience in the financial services industry. Mr. B Lo is a responsible officer ("Responsible Officer"), being a person that is approved under section 126 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO") to supervise one or more regulated activities of a licensed corporation, of PFSL for Type 1 and Type 9 regulated activities under the SFO. He is currently a fellow member of the Hong Kong Securities and Investment Institute. Mr. B Lo is also currently a director of the Ebenezer School & Home for the Visually Impaired Limited.

Mr. Lo Shiu Wing Chester (羅紹榮) ("Mr. C Lo"), aged 51, was appointed as a Director on 3 August 2015 and was designated as the chief executive officer, executive Director and compliance officer of the Company on 1 February 2016. Mr. C Lo is Mr. B Lo's brother. He joined the Group as a director of PFSL in January 1999 and became the managing director of PFSL in February 2008. He is responsible for the administration of the information technology and trading system, handling litigation and enquiries from the Securities and Futures Commission of Hong Kong and the Stock Exchange, internal business control and credit control, the general administration, human resources, business operations and compliance of the Group.

From July 1992 to February 1993, Mr. C Lo was trained in the International Banking Division of Hang Seng Bank Limited and in February 1993, he was transferred to the Organisation and Methods Department and worked as an operations and management officer with Hang Seng Bank Limited until June 1993. Prior to joining the Group, Mr. C Lo worked as an accountant in the Corporate Control Department of Philips Hong Kong Limited from July 1994 and was promoted to senior accountant from January 1996 to December 1998.

NON-EXECUTIVE DIRECTOR

Mr. Khoo Ken Wee (邱堅煒) ("Mr. Khoo"), aged 52, was appointed as a non-executive Director of the Company on 1 February 2016. Since August 2002, Mr. Khoo has been acting as a director of Pacific Innovest Corporate Finance Limited ("PICFL"), a former subsidiary of the Group which was disposed of in March 2016, and he is responsible for the supervision, management and direction of the business operation of PICFL.

In 1988, Mr. Khoo worked for six months with Merrill Lynch's Consumer Markets Department. From January 1989 to May 1989, Mr. Khoo worked at the Office of City Policy Analysis for the City of San Jose, United States of America. He analysed the operating budget of the City of San Jose, United States of America. Prior to joining the Group, Mr. Khoo worked as a manager with Peregrine Capital Limited from May 1990 to March 1994 and he was responsible in corporate finance work, including initial public offerings, rights issues, placements and financial advisory work in Hong Kong, mainland China and overseas. From May 1994 to January 1998, Mr. Khoo worked with Yamaichi International (H.K.) Limited as the head of Investment Banking Department, Capital Markets Group where he was responsible for establishing corporate finance business and executing corporate finance transactions.

From March 1998 to June 2002, Mr. Khoo was the managing director of Celestial Asia Securities Holdings Limited (stock code: 1049) ("CASH"). During the appointment, Mr. Khoo contributed to CASH and its group's business development, particularly in the online financial services and various technology development projects. He was also appointed as directors of the subsidiaries of the CASH group, including Pricerite Group Limited (stock code: 996). From August 2000 to June 2002, Mr. Khoo was also an executive director and chief executive officer of Cash Financial Services Group Limited (formerly known as Cash On-line Limited) ("COL") which was listed on the GEM with stock code number 8122 in December 2000. In March 2008, COL's listing was transferred to the Main Board of the Stock Exchange ("Main Board") under a new stock code 510.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Ng Shu Bun Andrew (伍樹彬) ("Mr. Ng"), aged 55, was appointed as an independent non-executive Director of the Company on 5 December 2016 to take effect on 6 January 2017 (the "Listing Date").

Mr. Ng has over 20 years' experience in accounting practice and industry and he has held senior positions in a number of blue-chip fast moving consumer goods multi-national organizations. Mr. Ng worked for a number of companies among others, Trebor Bassett Ltd., Cadbury Beverages Limited, Cadbury Schweppes Pty Ltd. and Coca Cola China Limited during the period between June 1990 and December 1999 and he was responsible for various senior finance and general management roles with the respective company's business units in the United Kingdom, Hong Kong and mainland China. From June 2001 to October 2007, Mr. Ng worked for A.S. Watson & Co., Ltd. as finance director and he was responsible for managing the finance and treasury functions of A.S. Watson Group's Greater China beverage operations. Mr. Ng joined T.C. NG & Company CPA Limited in November 2007. Further, Mr. Ng became a shareholder and director of T.C. Ng & Company CPA Limited in February 2009. In November 2007, Mr. Ng, through TCN Consulting Services Limited, started to provide consulting and finance outsourcing services.

Mr. Ng was admitted as an associate member to the Institute of Chartered Accountants in England and Wales in June 1990 and became a fellow of the institute in July 2004. Mr. Ng is also currently a practicing member of the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Mr. Ng became a member of the Hong Kong Securities and Investment Institute in April 2013.

Mr. Mok Kwai Pui Bill (莫貴標) ("Mr. Mok"), aged 56, was appointed as an independent non-executive Director of the Company on 5 December 2016 to take effect on the Listing Date.

Mr. Mok has accumulated approximately 28 years of experience in auditing, accounting and finance, and has held various management positions in companies listed on the Stock Exchange and the United Kingdom. Mr. Mok began his career in public accounting in the United States. After returning to Hong Kong in 1988, he joined Price Waterhouse (currently known as PricewaterhouseCoopers) as a staff accountant and then was promoted to deputy manager from 1988 to 1993. From 1993 to 1995, he was acting in the position as a finance and administration manager for a publication company. Mr. Mok then served as a finance manager of China projects in Hong Kong and China Gas Company Limited, a company listed on the Main Board (stock code: 0003) from 1995 to 1996. Mr. Mok joined the investment industry where he worked as an analyst in financial services companies from 1996 to 1999. From 1999 to 2003, Mr. Mok acted as a vice president in equity research in the investment arm of an insurance group. Mr. Mok then joined the property and hotel industry where he acted as the chief financial officer of Far East Consortium International Limited ("FEC") from 2004 to 2010, a company listed on the Main Board (stock code: 0035). After FEC's hotel division was spun-off to form Kosmopolito Hotels International Limited (subsequently known as Dorsett Hospitality International Limited; a company formerly listed on the Main Board and was privatised and voluntarily delisted in 2015) in 2010 to become a company separately listed on the Main Board, Mr. Mok was appointed as the president, an executive director, and a member of the remuneration committee of Kosmopolito Hotel International Limited from 2010 to 2011. In October 2011, Mr. Mok resigned as the president and an executive director of Kosmopolito Hotels International Limited and remained as a non-executive director till August 2012. From November 2011 to May 2017, Mr. Mok has been serving as the chief financial officer of Fortune Oil plc, a company that was previously listed on the London Stock Exchange (stock code on the London Stock Exchange: FTO). Since 2013, Mr. Mok has also been serving as an independent non-executive Director of Grand Ming Group Holdings Limited, a company listed on Main Board (Stock code: 1271).

Mr. Mok is a member of the American Institute of Certified Public Accountants since July 1993 and a member of the HKICPA since September 1994, respectively.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Ma Wai Hung Vincent (馬偉雄) ("Mr. Ma"), aged 52, was appointed as an independent non-executive Director of the Company on 5 December 2016 to take effect on the Listing Date.

Mr. Ma is currently a director of Soma International Limited, a Hong Kong based toys manufacturing and trading company, where he is involved in designing, marketing, manufacturing and trading of toy products for the company. Mr. Ma was the vice chairman and executive director of Aptus Holdings Limited (stock code: 8212) (currently known as Celebrate International Holdings Limited and formerly known as Hong Kong Life Group Holdings Limited) ("Aptus") from April 2002 to June 2003. From June 2003 to September 2004, Mr. Ma acted as a non-executive director of Aptus. Mr. Ma was responsible for the overall business development of the Aptus group of companies.

Mr. Ma is the vice-chairman of the Hong Kong Exporters' Association and he is also a General Committee Member of the Toys Manufacturers' Association of Hong Kong.

SENIOR MANAGEMENT

Senior management comprises the Directors, company secretary of the Company and the following persons:

Ms. Che Sau Ching (池秀清) ("Ms. Che"), aged 46, is PFSL's chief accountant. Her major responsibilities are to review the finance and accounting functions and oversee financial reporting matters of PFSL. Ms. Che has approximately 26 years of experience in accountancy. Ms. Che first joined the Group in October 1989 until August 1993 and worked as a senior accounts clerk. She briefly left the Group to work as a social worker for the Hong Kong Single Parents Association from June 1996 to February 1997. In February 1997, Ms. Che rejoined the Group and worked as an assistant accountant. She was promoted as an accountant of the Group in October 1999 and has since continued to work for the Group.

Ms. Tam Kit Chun (譚潔珍) ("Ms. Tam"), aged 62, is one of the Responsible Officers for the Group's Type 1 regulated activity under the SFO and was appointed as the senior dealing officer of PFSL on 5 December 2016. Ms. Tam joined the Group in 1992 and she has been with the Group since then. Ms. Tam is, together with other Responsible Officers of the Group, responsible for, among other things, monitoring the daily operation of settlement, dealing with regulatory authorities and general administrative duties. Ms. Tam has over 38 years' of experience in the securities industry. Prior to joining the Group, she worked at the settlement department of another local securities brokerage firm. In 1993, Ms. Tam was promoted as floor trader of the Group where she was responsible for executing customers' orders and general day to day sales and trading work. Ms. Tam obtained a certificate for passing the brokers representatives examination awarded by the Stock Exchange in February 1993, she has also passed the option trading officer & representative as well as the options clearing officer examination awarded by the Stock Exchange in November 1994. Since April 1999, Ms. Tam has been a member of the Hong Kong Securities and Investment Institute (formerly known as the Hong Kong Securities Institute).

Ms. Tsang Kong Kit (曾江潔) ("Ms. Tsang"), aged 41, is one of the Responsible Officers for the Group's Type 1 regulated activity under the SFO and she was appointed as the chief information officer and a compliance officer of PFSL on 8 December 2015. Ms. Tsang is responsible for overseeing and managing the Group's information system, which includes designing and constructing its IT infrastructure, implementing and maintaining its trading system and providing IT support. She is also responsible for monitoring and advising PFSL on compliance and internal control matters. Ms. Tsang has around 17 years' of experience working in the Hong Kong securities industry. Prior to joining the Group in September 2015, Ms. Tsang worked at Hani Securities (Hong Kong) Limited ("Hani") from 1999 to 2015 where she was head of information system and she was also one of the Responsible Officers of Hani from June 2009 to 2015. She was a licensed representative for Type 1, Type 4 and Type 9 regulated activities under the SFO. At Hani, she was responsible for the computerization of the front and back office as well as compliance issues and information system planning and implementation. Ms. Tsang obtained a bachelor's degree in Computing Studies at the Hong Kong Baptist University in December 1999. She has been a certified financial planner of the Institute of Financial Planners of Hong Kong since September 2009.

COMPANY SECRETARY

Mr. Lam Tak Ming (林德明) ("Mr. Lam"), aged 33, joined the Group in November 2015 as the financial controller. He was appointed as company secretary on 1 February 2016. His major responsibilities are to review the finance and accounting functions and oversee financial reporting matters of the Group. Mr. Lam has over 9 years' of experience in auditing, accounting and financial reporting. Prior to joining the Group, Mr. Lam had been working in international audit firms for over eight years. Mr. Lam obtained a bachelor's degree in Accountancy from the Hong Kong Polytechnic University in December 2007 and he is a member of the Hong Kong Institute of Certified Public Accountants.

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 March 2017. This report highlights the key corporate governance practices of the Company.

CORPORATE GOVERNANCE PRACTICES

The Board is committed to promoting high standards of corporate governance practices and procedures. The Directors 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. From 6 January 2017 (the "Listing Date") to 31 March 2017, to the best knowledge of the Board, the Company has complied with all the code provisions set out in the CG Code. The Board will continue to review its corporate governance practices in order to enhance its corporate governance standards, comply with the increasingly complicated regulatory requirements, and meet with the rising expectations of the shareholders and respective investors.

THE BOARD

Responsibilities

The Board has the responsibility for leadership and control of the Group and the Directors are collectively responsible for promoting the success of the Group by directing and supervising the Group's affairs. The Board is accountable to shareholders for the strategic development of the Group with the goal of maximising 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 will meet regularly 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 is also responsible to communicate with shareholders and regulatory bodies and, where appropriate, will make recommendations to shareholders on final dividends and approve the declaration of any interim dividend.

Composition of the Board

Up to the date of this report, the Board comprises six Directors, including two executive Directors, one non-executive Director and three independent non-executive Directors. The Board is of the view that the Board comprises members with diversified background and industry expertise to oversee and operate the Company efficiently and safeguard the interests of various stakeholders of the Company.

<u>Executive Directors</u>	
Mr. Lo Tak Wing Benson ("Mr. B Lo") *(Chairman)*	(appointed on 3 August 2015)
Mr. Lo Shiu Wing Chester ("Mr. C Lo") *(Chief Executive Officer)*	(appointed on 3 August 2015)
<u>Non-executive Director</u>	
Mr. Khoo Ken Wee ("Mr. Khoo")	(appointed on 1 February 2016)
<u>Independent non-executive Directors</u>	
Mr. Ma Wai Hung Vincent ("Mr. Ma")	(appointed on 5 December 2016)
Mr. Mok Kwai Pui Bill ("Mr. Mok")	(appointed on 5 December 2016)
Mr. Ng Shu Bun Andrew ("Mr. Ng")	(appointed on 5 December 2016)

The biographical details of the Directors are set out on pages 15 to 18 of this report.

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 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.

Appointment and Re-election of Directors

In accordance with article 83(3) of the Articles of Association of the Company (the "Articles"), the Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the Board or as an addition to the existing Board. Any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of shareholders of the Company after his/her appointment and be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

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

Board Diversity Policy

The board diversity policy as adopted by the Board aims to achieve diversity in the Board in order to have a balance of skills, experience and diversity of perspectives in accordance with the business nature of the Group. The Company endorses and recognises the benefits of having a diversified Board. Selections on the Board for appointments are based on a range of diversity of perspectives, including gender, age, cultural and educational background, professional experience, skills, knowledge and length of service.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the corporate governance duties as set out in the code provision D.3.1 of the CG Code which include (i) developing and reviewing the Company's policies and practices on corporate governance and make recommendations to the Board; (ii) reviewing and monitoring the training and continuous professional development of Directors and senior management; (iii) reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements; (iv) developing, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to employees and Directors; and (v) reviewing the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

BOARD COMMITTEES

Audit Committee

The Company has established an audit committee (the "Audit Committee") in compliance with rules 5.28 and 5.29 of the GEM Listing Rules and with the written terms of reference in compliance with the CG Code. The Audit Committee currently comprises three independent non-executive Directors, namely Mr. Ma, Mr. Mok and Mr. Ng. Mr. Mok is the chairman of the Audit Committee.

The primary duties of the Audit Committee are mainly (i) to make recommendations to the Board on the appointment and removal of external auditors; (ii) to review and supervise the financial statements and provide advices in respect of financial reporting; (iii) to oversee financial reporting system, internal control and risk management systems of the Group; and (iv) to monitor any continuing connected transactions.

Since the Listing Date and up to the date of this report, the Audit Committee held 2 meetings to review, assess and comment on the consolidated quarterly and final results of the Group. It has also reviewed the risk management and internal control systems of the Group, the continuing connected transactions carried out by the Group and the compliance with the deed of non-competition as set out in the section headed "REPORT OF THE DIRECTORS" of this report. The Audit Committee is of the opinion that the consolidated financial statements of the Group have complied with the applicable accounting standards, the GEM Listing Rules and other applicable legal requirements and that adequate disclosures have been made.

Nomination Committee

The Company has established a nomination committee (the "Nomination Committee") with written terms of reference in compliance with the CG Code. The Nomination Committee currently comprises one executive Director, namely Mr. C Lo, and three independent non-executive Directors, namely Mr. Ma, Mr. Mok and Mr. Ng. Mr. Ma is the chairman of the Nomination Committee.

The primary duties of the Nomination Committee are mainly (i) to review the structure, size, composition and diversity of the Board on a regular basis; (ii) to identify individuals suitably qualified to become Board members; (iii) to assess the independence of independent non-executive Directors; (iv) to make recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors; and (v) to make recommendations to the Board regarding the candidates to fill vacancies on the Board. The Nomination Committee has reviewed the structure, size, composition and diversity of the Board. The Nomination Committee will continue to review the necessity of recruiting more competent staff in the expansion of the Group.

Remuneration Committee

The Company has established a remuneration committee (the "Remuneration Committee") in compliance with the rule 5.34 of the GEM Listing Rules and with written terms of reference in compliance with the CG Code. The Remuneration Committee currently comprises one executive Director, namely Mr. B Lo, and three independent non-executive Directors, namely Mr. Ma, Mr. Mok and Mr. Ng. Mr. Ng is the chairman of the Remuneration Committee.

The primary duties of the Remuneration Committee are mainly (i) to review and make recommendations to the Board on the overall remuneration policy and structure relating to all Directors and senior management of the Group; (ii) to review other remuneration-related matters, including benefits-in-kind and other compensation payable to the Directors and senior management; and (iii) to review performance based remunerations and to establish a formal and transparent procedure for developing policy in relation to remuneration. The Remuneration Committee has reviewed the remuneration package of the Directors and senior management of the Group and considered that they are fair and reasonable for the year ended 31 March 2017.

DIRECTORS' ATTENDANCE AT MEETINGS

During the period from the Listing Date to 31 March 2017, the attendance of each member of the committees meetings and the board meetings are recorded as follows:

Directors	Board meeting attended/held *(Notes 1 & 2)*	Audit Committee meeting attended/held *(Note 1 & 2)*	Nomination Committee meeting attended/held *(Notes 1 & 2)*	Remuneration Committee meeting attended/held *(Notes 1 & 2)*
Mr. B Lo	C (1/1)	N/A	N/A	M (0/0)
Mr. C Lo	M (1/1)	N/A	M (0/0)	N/A
Mr. Khoo	M (1/1)	N/A	N/A	N/A
Mr. Ma	M (1/1)	M (1/1)	C (0/0)	M (0/0)
Mr. Mok	M (1/1)	C (1/1)	M (0/0)	M (0/0)
Mr. Ng	M (1/1)	M (1/1)	M (0/0)	C (0/0)

Notes:

1. C — Chairman of the relevant Board committee
   M — Member of the relevant Board committee

2. In June 2017, each of the Board, the Audit Committee, the Nomination Committee and the Remuneration Committee held a meeting and all of their respective members were present.

ACCOUNTABILITY AND AUDIT

The Directors acknowledged their responsibilities to prepare the consolidated financial statements of the Group and other financial disclosures required under the GEM Listing Rules and the management has provided such explanation and information to the Board to enable it to make an informed assessment of the financial and other Board decisions. The Directors believed that they have selected suitable accounting policies and applied them consistently, made judgements and estimates that are prudent and reasonable and ensured the consolidated financial statements are prepared on a "going concern" basis. The statement of the auditor of the Company regarding their reporting responsibilities for the consolidated financial statements of the Group is set out in the Independent Auditor's Report on pages 42 to 45 of this report.

DIRECTORS' TRAINING AND CONTINUOUS PROFESSIONAL DEVELOPMENT

Pursuant to the code provision A.6.5 of the CG Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. Reading materials on relevant topics are sent to the Directors where appropriate. All Directors and employees are encouraged to attend relevant training courses to keep abreast of the latest market and regulation changes.

All Directors confirmed that they have complied with the code provision A.6.5 of the CG Code. During the year ended 31 March 2017, each Director had participated in continuous professional development by attending seminars, courses or conferences or reading related materials to develop and refresh their knowledge and skills.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the required standard of dealings (the "Required Standard of Dealings") set out in 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. Having made specific enquiries with all Directors, all of them confirmed that they have complied with the Required Standard of Dealings throughout the period from the Listing Date to the date of this report.

COMPANY SECRETARY

The biographical details of the company secretary of the Company, Mr. Lam Tak Ming ("Mr. Lam") are set out under the section headed "BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT" of this report. In accordance with the rule 5.15 of the GEM Listing Rules, Mr. Lam had taken no less than 15 hours of relevant professional training during the year ended 31 March 2017.

INDEPENDENT AUDITOR'S REMUNERATION

During the year ended 31 March 2017, the remuneration paid or payable to the external auditor of the Company in respect of the audit and non-audit services were as follows:

Services rendered	**Remuneration paid/payable** *HK$'000*
Audit services	
— Statutory audit services	800
Non-audit services	
— Acting as reporting accountants for the listing of the shares of the Company on the GEM of the Stock Exchange	1,680
— Internal controls review	50
— Hong Kong profits tax compliance services	36
	2,566

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. There are no changes in the Company's constitutional documents during the period from the Listing Date to the date of this report.

RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

The Board has overall responsibilities for the establishment and maintenance of an effective risk management and internal control systems to safeguard the interest of the shareholders of the Company and the Group's assets. The Group has developed its systems of internal control and risk management for its needs and to mitigate the risks that it is exposed to. The Board has periodically assessed and reviewed the effectiveness of the Group's internal control system, including, in particular, financial, operational and compliance controls and risk management functions. The Board will continue to assess the effectiveness of risk management and internal control systems by considering reviews performed by the audit committee and executive management.

As the corporate and operation structure of the Group is not complex and a separate internal audit department may divert resources of the Group, the Company does not have an internal audit department. However, the Group has engaged external auditor to conduct independent internal control review, including areas covering financial, operational, compliance controls and risk management functions in 2016. The Board considered that the Group's internal control system is adequate and effective.

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 timely disclosure of corporate information to its shareholders and investment public.

Information of the Company shall be communicated to the shareholders and potential investors mainly through the Company's quarterly, interim and annual reports, annual general meetings and other general meetings that may be convened as well as by making available all the disclosure submitted to the Stock Exchange and the corporate communications and other corporate publications on the Company's website.

RIGHTS OF THE SHAREHOLDERS

Procedures for the Shareholders to Convene an Extraordinary General Meeting

Pursuant to article 58 of the Articles, 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 company secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition.

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

Procedures for Putting Forward Proposals by Shareholders at Shareholders' Meetings

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

Enquiries to the Board

Shareholders may send their enquiries to the Board by addressing them to the principal place of business of the Company in Hong Kong (located at 11/F, New World Tower, Tower II, 16–18 Queen's Road Central, Hong Kong) by post or by email to info@pfs.com.hk. Shareholders may at any time make a request for the Company's information to the extent such information is publicly available.

Procedures for the Shareholders to Propose a Person for Election as a Director

Pursuant to article 85 of the Articles, a written notice signed by a shareholder of the Company (other than the person to be proposed) duly qualified to attend and vote at the general meeting of the Company for which such notice is given of his intention to propose such person for election and also a written notice signed by the person to be proposed of his willingness to be elected shall have been lodged at the Company's principal place of business in Hong Kong at 11/F, New World Tower, Tower II, 16–18 Queen's Road Central, Hong Kong provided that the minimum length of the period, during which such notices are given, shall be at least seven days and that (if the notices are submitted after the despatch of the notice of the general meeting appointed for such election) the period for lodgment of such notices shall commence on the day after the despatch of the notice of the general meeting of the Company appointed for such election and end no later than seven days prior to the date of such general meeting. The written notice must state that person's biographical details as required by rule 17.50(2) of the GEM Listing Rules. The procedures for shareholders of the Company to propose a person for election as a Director are posted on the Company's website.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Pursuant to the requirements set out in Appendix 20 "Environmental, Social and Governance ("ESG") Reporting Guide" of the GEM Listing Rules, the Board hereby presents the ESG report of the Group for the year ended 31 March 2017.

The Board is responsible for the Group's ESG strategy and reporting and is of the view that sound ESG performance is important to the sustainable development of the Group's business and community, and hence the Group is committed to promoting environmental protection, social responsibility and effective corporate governance. The Group adheres closely to the principle of sustainable development and seeks to achieve required standards in various ESG areas so as to create positive values to stakeholders.

Being an integrated financial service provider, the Group offers a broad range of services including (i) securities dealing and brokerage services; (ii) placing and underwriting services; (iii) financing services including securities and IPO margin financing; and (iv) asset management services. As the Group's business nature is the provision of financial services in Hong Kong and primarily an office based group with relatively low energy, power and water consumption, the direct environmental impact is immaterial in the process of the Group's daily operation and business development.

The following sections provide more information about the Group's practices in areas of environmental protection, employment and labour practices, operating practices and contribution to the community.

ENVIRONMENTAL PROTECTION

Emissions, Use of Resources, the Environment and Natural Resources

As the Group's primary business is the provision of financial services, waste generated from the Group's business activities mainly consists of paper and no substantial hazardous waste was produced by the Group. In addition, there is minimal need for the employees of the Group to travel overseas for business, so the main contributor to the Group's carbon footprint is the indirect greenhouse gas emissions from electricity consumption, which is mainly attributed to the use of lighting system, air-conditioning and office equipment. The water consumption of the Group is not material.

The Group is committed to fulfilling the environmental protection and realizing the sustainable co-development between the Group and the environment. The Group's commitment to the environment is mainly focused on the energy saving, minimising the use of paper and the reduction of waste by recycling. With the vision of incorporating environmental sustainability into its business functions and processes, the Group has established environmental policies which are communicated to every staff of the Group, including, but not limited to:

Energy saving

- Lights and air-conditioning in office premise are turned off when not in use.

- Air-conditioning is set at optimal temperature.

- Electronic appliances, such as computers, photocopy machines, printers, are turned off when staff are off duty or on leave.

Use of paper

- Other than formal documents that require the use of papers, each department is advised to handle documents electronically and employees are also encouraged to communicate electronically.
- When the use of paper is required, duplex printing and reusing single-side printed papers is recommended.

Reduction of waste

- When procuring office equipment and supplies, considerations are taken on environmental protection, resource saving and recycling readiness.
- The Group will donate unused computer devices to charity organisations.

EMPLOYMENT AND LABOUR PRACTICES

Employment and Labour Standards

Employees are the most valuable assets of the Group. To retain and motivate employees, the Group recognises their contribution by offering competitive remuneration package, including staff salaries, discretionary bonus and allowances. The management regularly reviews the Group's remuneration policy in relation to relevant market standards.

The Group also strives to create a workplace that is free from discrimination and provide equal employment and promotion opportunities by recruiting or promoting people mainly based on job requirements and employees' performance. No one is subject to discrimination due to nationality, age, gender, religion, marital status, disability, and/or other forms of difference. The Group has published an employment hand book that includes the terms and conditions of employment, the staff benefits and the office rules and policies.

The Group strictly prohibits the use of child and forced labour. Through the well-established recruitment policies, the Group ensures that its employees are all above the minimum legal working age and no forced labour is hired. The Group has complied with all applicable laws and regulations in relation to employment matters during the year ended 31 March 2017.

Health and Safety

The Group is committed to providing employees with a safe and healthy working environment. The office layouts are designed based on relevant safety provisions. The exit aisles are equipped with lighting panels "Exit" to guide the way out of the workplace when an emergency (especially fire) occurs. Smoking is strictly prohibited in the entire office premises.

The Group continues to promote work-life balance by encouraging its employees to pursue personal interests and achieve physical and mental health. In addition to annual leave and sick leave, employees of the Group are entitled to maternity leave, paternity leave and marriage leave so that they can manage their work and life more effectively. Group medical insurance packages are provided to each employee at the expenses of the Group.

The Group has complied with all applicable laws and regulations in relation to health and safety matters during the year ended 31 March 2017.

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 Personal Data (Privacy) Ordinance, the GEM Listing Rules and the Hong Kong Securities and Futures Commission's Guideline on Anti-Money Laundering and Counter-Terrorist Financing ("AML Guideline"). Every licensed individual must fulfill prescribed hours of continuous professional training for each type of regulated activity in each calendar year. Also, pursuant to the GEM Listing Rules, the company secretary and all Directors are required to participate in continuous professional training to develop and refresh their knowledge and skills.

Knowledge and skills of employees are vital to the continuous business growth and success of the Group. As such, the Group is committed to providing support to its employees in continuous professional training and encourages them to attend professional training programs by offering eligible employees with sponsorship, examination fee reimbursement, education and examination leaves.

OPERATING PRACTICES

Product Responsibilities

Quality of Services

The Group recognises that market reputation and customers' confidence in its services are keys to success and strives to win customer loyalty by providing them with quality and reliant services and managing customers' inquiries and complaints promptly and effectively. In addition, the Group has in place a risk management structure and implemented compliance and operational manuals to ensure its full compliance with all applicable laws, rules and regulations. This is controlled and monitored by a team of experienced management, including responsible officers and compliance officers.

The Group's trading systems are equipped with advanced IT infrastructures, servers and terminals as well as tailor-made computer screen interfaces for retrieving securities market information to suit customers' different requirements. To stay ahead with the up-to-date system and technology, the Group planned to further invest approximately HK$1.7 million to upgrade its IT systems, which is expected to be completed in the second half calendar year of 2017, so as to meet customers' increasing needs. More details regarding the upgrade are set out in the sections headed "ACHIEVEMENT OF BUSINESS OBJECTIVES" and "USE OF PROCEEDS".

Responsible Margin Financing

Trading securities on a margin basis is a high-risk investment strategy. The Group works closely with margin clients to help them to understand the benefits and risks involved with margin trading, and to closely monitor their margin positions through well-established margin lending policies, including but not limited to conducting sufficient know-your-client procedures to assess the suitability and credit-worthiness of margin clients; setting a proper margin loan limit for each margin client; determining appropriate margin ratios for pledging securities; and communicating with margin clients for strategy to meet a margin call should one occurs.

Customer Privacy Protection

The Group emphasises the importance of confidentiality of personal data and privacy of its clients. Apart from complying with the provisions of the Personal Data (Privacy) Ordinance when collecting, processing and using clients' personal data, the Group has implemented various measures to prevent unauthorised access of clients' data, such as installation of firewall and storing clients' data in a secured place.

Anti-corruption

The Group is committed to promoting a culture of integrity, fairness, honesty and openness when doing business and zero tolerance of bribery and corruption. To encourage employees of the Group to report any suspected illegal activities such as money laundering, bribery and fraud, the Group has implemented an effective whistle-blowing policy. All employees of the Group are regulated by the Prevention of Bribery Ordinance in Hong Kong and required to adhere to high standards of business and ethical conducts as lay out in the Group's employment handbook.

In addition, all employees of the Group are required to adhere to the requirements set out in the Anti-Money Laundering and Counter-Terrorist Financing (Financial Institutions) Ordinance and the AML Guideline and any update in relation thereto. The Group has adopted policies and procedures in its operations and procedures manual to identify and detect money laundering activities, covering policies in relation to, among others, customer due diligence, records retention, handling of cash and reporting of suspicious transactions to the management of the Group.

The Group has complied with all applicable laws and regulations in relation to anti-corruption matters during the year ended 31 March 2017.

CONTRIBUTION TO COMMUNITY

The Group has been supporting charity activities for years through donations and sponsorships to various charities, including Hong Kong Network for the Promotion of Inclusive Society Limited, Hong Kong Blind Sports Federation, The Hong Kong Society for the Blind, St. James' Settlement, and Ten Percent Donation Scheme Foundation, with the aims to promote community development as well as the Group's corporate social responsibilities.

The Group also encourages its employees to join such charity activities. The Group's executive Director, Mr. Lo Tak Wing Benson, is currently a director of the Ebenezer School & Home for the Visually Impaired Limited. During the year ended 31 March 2017, the Group made charitable donations of approximately HK$1.3 million.

REPORT OF THE DIRECTORS

The Directors are pleased to present their report and the audited consolidated financial statements of the Group for the year ended 31 March 2017.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The Group is principally engaged in the provision of (i) securities dealing and brokerage services; (ii) placing and underwriting services; (iii) financing services including securities and IPO margin financing; and (iv) asset management services.

SUBSIDIARIES

Details of the Company's subsidiaries as at 31 March 2017 are set out in note 38 to the consolidated financial statements.

BUSINESS REVIEW

A review of the Group's business, a discussion and analysis of the Group's performance during the year ended 31 March 2017, an analysis of the prospects of the Group's business and a description of the principal risks and uncertainties facing by the Group are set out in the section headed "MANAGEMENT DISCUSSION AND ANALYSIS" from pages 6 to 14 of this report.

SEGMENT INFORMATION

Details of segment reporting are set out in note 6 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2017 and the financial position of the Group as at that date are set out in the consolidated financial statements from pages 46 to 91 of this report.

The Directors do not recommend the payment of any dividend in respect of the year ended 31 March 2017.

FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for each of the last four financial years is set out on page 92 of this report.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 March 2017, the revenue attributable to the Group's largest customer accounted for approximately 11.7% (2016: approximately 23.0%) of the Group's total revenue and the revenue attributable to the Group's five largest customers accounted for approximately 39.3% (2016: approximately 52.1%) of the Group's total revenue.

To the best of the Directors' knowledge, none of the Directors, their respective close associates (as defined under the GEM Listing Rules) or any shareholder of the Company (who to the best knowledge of the Directors owns more than 5% of the issued shares of the Company) had an interest in any of the major customers above.

The Group had no major supplier due to the nature of its principal business activities.

PROPERTY AND EQUIPMENT

Details of movements in the property and equipment of the Group during the year ended 31 March 2017 are set out in note 16 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year ended 31 March 2017 are set out in note 24 to the consolidated financial statements.

DEBENTURES

The Company did not issue any debentures during the year ended 31 March 2017.

RESERVES

Details of movements in the reserves of the Group and the Company during the year ended 31 March 2017 are set out in the consolidated statement of changes in equity and in note 37 to the consolidated financial statements, respectively.

DISTRIBUTABLE RESERVES OF THE COMPANY

As at 31 March 2017, the Company's reserves available for distribution to the shareholders of the Company amounted to approximately HK$34.2 million (2016: Nil).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities from the date of listing on 6 January 2017 (the "Listing Date") to 31 March 2017.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association of the Company (the "Articles") 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 of the Company.

SHARE OPTION SCHEME

A share option scheme (the "Scheme") was adopted by the shareholder of the Company and was effective on 5 December 2016. Unless otherwise cancelled or amended, the Scheme will remain in force for a period of 10 years from the date of its adoption on 5 December 2016. Subject to the terms of the Scheme, the Board shall be entitled to make an offer of the grant of an option to subscribe for shares of the Company (the "Option") to any Directors, employees of the Group, consultants or advisers of the Group, providers of goods and/or services to the Group, customers of the Group, holders of securities issued by any member of the Group, or any other person, who at the sole discretion of the Board, has contributed to the Group (the "Eligible Participants"), whom the Board may select at its absolute discretion.

The purpose of the Scheme is to advance the interests of the Company and the shareholders by enabling the Company to grant Options to attract, retain and reward the Eligible Participants and to provide the Eligible Participants an incentive or reward for their contribution to the Group and by enabling such persons' contribution to further advance the interests of the Group.

The Board may in its absolute discretion specify such conditions as it thinks fit when granting an Option to an Eligible Participant (including, without limitation, as to any minimum period an Option must have been held or the minimum period of service or relationship with any member of the Group to be achieved before an Option can be exercised (or any part thereof), to the extent of the Option which can be exercised at any material time, or any performance criteria which must be satisfied by the Eligible Participant, the Company, and its subsidiaries, before an Option may be exercised), provided that such conditions shall not be inconsistent with any other terms and conditions of the Scheme and the relevant requirements under the applicable laws or the GEM Listing Rules.

The Option will be offered for acceptance for a period of ten business days from the date on which the Option is granted. The amount payable by the grantee to the Company on acceptance of the offer shall be a nominal amount to be determined by the Board. The subscription price in respect of any Option shall, subject to any adjustments made pursuant to the terms of the Scheme, be a price determined by the Board and notified to each grantee and shall be at least the highest of: (i) the closing price per share of the Company 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 the Stock Exchange is open for the business of dealing in securities ("Trading Day"); (ii) the average of the closing prices per share of the Company as stated in the Stock Exchange's daily quotations sheets for the five Trading Days immediately preceding the date of grant of the Options; and (iii) the nominal value of the shares of the Company on the date of grant of the Options.

The total number of shares of the Company which may be issued upon exercise of all Options to be granted under the Scheme and any other share option schemes of the Company shall not in aggregate exceed 10% of the total number of shares of the Company in issue as at the Listing Date (i.e. 2,000,000,000 shares) unless the Company obtains a fresh approval from the shareholders. The Company may seek approval of shareholders in general meeting to renew the 10% limit above such that the total number of shares in respect of which Options may be granted by the Board under the Scheme and any other share option schemes of the Company in issue shall not exceed 10% of the total number of shares in issue as at the date of approval of the renewed limit. The Company may grant Options to specified participant(s) beyond the 10% limit set out above provided that the Options granted in excess of such limit are specifically approved by the shareholders in general meeting and the participants are specifically identified by the Company before such approval is sought. Notwithstanding the foregoing and subject to the maximum entitlement of each Eligible Participant, the maximum number of shares in respect of which Options may be granted under the Scheme together with any Options outstanding and yet to be exercised under the Scheme and any other share option schemes of the Company in issue shall not exceed 30% (or such higher percentage as may be allowed under the GEM Listing Rules) of the total number of shares in issue from time to time.

The total number of shares of the Company issued and to be issued upon exercise of the Options granted to each Eligible Participant (including both exercised and outstanding Options under the Scheme) in the twelve-month period expiring on the offer date shall not exceed 1% of the issued share capital of the Company, unless approval of the shareholders of the Company has been obtained in accordance with the GEM Listing Rules. Where Options are proposed to be granted to a substantial shareholder or an independent non-executive Director or any of their respective associates, and the proposed grant of Options will, result in the total number of shares issued and to be issued upon exercise of all Options already granted and to be granted (including Options exercised, cancelled and outstanding) to such person in the twelve-month period up to and including the date of such grant representing in aggregate over 0.1% of the issued share capital of the Company and having an aggregate value, based on the closing price of the shares at the date of each grant, in excess of HK$5 million, such grant must be approved by the shareholders of the Company at general meeting 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 save that such period shall not exceed ten years from the date of acceptance of the offer subject to the provisions of early termination thereof.

As at the date of this report, the total number of shares available for issue under the Scheme is 200,000,000 shares, representing 10% of the issued share capital of the Company. Since the adoption of the Scheme and up to 31 March 2017, no Option has been granted by the Company.

EQUITY-LINKED AGREEMENTS

Save and except for the Scheme as disclosed in the paragraph headed "SHARE OPTION SCHEME" above, no equity-linked agreement that (i) will or may result in the Company issuing shares or (ii) requires the Company to enter into any agreement that will or may result in the Company issuing shares, was entered into by the Company during the year ended 31 March 2017 or subsisted at the end of the year.

CORPORATE GOVERNANCE

The principal corporate governance practices as adopted by the Company are set out in the section headed "CORPORATE GOVERNANCE REPORT" from pages 20 to 26 of this report.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

During the year ended 31 March 2017, to the best of knowledge of the Directors, there was no material breach of or non-compliance with the applicable laws and regulations by the Group that has a significant impact on the businesses and operations of the Group.

DISCLOSURES UNDER RULES 17.22 TO 17.24 OF THE GEM LISTING RULES

As at 31 March 2017, the Group had no circumstances which would give rise to a disclosure obligation under rules 17.22 to 17.24 of the GEM Listing Rules.

ENVIRONMENTAL POLICIES AND KEY RELATIONSHIP WITH EMPLOYEES

Discussion on the Group's environmental policies and key relationship with employees is set out in the section headed "ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT" from pages 27 to 30 of this report.

KEY RELATIONSHIPS WITH CUSTOMERS AND SUPPLIERS

For the year ended 31 March 2017, the Group has 618 active securities accounts. The Group is committed to establish and maintain long term and harmonious relationships with its customers. In order to maintain the relationships with customers, various means have been established to strengthen the communications between the Group and the customers including email, telephone and face-to-face meeting. In addition, the Group will continue to expand the customer base by utilising the network it has and referrals from existing customers.

The Group does not have any supplier due to the nature of its principal business activities.

DONATION

During the year ended 31 March 2017, the Group made charitable donations of approximately HK$1.3 million (2016: HK$0.5 million).

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

The Directors of the Company during the year ended 31 March 2017 and up to date of this report were as follows:

Executive Directors

Mr. Lo Tak Wing Benson ("Mr. B Lo") *(Chairman)*	(appointed on 3 August 2015)
Mr. Lo Shiu Wing Chester ("Mr. C Lo") *(Chief Executive Officer)*	(appointed on 3 August 2015)

Non-executive Director

Mr. Khoo Ken Wee ("Mr. Khoo")	(appointed on 1 February 2016)

Independent non-executive Directors

Mr. Ma Wai Hung Vincent ("Mr. Ma")	(appointed on 5 December 2016)
Mr. Mok Kwai Pui Bill ("Mr. Mok")	(appointed on 5 December 2016)
Mr. Ng Shu Bun Andrew ("Mr. Ng")	(appointed on 5 December 2016)

The biographical details of the Directors are set out on pages 15 to 18 of this report.

Pursuant to the Articles, at the forthcoming annual general meeting of the Company (the "2017 AGM"), Mr. B Lo, Mr. C Lo and Mr. Khoo will retire as Directors and, being eligible, offer themselves for re-election.

The executive Directors have entered into service contracts with the Company for a term of three years and be thereafter continuous unless and until the termination by either party thereto by giving not less than three months' prior written notice.

The non-executive Director is appointed for a term of one year and either party may terminate such appointment at any time by giving at least one month' prior notice in writing to the other.

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

No Director proposed for re-election at the 2017 AGM has a service contract with the Company or any of its subsidiaries which is not determinable by the Company within one year without payment of compensation, other than the normal statutory compensation.

CONFIRMATION OF INDEPENDENCE

The Company has received annual confirmation of independence from each of the independent non-executive Directors pursuant to the requirement of rule 5.09 of the GEM Listing Rules. The Company considers all independent non-executive Directors to be independent.

REPORT OF THE DIRECTORS

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out in the section headed "BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT" from pages 15 to 19 of this report.

EMOLUMENT POLICY

The emolument policy of the Group is on the basis of the qualifications and contributions of individuals to the Group as well as the performance of the Group. The Company has adopted a share option scheme as an incentive to eligible participants, details of which are set out in the paragraph headed "SHARE OPTION SCHEME".

The Remuneration Committee will review and determine the remuneration and compensation packages of the Directors with reference to their experience, responsibilities, workload and time devoted to the Group and performance of the Group.

Details of the emoluments of the Directors, five highest paid individuals and senior management by band are set out in notes 29, 30 and 33 to the consolidated financial statements respectively.

PERMITTED INDEMNITY PROVISION

The Company has arranged for appropriate insurance covering the liabilities of its Directors and officers in respect of legal actions against them arising out of corporate activities. The permitted indemnity provision is in force for the benefit of the Directors as required by section 470 of the Hong Kong Companies Ordinance (the "Companies Ordinance") when this directors' report prepared by the Directors is approved in accordance with section 391 of the Companies Ordinance.

COMPETING INTERESTS

None of the Directors, the controlling shareholders of the Company nor their respective close associates (as defined in the GEM Listing Rules) had any interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group during the period from the Listing Date to the date of this report.

NON-COMPETITION UNDERTAKING

Each of Thoughtful Mind Limited ("TML"), Mr. B Lo and Mr. C Lo (collectively, the "Covenantors" and each a "Covenantor") entered into a deed of non-competition (the "Deed of Non-Competition") with the Company on 5 December 2016 pursuant to which each of the Covenantors has, among other things, undertaken with the Company that at any time during the period that the Deed of Non-Competition remains effective, such Covenantor shall not, and shall procure that neither their respective close associates nor companies controlled by the Covenantors (other than the members of the Group) will, directly or indirectly, be interested in or engaged in any form of business, including but not limited to any joint venture, alliance, cooperation, partnership which competes or is likely to compete directly or indirectly with the Group's business in any area in which the Group carries or may carry on business ("Restricted Activity") from time to time; nor provide support in any form to persons other than the members of the Group to engage in business that constitute or may constitute direct or indirect competition with the businesses that the Group is currently and from time to time carrying on.

Such non-competition undertaking does not apply to holding shares of a company which conducts or is engaged in any Restricted Activity provided that, such shares are listed on a recognised stock exchange and: (a) the total number of the shares held by the Covenantors and/or their respective close associates (in aggregate) does not amount to more than 5% of the issued shares of such company; and (b) the Covenantors and/or their respective associates are not entitled to appoint a majority of the directors or management of that company.

The Covenantors have confirmed in writing to the Company of their compliance with the Deed of Non-Competition, and the independent non-executive Directors have reviewed the status of compliance and confirmed that all the undertakings under the Deed of Non-Competition have been complied by each of the Covenantors from the Listing Date up to the date of this report.

RELATED PARTY TRANSACTIONS

Details of the related party transactions undertaken by the Group are set out in note 33 to the consolidated financial statements. Those related party transactions which constituted connected transactions/continuing connected transactions under the GEM Listing Rules, which are set out in the paragraph headed "CONNECTED TRANSACTIONS" below, have complied with the requirements under Chapter 20 of the GEM Listing Rules.

CONNECTED TRANSACTIONS

Continuing Connected Transactions

During the year ended 31 March 2017, the Group conducted the following continuing connected transactions:

1. Khoo Connected Service Agreement

On 7 December 2016, the Group's subsidiary, Pacific Foundation Securities Limited ("PFSL"), entered into a service agreement with Mr. Khoo, the non-executive Director, in relation to the provision of brokerage, margin financing and placing services to him (where applicable, including his associates (as defined in the GEM Listing Rules)) under the securities accounts with PFSL (the "Khoo Connected Service Agreement"). The Khoo Connected Service Agreement is effective for a period of 3 years from the Listing Date.

More details of the continuing connected transactions conducted under the Khoo Connected Service Agreement for the year ended 31 March 2017 were as follows:

Connected party	Annual caps	Annual cap amounts for the year ended 31 March 2017 *HK$'000*	Maximum daily outstanding amount/revenue amount for the year ended 31 March 2017 *HK$'000* (Approximately)
Mr. Khoo	Khoo Outstanding Annual Cap *(Note 1)*	11,000	9,703
	Khoo Revenue Annual Cap *(Note 2)*	500	226 *(Note 3)*

Notes:

1. Khoo Outstanding Annual Cap is the annual aggregated cap for the maximum daily outstanding amount of margin financing to be provided to Mr. Khoo.

2. Khoo Revenue Annual Cap is the annual aggregated cap for the total revenue from brokerage, margin financing and placing services to be provided to Mr. Khoo.

3. The amount comprised revenue from brokerage, margin financing and placing services provided to Mr. Khoo during the year ended 31 March 2017 of approximately HK$14,000, HK$212,000 and nil respectively.

The price and terms of the above transactions have been determined in accordance with the pricing policies and guidelines set out in the prospectus of the Company dated 12 December 2016 (the "Prospectus").

2. Lo's Group Connected Service Agreement

On 7 December 2016, PFSL entered into a service agreement with Mr. B Lo and Mr. C Lo (who are siblings), both are executive Directors and controlling shareholders of the Company, in relation to the provision of brokerage, margin financing and placing services to them and their respective associates (as defined in the GEM Listing Rules) (collectively, the "Lo's Group") under their respective securities accounts with PFSL (the "Lo's Group Connected Service Agreement"). The Lo's Group Connected Service Agreement is effective for a period of 3 years from the Listing Date.

More details of the continuing connected transactions conducted under the Lo's Group Connected Service Agreement for the year ended 31 March 2017 were as follows:

Connected parties	**Annual caps**	**Annual cap amounts for the year ended 31 March 2017** *HK$'000*	**Maximum daily outstanding amount/revenue amount for the year ended 31 March 2017** *HK$'000* (Approximately)
Lo's Group	Lo's Group Outstanding Annual Cap *(Note 1)*	50,000	33,100
	Lo's Group Revenue Annual Cap *(Note 2)*	2,000	1,423 *(Note 3)*

Notes:

1. Lo's Group Outstanding Annual Cap is the annual aggregated cap for the total maximum daily outstanding amount of margin financing to be provided to the Lo's Group.

2. Lo's Group Revenue Annual Cap is the annual aggregated cap for the total revenue from brokerage, margin financing and placing services to be provided to the Lo's Group.

3. The amount comprised revenue from brokerage, margin financing and placing services provided to the Lo's Group during the year ended 31 March 2017 of approximately HK$341,000, HK$887,000 and HK$195,000 respectively.

The price and terms of the above transactions have been determined in accordance with the pricing policies and guidelines set out in the Prospectus.

Auditor's Letter on Continuing Connected Transactions

The Company has engaged the Company's auditor to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants.

The Company's auditor has issued an unqualified letter containing their findings and conclusions in respect of the continuing connected transactions set out above in accordance with rule 20.54 of the GEM Listing Rules.

Confirmation of independent non-executive Directors

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

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 March 2017, the interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) held by the Directors and chief executives of the Company (the "Chief Executives") which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or have been entered in the register maintained by the Company pursuant to section 352 of the SFO, or as otherwise have been notified to the Company and the Stock Exchange pursuant to rules 5.46 to 5.67 of the GEM Listing Rules are as follows:

Long position in ordinary shares of HK$0.01 each of the Company

Name of Director	Capacity/Nature of interest	Number of shares held	Approximate percentage of shareholding
Mr. B Lo	Interest in controlled corporation *(Note)*	1,500,000,000	75%
Mr. C Lo	Interest in controlled corporation *(Note)*	1,500,000,000	75%

Note: TML is beneficially owned by Mr. B Lo and Mr. C Lo as to 57.1% and 42.9%, respectively. As such, Mr. B Lo and Mr. C Lo are deemed to be interested in the 1,500,000,000 shares held by TML under the SFO.

Save as disclosed above, as at 31 March 2017, none of the Directors or Chief Executives had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which was required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or pursuant to rules 5.46 to 5.67 of the GEM Listing Rules to be notified to the Company and the Stock Exchange.

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

So far as the Directors and the Chief Executives are aware, as at 31 March 2017, other than the Directors and the Chief Executives, the following person/corporation had or was deemed or taken to have an interest and/or short position in the shares or the underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which would be recorded in the register of the Company required to be kept under section 336 of the SFO, or which would be, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other members of the Group:

Long position in ordinary shares of HK$0.01 each of the Company

Name	Capacity/Nature of interest	Number of shares held	Approximate percentage of shareholding
TML	Beneficial interest	1,500,000,000	75%
Ms. Lui Wing Patsie	Interest in spouse *(Note)*	1,500,000,000	75%

Note: Ms. Lui Wing Patsie is the spouse of Mr. B Lo.

Save as disclosed above, as at 31 March 2017, the Directors were not aware of any person or corporation (other than the Directors and the Chief Executives) who had any interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or pursuant to section 336 of the SFO, which would have to be recorded in the register referred to therein.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the paragraphs headed "DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS" and "SHARE OPTION SCHEME" in this report, and save for the reorganisation and the capitalisation issue as explained in the Prospectus, at no time during the year ended 31 March 2017 was the Company, or any of its subsidiaries or its parent company a party to any arrangements to enable the Directors and Chief Executives (including their respective spouse and children under 18 years of age) to acquire benefits by means of the acquisition of shares or underlying shares in, or debentures of, the Company or any of its associated corporation.

DIRECTORS' INTERESTS IN SIGNIFICANT TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

Save for those disclosed under the section headed "CONNECTED TRANSACTIONS" above and those disclosed in note 33 to the consolidated financial statements, during the year ended 31 March 2017, there was no transaction, arrangement or contract of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a Director or a connected entity of that Director has or had, directly or indirectly, a material interest.

MANAGEMENT CONTRACTS

No contracts, other than employment contracts, concerning the management and administration of the whole or any substantial part of the Group's business were entered into or existed during the year ended 31 March 2017.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the best knowledge of the Directors, as at the date of this report, there is sufficient public float of 25% of the Company's issued shares as required under the GEM Listing Rules.

COMPLIANCE ADVISER'S INTERESTS

As at 31 March 2017, as notified by Ample Capital Limited (the "Compliance Adviser"), save and except for the compliance adviser's agreement entered into between the Company and the Compliance Adviser dated 5 December 2016, neither the Compliance Adviser nor its directors, employees or close associates (as defined in the GEM Listing Rules) had any interests in the securities of the Company or any other companies of the Group (including options or rights to subscribe for such securities) which is required to be notified to the Company pursuant to rule 6A.32 of the GEM Listing Rules.

AUDITOR

The consolidated financial statements of the Group for the year ended 31 March 2017 were audited by Deloitte Touche Tohmatsu ("Deloitte"), the independent auditor of the Company, who shall retire and, being eligible, offer itself for re-appointment at the 2017 AGM. A resolution for the re-appointment of Deloitte as the independent auditor of the Company will be proposed at the 2017 AGM.

ANNUAL GENERAL MEETING

The 2017 AGM will be held at 11:00 a.m. on 29 August 2017 at 3/F, Nexxus Building, 77 Des Voeux Road Central, Hong Kong and a notice of the 2017 AGM will be published and despatched in due course.

On behalf of the Board

Lo Tak Wing Benson
Chairman

Hong Kong, 22 June 2017

Deloitte.
德勤

To the Members of PF Group Holdings Limited
(incorporated in Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of PF Group Holdings Limited (the "Company") and its subsidiaries (collectively referred to as "the Group") set out on pages 46 to 91, which comprise the consolidated statement of financial position as at 31 March 2017, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and 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 March 2017, 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 judgment, 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.

Key audit matter	**How our audit addressed the key audit matter**
Impairment losses on accounts receivable	
We identified the impairment losses on accounts receivable as a key audit matter due to the significance of accounts receivable, amounting to HK$124,838,000 as at 31 March 2017, the significant judgement in determining whether objective evidence of impairment exists and the related estimation uncertainty in the measurement of individual impairment losses. The accounts receivable which give rise to the greatest estimation uncertainty are typically those with exposures that are not secured or are subject to potential cash flows or collateral shortfalls. For further details, we refer to the disclosure of estimation uncertainty in note 5 to the consolidated financial statements and credit quality and credit risk in notes 19 and 35 to the consolidated financial statements respectively.	Our procedures in relation to impairment losses on accounts receivable included: • understanding through enquiry with the management the established policies and procedures on credit risk management and assessing and evaluating the process with respect to identification of accounts receivable from clients with indicators of impairment and the measurement of the impairment allowance; • examining whether the master client agreements for securities dealing contain the right to dispose the securities collateral for settlement for clients' obligations; • checking, on a sample basis, the existence and accuracy of the recoverable amount of the securities collateral, if applicable, to supporting documents and with reference to closing market price; and • assessing the need for impairment loss for overdue balances or margin loans with shortfall of collateral, after taking into account factors like credit quality, additional collateral provided and subsequent repayment of monies.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the 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 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 DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the 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 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.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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 solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs 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.

As part of an audit in accordance with HKSAs, we exercise professional judgment 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.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

- 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 those charged with governance 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 those charged with governance 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.

From the matters communicated with those charged with governance, 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.

The engagement partner on the audit resulting in the independent auditor's report is HO, Chung Kai.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
22 June 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2017

	Notes	**2017** ***HK$'000***	2016 *HK$'000*
Revenue			
Commission income from securities dealing and brokerage services		**5,184**	10,918
Fee and commission income from placing and underwriting activities	*7*	**44,988**	15,884
Interest income from margin financing		**5,901**	4,245
Fee income from asset management services		**3,997**	434
Others	*8*	**11,192**	9,440
Total revenue		**71,262**	40,921
Bank interest income		**11**	9
Other gains and losses		**545**	198
		71,818	41,128
Commission expenses	*9*	**(4,888)**	(4,030)
Depreciation expenses		**(145)**	(241)
Staff costs	*10*	**(15,263)**	(10,343)
Other operating expenses		**(12,131)**	(10,617)
Finance costs	*11*	**(139)**	(272)
Listing expenses		**(6,966)**	(5,989)
Profit before tax	*12*	**32,286**	9,636
Income tax expense	*13*	**(6,713)**	(2,753)
Profit and total comprehensive income for the year		**25,573**	6,883
Profit and total comprehensive income for the year attributable to:			
Owners of the Company		**25,573**	6,955
Non-controlling interests		**–**	(72)
		25,573	6,883
		HK cents	*HK cents*
Earnings per share			
Basic	*14*	**1.58**	0.46

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2017

	Notes	2017 HK$'000	2016 HK$'000
Non-current assets			
Property and equipment	16	**404**	282
Deposits placed with stock exchange and clearing house	17	**630**	675
Rental and utility deposit		**1,182**	1,100
Deposit paid for office equipment		**–**	119
Total non-current assets		**2,216**	2,176
Current assets			
Held-for-trading investment	18	**–**	1,529
Accounts receivable	19	**124,838**	123,655
Prepayments and other receivables		**2,073**	2,270
Tax recoverables		**–**	473
Cash and bank balances:	20		
Bank balance — house accounts		**106,792**	36,724
Pledged bank deposit		**5,000**	5,000
Cash held on behalf of customers		**87,035**	44,943
Total current assets		**325,738**	214,594
Current liabilities			
Accounts payable	21	**92,105**	51,688
Other payables and accruals		**8,901**	7,406
Amounts due to directors	22	**–**	24,319
Tax payables		**3,667**	–
Bank borrowings	23	**–**	10,000
Total current liabilities		**104,673**	93,413
Net current assets		**221,065**	121,181
Net assets		**223,281**	123,357
Equity			
Share capital	24	**20,000**	–
Reserves	25	**203,281**	123,357
Total equity attributable to owners of the Company		**223,281**	123,357

The consolidated financial statements on pages 46 to 91 were approved and authorised for issue by the board of directors on 22 June 2017 and signed on its behalf by:

Lo Tak Wing Benson	**Lo Shiu Wing Chester**
Director	*Director*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2017

	Equity attributable to owners of the Company						
	Share capital *HK$'000* *(Note 24)*	**Share premium** *HK$'000* *(Note 25(a))*	**Other reserves** *HK$'000* *(Note 25(b))*	**Retained profits** *HK$'000*	**Sub-total** *HK$'000*	**Non-controlling interests** *HK$'000*	**Total** *HK$'000*
At 1 April 2015	–	–	–	112,762	112,762	(333)	112,429
Profit and total comprehensive income for the year	–	–	–	6,955	6,955	(72)	6,883
Disposal of subsidiary *(Note 27)*	–	–	3,640	–	3,640	405	4,045
At 31 March 2016	–	–	3,640	119,717	123,357	–	123,357
Profit and total comprehensive income for the year	**–**	**–**	**–**	**25,573**	**25,573**	**–**	**25,573**
Capital contribution *(Note 25(b))*	**–**	**–**	**6,122**	**–**	**6,122**	**–**	**6,122**
Issue of ordinary shares by placing *(Note 24(d))*	**5,000**	**70,000**	**–**	**–**	**75,000**	**–**	**75,000**
Share issue costs	**–**	**(6,771)**	**–**	**–**	**(6,771)**	**–**	**(6,771)**
Capitalisation issue of shares *(Note 24(e))*	**15,000**	**(15,000)**	**–**	**–**	**–**	**–**	**–**
At 31 March 2017	**20,000**	**48,229**	**9,762**	**145,290**	**223,281**	**–**	**223,281**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2017

	2017	2016
	HK$'000	*HK$'000*
OPERATING ACTIVITIES		
Profit before tax	**32,286**	9,636
Adjustment for:		
Bank interest income	**(11)**	(9)
Interest expense	**139**	272
Depreciation charge	**145**	241
Loss arising on change in fair value of financial assets classified as held-for-trading	**71**	514
Operating cash flows before movement in working capital	**32,630**	10,654
Decrease in deposits placed with stock exchange and clearing house	**45**	–
(Increase) decrease in bank balances — client accounts	**(42,092)**	21,703
Decrease in held-for-trading investment	**1,458**	–
(Increase) decrease in rental and utility deposit	**(82)**	41
Increase in accounts receivable	**(1,183)**	(13,276)
Decrease (increase) in prepayments and other receivables	**197**	(1,754)
Increase (decrease) in accounts payable	**40,417**	(44,030)
Increase in other payables and accruals	**1,495**	2,697
CASH GENERATED FROM (USED IN) OPERATIONS	**32,885**	(23,965)
Income tax paid	**(2,573)**	(1,747)
Interest paid	**(139)**	(272)
Bank interest received	**11**	9
NET CASH GENERATED BY (USED IN) OPERATING ACTIVITIES	**30,184**	(25,975)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2017

	Notes	2017 HK$'000	2016 HK$'000
INVESTING ACTIVITIES			
Increase in pledged bank deposit		–	(5,000)
Proceeds from disposal of available-for-sale investment		–	68
Net cash outflow on disposal of a subsidiary	*27*	–	(39)
Purchase of property and equipment		**(148)**	(172)
Increase in deposit paid for office equipment		–	(119)
NET CASH USED IN INVESTING ACTIVITIES		**(148)**	(5,262)
FINANCING ACTIVITIES			
Proceeds from issue of shares	*24(d)*	**75,000**	–
Expenses of issue of new shares		**(6,771)**	–
Repayment of bank borrowings		**(10,000)**	–
Advance from directors		–	4,696
Repayment to directors		**(18,197)**	–
NET CASH GENERATED BY FINANCING ACTIVITIES		**40,032**	4,696
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**70,068**	(26,541)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF YEAR		**36,724**	63,265
CASH AND CASH EQUIVALENTS AT THE END OF YEAR represented by cash and bank balances — house accounts		**106,792**	36,724
Additional disclosure: Cash flow from interest received		**6,183**	4,254

1. GENERAL

PF Group Holdings Limited (the "Company") was incorporated in the Cayman Islands as an exempted company with limited liability on 3 August 2015 under the Companies Law of the Cayman Islands. The shares of the Company have been listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 6 January 2017. Its ultimate holding company is Thoughtful Mind Limited ("TML"), a company incorporated in the British Virgin Islands (the "BVI") with limited liability.

The Company is an investment holding company. The Company and its subsidiaries (collectively referred to as the "Group") is principally engaged in the provision of (i) securities dealing and brokerage services; (ii) placing and underwriting services; (iii) financing services including securities and initial public offering ("IPO") margin financing; and (iv) asset management services.

The Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and the principal place of business of the Company is 11/F, New World Tower, Tower II, 16-18 Queen's Road Central, Hong Kong.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is also the functional currency of the Company and its subsidiaries.

2. BASIS OF PRESENTATION

Through the group reorganisation (the "Reorganisation"), as fully explained in the section headed "History, Reorganisation and Development" in the prospectus of the Company dated 12 December 2016, the Company became the holding company of the companies now comprising the Group on 1 December 2016. The Group is under common control of the controlling shareholders, namely Mr. Lo Tak Wing Benson ("Mr. B Lo") and Mr. Lo Shiu Wing Chester ("Mr. C Lo"), before and after the Reorganisation and throughout the years ended 31 March 2016 and 2017. As a result, the Group comprising the Company and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity.

The consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years ended 31 March 2016 and 2017 which include the results, changes in equity and cash flows of the companies comprising the Group have been prepared as if the Company had always been the holding company of the Group and the current group structure had been in existence throughout the years ended 31 March 2016 and 2017, or since the respective dates of incorporation, where there is a shorter period. The consolidated statement of financial position of the Group as at 31 March 2016 has been prepared to present the assets and liabilities of the companies now comprising the Group as if the current group structure had been in existence as at 31 March 2016 taking into account their respective date of incorporation.

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

The Group has applied the amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are mandatorily effective for the current year. The application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 9	Financial Instruments[2]
HKFRS 15	Revenue from Contracts with Customers and the related Amendments[2]
HKFRS 16	Leases[3]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[2]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[2]
Amendments to HKFRS 10 and Hong Kong Accounting Standard ("HKAS") 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKAS 7	Disclosure Initiative[1]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[1]
Amendments to HKAS 40	Transfers of Investment Property[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014–2016 Cycle[5]
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration[2]

1 Effective for annual periods beginning on or after 1 January 2017.
2 Effective for annual periods beginning on or after 1 January 2018.
3 Effective for annual periods beginning on or after 1 January 2019.
4 Effective for annual periods beginning on or after a date to be confirmed.
5 Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate.

Except as described below, the directors of the Company do not anticipate that the application of the new and amendments to HKFRSs will have material impact on the consolidated financial statements.

HKFRS 9 Financial instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(continued)*

HKFRS 9 Financial instruments *(continued)*

Key requirements of HKFRS 9 which are relevant to the Group are:

- All recognised financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held-for-trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

The directors of the Company anticipate that the application of HKFRS 9 in the future may have an impact on amounts reported in respect of the Group's financial assets, (e.g. impairment on accounts receivable) resulting from early provision of credit losses. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 9 until the Group performs a detailed review.

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(continued)*

HKFRS 15 Revenue from contracts with customers and the related amendments

HKFRS 15 was issued to establish a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(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 the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued Clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent consideration, as well as licensing application guidance.

The directors of the Company anticipate that the application of HKFRS 15 in the future may have an impact on the amounts reported (e.g. fee and commission income from placing and underwriting activities) as the timing of revenue recognition may be affected by the new standard, and more disclosures relating to revenue is required. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(continued)*

HKFRS 16 Leases

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 Leases and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, operating lease payments are currently presented as operating cash flows. Under HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows.

HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 March 2017, the Group has non-cancellable operating lease commitments of approximately HK$678,000 as disclosed in note 31. The application of new requirements may result changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the director of the Company complete a detailed review.

4. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on GEM of the Stock Exchange and by the Hong Kong Companies Ordinance.

Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for the held-for-trading investment that is measured at fair value, at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for leasing transactions that are within the scope of HKAS 17 "Leases", and measurements that have some similarities to fair value but are not fair value, such as value in use in HKAS 36 "Impairment of Assets".

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of the subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in existing subsidiaries

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs).

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents the amounts received or receivable for services provided in the normal course of business. Revenue is recognised when it is probable that the economic benefits will flow to the Group and when revenue can be measured reliably, on the following basis:

(i) Commission income from (a) securities dealing and brokerage services and (b) placing and underwriting activities are recognised as income on a trade date basis;

(ii) Fee income from placing and underwriting activities and referral fee income are recognised as income in accordance with the terms of the agreements when the relevant significant acts have been completed;

(iii) Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income from a financial asset is accrued on a time basis by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition;

(iv) Management fee income from asset management services, settlement fee income and handling fee income are recognised as income when services are rendered; and

(v) Performance fee income from asset management services is recognised as income in accordance with the terms of the agreements on the valuation date.

Property and equipment

Property and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property and equipment less their residual values over their estimated useful lives, using straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies

Transactions in currencies other than the functional currency of the group entity (foreign currencies) are recognised at the rates of exchanges prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

Employee benefits

Payments to the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

Taxation

Income tax expense represents the tax currently payable.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "profit before tax" as reported in the consolidated statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with 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. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Taxation *(continued)*

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

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

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of each reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

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

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into the following specified categories: financial assets at fair value through profit or loss ("FVTPL") and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is held-for-trading. A financial asset is classified as held-for-trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables including accounts receivable, other receivables and cash and bank balances are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial reorganisation.

For certain categories of financial assets, such as accounts receivable, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments and observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of accounts receivable, where the carrying amount is reduced through the use of an allowance account. When accounts receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit and loss. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company or its subsidiary are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities at amortised cost

Financial liabilities including accounts payable, other payables, amounts due to directors and bank borrowings are subsequently measured at amortised cost using the effective interest method.

Effective interest method

Interest expense is recognised on an effective interest basis other than those financial liabilities classified as at FVTPL, of which the interest expense is included in net gains or losses.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, the management of the Company is required to make estimates, judgements 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 may differ from these estimates.

The estimates and associated 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.

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

Impairment of accounts receivable

The Group reviews its accounts receivable to assess impairment on a periodic basis. In determining whether an impairment loss for accounts receivable arising from the business of dealing in securities should be recognised in profit or loss, the Group first reviews the value of the securities collateral received from the customers and customers' collection history on an individual basis.

In determining whether an impairment loss for accounts receivable arising from the provisions of placing and underwriting services, asset management services and other services should be recognised in profit or loss, the Group reviews the customers' current credit worthiness and past collection history.

The policy for collective impairment allowance for accounts receivable of the Group is based on the evaluation of probability of default, loss given default and exposure at default of accounts and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these accounts receivable, including the current creditworthiness, and the past collection history of each amount.

Income taxes

There are certain transactions and activities during the ordinary course of business for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters is different from the amounts that were initially estimated, such differences will impact the current income tax in the period during which such a determination is made.

6. SEGMENT REPORTING

The chief operating decision maker ("CODM") of the Group, being the management of the Group, regularly review revenue analysis by major services to make decisions about resource allocation. No discrete financial information other than revenue is regularly provided to the CODM. The management assesses the performance of the Group based on the revenue and profit as presented in the consolidated statement of profit or loss and other comprehensive income.

No segment assets or liabilities is presented as the CODM does not review segment assets and liabilities.

Revenue from major services

The Group provides five types of services:

(a) securities dealing and brokerage services, which primarily generate commission on securities dealing;

(b) placing and underwriting services, which primarily generate fee and commission from equity and debt securities placing and underwriting;

(c) financing services, including securities and IPO margin financing, which generate interest income from margin clients;

(d) asset management services, which primarily generate management fee and performance fee; and

(e) other services, which primarily generate fee income (such as settlement fees and referral fees) from other services provided.

The following is an analysis of the Group's revenue from its major services.

	2017 ***HK$'000***	2016 *HK$'000*
Securities dealing and brokerage services	**5,184**	10,918
Placing and underwriting services	**44,988**	15,884
Financing services	**5,901**	4,245
Asset management services	**3,997**	434
Other services	**11,192**	9,440
	71,262	40,921

Revenue reported above represents revenue generated from external customers.

6. SEGMENT REPORTING *(continued)*

Geographical information

The Group's non-current assets are located in Hong Kong. The Group operates in Hong Kong and its revenue is derived from its operations in Hong Kong.

Information about major customers

Revenue from major customers contributing over 10% of the total revenue of the Group are as follows:

	2017	2016
	HK$'000	*HK$'000*
Customer 1	**8,353**	N/A[1]
Customer 2	**N/A**[1]	9,430
Customer 3	**N/A**[1]	4,719

[1] No revenue was generated from the customer in the relevant year.

No other single customer contributed 10% or more to the Group's revenue during the reporting period (2016: nil).

7. FEE AND COMMISSION INCOME FROM PLACING AND UNDERWRITING ACTIVITIES

	2017	2016
	HK$'000	*HK$'000*
Fee and commission income from selling shareholders/issuers/brokers	**41,311**	14,053
Commission income from subscribers	**3,677**	1,831
	44,988	15,884

8. OTHER REVENUE

	2017	2016
	HK$'000	*HK$'000*
Settlement fee income	**1,120**	–
Referral fee income	**6,800**	9,430
Handling fee income	**72**	10
Professional service fee income	**500**	–
Loan commitment fee income	**2,700**	–
	11,192	9,440

9. COMMISSION EXPENSES

	2017	2016
	HK$'000	*HK$'000*
Commission to account executives	**1,192**	2,166
Commission to sub-placing agents and sub-underwriters	**3,696**	1,864
	4,888	4,030

10. STAFF COSTS

	2017	2016
	HK$'000	*HK$'000*
Salaries and bonus	**6,521**	5,319
Contributions to Mandatory Provident Fund	**245**	224
Allowances	**208**	331
Directors' emoluments *(Note 29)*		
— Fees	**93**	–
— Salaries	**2,160**	2,400
— Bonus	**6,000**	2,020
— Contributions to Mandatory Provident Fund	**36**	49
	15,263	10,343

Staff and directors' bonus are discretionary and determined with reference to the Group's and individuals' performance.

The Group participates in a Mandatory Provident Fund Scheme under the Mandatory Provident Fund Schemes Ordinance for all qualified employees. The Group contributes certain percentage of relevant payroll costs to the scheme, and the contribution is matched by employees but subject to a maximum amount for each employee. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees.

11. FINANCE COSTS

	2017	2016
	HK$'000	*HK$'000*
Interest on bank borrowings	**139**	272

The weighted average interest rate on funds borrowed is 2.75% for the year ended 31 March 2017 (2016: 2.41%).

12. PROFIT BEFORE TAX

	2017 HK$'000	2016 HK$'000
Net foreign exchange loss	18	–
Minimum lease payments paid under operating lease in respect of rented premises	4,129	4,068
Auditor's remuneration	800	304
Legal and professional fees (excluding listing expenses)	1,653	103
Donation	1,300	481
Entertainment expenses	1,527	1,601
Loss arising on change in fair value of financial asset classified as held-for-trading	71	514

13. INCOME TAX EXPENSE

	2017 HK$'000	2016 HK$'000
Current tax:		
Hong Kong profits tax	6,600	2,753
Under provision in prior year:		
Hong Kong profits tax	113	–
Income tax expense for the year	6,713	2,753

Hong Kong profits tax is calculated at 16.5% of the estimated assessable profit for both years.

The tax charge for the year can be reconciled to profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2017 HK$'000	2016 HK$'000
Profit before tax	32,286	9,636
Tax at the statutory tax rate of 16.5%	5,327	1,590
Tax effect of deductible temporary differences not recognised	(34)	(3)
Tax effect of expenses not deductible for tax purpose	1,329	1,204
Tax effect of income not taxable for tax purpose	(2)	(2)
Under provision in respect of prior year	113	–
Tax concession	(20)	(20)
Others	–	(16)
Income tax expense for the year	6,713	2,753

13. INCOME TAX EXPENSE *(continued)*

As at 31 March 2017 and 2016, the Group had no material deferred tax assets or liabilities arising from deductible or taxable temporary differences.

14. EARNINGS PER SHARE

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

	2017	2016
	HK$'000	*HK$'000*
Earnings		
Earnings for the purpose of basic earnings per share:		
Profit for the year attributable to owners of the Company	**25,573**	6,955

	2017	2016
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,616,438,000**	1,500,000,000

The weighted average number of ordinary shares for the purpose of calculating basic earnings per share has been determined on the assumption that the Reorganisation and the capitalisation issue as disclosed in note 24 had been effective on 1 April 2015.

There was no dilutive potential ordinary share in issue for both years, thus no diluted earnings per share is presented.

15. DIVIDENDS

The directors of the Company do not recommend the payment of any dividend in respect of the year ended 31 March 2017 (2016: nil).

16. PROPERTY AND EQUIPMENT

	Furniture and equipment *HK$'000*	Leasehold improvement *HK$'000*	Total *HK$'000*
COST			
Balance at 1 April 2015	3,094	52	3,146
Additions	172	–	172
Balance at 31 March 2016	3,266	52	3,318
Written off	(1,970)	–	(1,970)
Additions	267	–	267
Balance at 31 March 2017	1,563	52	1,615
ACCUMULATED DEPRECIATION			
Balance at 1 April 2015	2,743	52	2,795
Depreciation expense	241	–	241
Balance at 31 March 2016	2,984	52	3,036
Written off	(1,970)	–	(1,970)
Depreciation expense	145	–	145
Balance at 31 March 2017	1,159	52	1,211
CARRYING VALUES			
As at 31 March 2016	282	–	282
As at 31 March 2017	404	–	404

The above items of property and equipment are depreciated on a straight-line basis at the following rates per annum:

Furniture and equipment	20%
Leasehold improvement	Over the term of the lease

17. DEPOSITS PLACED WITH STOCK EXCHANGE AND CLEARING HOUSE

	2017	2016
	HK$'000	*HK$'000*
Deposits with Hong Kong Stock Exchange	**300**	300
Stamp duty with Hong Kong Stock Exchange	**30**	75
Deposits with Hong Kong Securities Clearing Company Limited:		
Admission fee	**150**	150
Guarantee fund	**150**	150
	630	675

18. HELD-FOR-TRADING INVESTMENT

	2017	2016
	HK$'000	*HK$'000*
Held-for-trading investment include:		
Equity securities listed outside Hong Kong at fair value	**–**	1,529

19. ACCOUNTS RECEIVABLE

	2017	2016
	HK$'000	*HK$'000*
Accounts receivable arising from the business of dealing in securities:		
— Clearing house	**–**	4,044
— Cash clients	**5,951**	7,482
— Margin clients	**108,149**	111,989
Accounts receivable arising from the placing and underwriting business	**3,897**	140
Accounts receivable arising from asset management services	**241**	–
Accounts receivable arising from other services	**6,600**	–
	124,838	123,655
Less: Impairment	**–**	–
	124,838	123,655

Accounts receivable from clearing house and cash clients represent trades pending settlement arising from business of dealing in securities transactions which are normally due within two trading days after the trade date. All accounts receivable from clearing house and cash clients are included in "neither past due nor impaired" category. The management believes that no impairment allowance is necessary in respect of these balances as the balances are considered fully recoverable.

19. ACCOUNTS RECEIVABLE *(continued)*

Accounts receivable from margin clients are repayable on demand or according to agreed repayment schedules, and bearing interest at a rate of 3.25% to 8.25% as at 31 March 2017 (2016: 3.25% to 10.25%). The credit facility limits to margin clients are determined by the discounted market value of the collateral securities accepted by the Group. The Group maintains a list of approved stocks for margin lending at a specified loan-to-collateral ratio. A margin call may occur when the balances of the accounts receivable from margin clients exceed the permitted margin loan limit, or when the discounted market value of the collateral security is less than the balances of the accounts receivable from margin clients.

Accounts receivable from margin clients as at 31 March 2017 and 2016 were secured by securities or debt instrument, which were pledged to Pacific Foundation Securities Limited ("PFSL"), the Company's subsidiary, as collateral. The securities had a fair value of approximately HK$712,176,000 as at 31 March 2017 (2016: HK$525,854,000). The Group is not prohibited to sell the collaterals upon customers' default or repledge the collaterals upon receiving customers' authorisation.

Ageing of accounts receivable from margin clients which are past due but not impaired:

	2017	2016
	HK$'000	*HK$'000*
0–60 days past due	–	–
61–90 days past due	–	–
> 90 days past due	**18,376**	–
	18,376	–

Included in the Group's accounts receivable from margin clients as at 31 March 2017 are debtors with aggregate amount of approximately HK$18,376,000 (2016: nil) which are past due as at reporting date for which the Group has not provided for impairment loss. The Group held securities and debt instrument as collateral over these balances. The average age of these receivables is 120 days (2016: nil). Except as described above, all accounts receivables from margin clients are included in "neither past due nor impaired" category.

As at 31 March 2017, 100% (2016: 100%) of the accounts receivable from margin clients were secured by sufficient collateral on an individual basis. Management of the Group has assessed the market value of the pledged securities of each individual customer as at the end of each reporting period and considered that no impairment allowance is necessary taking into consideration of client's credit quality, collateral provided and subsequent repayment of monies.

As at 31 March 2017, accounts receivable from margin clients includes accounts receivable from directors of the Company of approximately HK$777,000 (2016: HK$10,098,000), accounts receivable from a family member of a director of the Company of approximately HK$11,950,000 (2016: HK$12,273,000) and accounts receivable from entity controlled by the directors of the Company of approximately HK$1,163,000 (2016: HK$1,620,000). All these amounts represented continuing connected transactions.

19. ACCOUNTS RECEIVABLE *(continued)*

Except for the ageing of accounts receivable from margin clients which are past due but not impaired, no ageing analysis is disclosed for accounts receivable arising from the business of dealing in securities as in the opinion of directors of the Company, the ageing analysis does not give additional value in view of the nature of broking business.

Accounts receivable arising from the placing and underwriting services business, asset management services and other services are repayable in accordance with the contract terms.

The following is an aged analysis of accounts receivable arising from the placing and underwriting business, asset management services and other services presented based on the date of rendering services:

	2017	2016
	HK$'000	*HK$'000*
0–60 days	**3,072**	100
61–90 days	**–**	40
>90 days	**7,666**	–
	10,738	140

Ageing of accounts receivable arising from the placing and underwriting business, asset management services and other services which are past due but not impaired:

	2017	2016
	HK$'000	*HK$'000*
0–60 days past due	**139**	–
61–90 days past due	**–**	–
>90 days past due	**7,200**	–
	7,339	–

Included in the Group's accounts receivable arising from the placing and underwriting business, asset management services and other services as at 31 March 2017 are debtors with aggregate carrying amount of approximately HK$7,339,000 (2016: nil) which are past due as at the reporting date for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances. The average age of these receivables is 96 days (2016: nil). Except as described above, all accounts receivables arising from the placing and underwriting business, asset management services and other services are included in "neither past due nor impaired" category.

The management believes that no impairment allowance is necessary in respect of all accounts receivable arising from the placing and underwriting business, asset management services and other services because these debtors are of good credit.

20. CASH AND BANK BALANCES

Bank balances represent demand deposits at bank which bear interest at the prevailing market rates.

The Group maintains segregated bank accounts to hold customers' deposits arising from normal business transactions. The Group has recognised the corresponding amount in accounts payable. The cash held on behalf of customers is restricted and governed by the Securities and Futures (Client Money) Rules under the Securities and Futures Ordinance.

As at 31 March 2017, the Group has pledged deposits at bank of HK$5,000,000 to secure banking facilities granted to the Group (2016: HK$5,000,000).

21. ACCOUNTS PAYABLE

	2017 ***HK$'000***	2016 *HK$'000*
Accounts payable arising from the business of dealing in securities:		
— Clearing house	**3,827**	–
— Cash clients	**72,831**	50,945
— Margin clients	**13,596**	743
Accounts payable arising from the placing and underwriting business	**1,851**	–
	92,105	51,688

Accounts payable to clearing house represent trades pending settlement arising from business of dealing in securities transactions which are normally due within two trading days after the trade date.

The accounts payable to cash clients and margin clients are repayable on demand except where certain balances represent trade pending settlement or deposits received from clients for their trading activities under the normal course of business. Only the excessive amounts over the required deposits stipulated are repayable on demand.

Accounts payable to cash clients includes amounts payable to directors of the Company of approximately HK$3,440,000 as at 31 March 2017 (2016: HK$1,526,000).

Accounts payable to margin clients includes accounts payable to a director of the Company of approximately HK$511,000 as at 31 March 2017 (2016: nil).

Accounts payable arising from the business of dealing in securities are interest-bearing, except for amounts representing pending trades payable to the clearing house, cash clients and margin clients.

No ageing analysis is disclosed for accounts payable arising from the business of dealing in securities as in the opinion of directors of the Company, the ageing analysis does not give additional value in view of the nature of broking business.

21. ACCOUNTS PAYABLE *(continued)*

Accounts payable arising from the placing and underwriting business are payable in accordance with the contract terms.

The following is an aged analysis of accounts payable arising from the placing and underwriting business presented based on the date of rendering services:

	2017	2016
	HK$'000	*HK$'000*
0–60 days	**1,851**	–
	1,851	–

22. AMOUNTS DUE TO DIRECTORS

	2017	2016
	HK$'000	*HK$'000*
Director		
Mr. B Lo	**–**	6,199
Mr. C Lo	**–**	18,120
	–	24,319

The amounts due to directors were non-trading in nature, unsecured, repayable on demand and non-interest bearing.

23. BANK BORROWINGS

	2017	2016
	HK$'000	*HK$'000*
Secured bank loan	**–**	10,000

The bank facility is secured by listed shares of certain margin clients upon receiving client's authorisation amounting to approximately HK$15,826,000 as at 31 March 2017 (2016: HK$38,455,000). The bank facility is also secured by pledged bank deposit amounting to HK$5,000,000 as at 31 March 2017 (2016: HK$5,000,000).

24. SHARE CAPITAL

	Number of ordinary shares	Amount HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
At 3 August 2015 (date of incorporation) and 31 March 2016 *(Note (a))*	38,000,000	380
Increase in authorised share capital *(Note (c))*	7,962,000,000	79,620
At 31 March 2017	8,000,000,000	80,000
Issued and fully paid:		
At 3 August 2015 (date of incorporation) and 31 March 2016 *(Note (a))*	1	–
Issue of shares by placing *(Note (d))*	500,000,000	5,000
Capitalisation issue of shares *(Note (e))*	1,499,999,999	15,000
At 31 March 2017	2,000,000,000	20,000

Notes:

(a) The Company was incorporated in the Cayman Islands on 3 August 2015. As at the date of incorporation and up to 31 March 2016, the authorised share capital of the Company was HK$380,000 divided into 38,000,000 ordinary shares of HK$0.01 each. Upon incorporation, one nil paid share of HK$0.01 was issued and transferred to TML on the same date.

(b) On 1 December 2016, pursuant to the Reorganisation (Note 2), the Company credited as fully paid the one nil paid share issued upon incorporation.

(c) Pursuant to the written resolution passed by the shareholder on 5 December 2016, the authorised share capital of the Company was increased from HK$380,000 divided into 38,000,000 ordinary shares of HK$0.01 each to HK$80,000,000 divided into 8,000,000,000 ordinary shares of HK$0.01 each by the creation of an additional 7,962,000,000 ordinary shares of HK$0.01 each which rank pari passu in all respects with the existing shares.

(d) On 6 January 2017, the Company issued 500,000,000 ordinary shares of HK$0.01 each pursuant to the Company's listing on GEM of the Stock Exchange by way of placing at a price of HK$0.15 per placing share.

(e) Pursuant to the written resolution passed by the shareholder on 5 December 2016, a sum of approximately HK$15,000,000 standing to the credit of the share premium account of the Company was capitalised by paying up in full at par a total of 1,499,999,999 new shares for allotment and issue to TML upon listing on 6 January 2017.

25. RESERVES

(a) Share premium

Share premium is the excess of the proceeds received over the nominal value of the shares of the Company issued at a premium, less expenses incurred in connection with the issue of the shares.

(b) Other reserves

Other reserves represent (i) deemed capital contribution of approximately HK$3,640,000 from Mr. B Lo arising from the disposal of a subsidiary during the year ended 31 March 2016 (Note 27); and (ii) the amount due to Mr. B Lo of approximately HK$6,122,000 which was capitalised during the year ended 31 March 2017 (Note 28).

26. SHARE OPTION SCHEME

A share option scheme (the "Scheme") was adopted by the shareholder of the Company and was effective on 5 December 2016. Unless otherwise cancelled or amended, the Scheme will remain in force for a period of 10 years from the date of its adoption on 5 December 2016. Subject to the terms of the Scheme, the board of directors shall be entitled to make an offer of the grant of an option to subscribe for shares of the Company to any directors, employees of the Group, consultants or advisers of the Group, providers of goods and/or services to the Group, customers of the Group, holders of securities issued by any member of the Group, or any other person, who at the sole discretion of the board of directors, has contributed to the Group, whom the board of directors may select at its absolute discretion.

Since the adoption of the Scheme and up to 31 March 2017, no option has been granted by the Company.

27. DISPOSAL OF A SUBSIDIARY

On 23 March 2016, the Group disposed its 90% shareholding interest in Pacific Innovest Corporate Finance Limited to Mr. B Lo for HK$1 in cash.

Analysis of assets and liabilities over which control was lost:

	HK$'000
Other receivables	1,902
Cash and bank balances	39
Accruals	(20)
Amounts due to directors	(5,966)
Net liabilities disposed of	(4,045)
Gain on disposal of a subsidiary:	
Consideration received	–
Net liabilities disposed of	4,045
Non-controlling interests	(405)
Gain on disposal recognised as deemed capital contribution from Mr. B Lo	3,640
Net cash outflow arising on disposal:	
Cash consideration	—
Less: bank balances and cash disposed of	(39)
	(39)

28. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Major Non-Cash Transaction:

During the year ended 31 March 2017, amount due to Mr. B Lo of approximately HK$6,122,000 was capitalised and transferred from amounts due to directors to other reserves (Note 25(b)).

29. DIRECTORS' EMOLUMENTS

For the financial year ended 31 March 2017

Name	Director fee	Salary and allowances	Contribution to retirement benefit schemes	Bonuses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Mr. B Lo	**3**	**1,200**	**18**	**4,000**	**5,221**
Mr. C Lo	**3**	**960**	**18**	**2,000**	**2,981**
Khoo Ken Wee	**3**	**–**	**–**	**–**	**3**
Ma Wai Hung Vincent	**28**	**–**	**–**	**–**	**28**
Mok Kwai Pui Bill	**28**	**–**	**–**	**–**	**28**
Ng Shu Bun Andrew	**28**	**–**	**–**	**–**	**28**
	93	**2,160**	**36**	**6,000**	**8,289**

For the financial year ended 31 March 2016

Name	Director fee	Salary and allowances	Contribution to retirement benefit schemes	Bonuses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Mr. B Lo	–	1,200	18	1,000	2,218
Mr. C Lo	–	960	18	1,000	1,978
Khoo Ken Wee	–	240	13	20	273
	–	2,400	49	2,020	4,469

The directors' emoluments shown above were for their services as directors of the Company and subsidiary undertaking of the Company.

On 3 August 2015, Mr. B Lo and Mr. C Lo have been appointed as directors of the Company. On 1 February 2016, Mr. Khoo Ken Wee has been appointed as a director of the Company.

On 5 December 2016, Mr. Ng Shu Bun Andrew, Mr. Mok Kwai Pui Bill and Mr. Ma Wai Hung Vincent have been appointed as independent non-executive directors of the Company to take effect on the listing date.

The bonuses are discretionary and determined with reference to the Group's and the individuals' performance.

During the year ended 31 March 2017, no directors of the Company waived any emoluments and no emoluments were paid by the Group to any of the directors of the Company as an inducement to join or upon joining the Group or as compensation for loss of office (2016: nil).

30. HIGHEST PAID INDIVIDUALS

Of the five individuals with the highest emoluments in the Group, two (2016: two) out of the five individuals were directors of the Company whose emoluments are included in the disclosures in note 29 above. The emolument of the remaining three individuals were as follows:

	2017	2016
	HK$'000	*HK$'000*
Basic salaries and allowances	**1,716**	766
Bonuses	**698**	686
Contribution to retirement benefit	**54**	38
	2,468	1,490

Their emoluments were within the following bands:

	Number of employees	
	2017	2016
Nil to HK$1,000,000	**2**	3
HK$1,000,001 to HK$1,500,000	**1**	–
	3	3

Bonuses are discretionary and determined with reference to the Group's and the individuals' performance. No emoluments have been paid to these individuals as an inducement to join or upon joining the Group or as compensation for loss of office during the year.

31. OPERATING LEASE COMMITMENTS

At the end of the reporting period, the Group had commitments for future minimum lease payments under a non-cancellable operating lease which falls due as follows:

	2017	2016
	HK$'000	*HK$'000*
Within one year	**678**	4,068
In the second to fifth years inclusive	**–**	678
	678	4,746

Operating lease payments represent rentals payable by the Group for its office premises. Leases and rentals are negotiated and fixed for a period of two years.

32. CAPITAL COMMITMENTS

	2017 *HK$'000*	2016 *HK$'000*
Capital expenditure in respect of acquisition of office equipment contracted for but not provided in the consolidated financial statements	**–**	118

33. RELATED PARTY TRANSACTIONS

During the year, the Group entered into the following transactions with related parties, which also constitute connected party transactions:

	2017 *HK$'000*	2016 *HK$'000*
Commission income from securities dealing and brokerage services received or receivable from:		
Directors of the Company	**29**	242
Family member of a director of the Company	**174**	148
Entity controlled by the directors of the Company	**85**	98
Entity controlled by a family member of a director of the Company	**–**	11
Entity significantly influenced by the directors of the Company	**4**	7

	2017 *HK$'000*	2016 *HK$'000*
Fee and commission income from placing and underwriting activities received or receivable from:		
Directors of the Company	**–**	2
Family member of a director of the Company	**106**	–
Entity controlled by the directors of the Company	**70**	7

33. RELATED PARTY TRANSACTIONS *(continued)*

	2017 **HK$'000**	2016 HK$'000
Interest income from margin financing received or receivable from:		
Directors of the Company	**236**	414
Family member of a director of the Company	**339**	340
Entity controlled by the directors of the Company	**39**	35

	2017 **HK$'000**	2016 HK$'000
Commission expenses paid or payable to:		
Director of the Company	**–**	45
Family member of a director of the Company	**–**	45

The balances with related parties have been disclosed in notes 19, 21 and 22.

Compensation of key management personnel

Key management includes directors and senior management of the Group. The remuneration of key management are as follows:

	2017 **HK$'000**	2016 HK$'000
Short term employee benefits	**11,071**	5,060
Contributions to Mandatory Provident Fund	**107**	85
	11,178	5,145

The remuneration of senior management who are not the directors of the Company whose emoluments fell within the following bands:

	Number of individuals	
	2017	2016
Nil to HK$1,000,000	**3**	3
HK$1,000,001 to HK$1,500,000	**1**	–

34. CAPITAL MANAGEMENT

The Group manages its capital to ensure that it 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 Group's overall strategy remains unchanged during the reporting periods.

The capital structure of the Group consists of cash and cash equivalents and equity attributable to owners of the Company.

PFSL is registered with the Hong Kong Securities and Futures Commission ("SFC") for the business in which it operates and is subject to liquid capital requirements under the Hong Kong Securities and Futures (Financial Resources) Rules ("SF(FR)R"). Under the SF(FR)R, it is required to maintain liquid capital in excess of HK$3 million or 5% of the total adjusted liabilities, whichever is higher. PFSL had complied with the capital requirements imposed by the SF(FR)R throughout the reporting periods.

Other than PFSL, the Group is not subject to any externally imposed capital requirements.

Gearing ratio

The management of the Group reviews the capital structure on an ongoing basis. As part of this review, the management of the Group considers the cost of capital and the risks associated with each class of capital.

The gearing ratio at the end of each reporting periods are as follows:

	2017 ***HK$'000***	2016 *HK$'000*
Debt *(Note 1)*	**–**	34,319
Equity *(Note 2)*	**223,281**	123,357
Debt to equity ratio	**N/A**	27.8%

Notes:

(1) Debt represent amounts due to directors of the Company and bank loans as detailed in notes 22 and 23.

(2) Equity includes all capital and reserves.

35. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2017 *HK$'000*	2016 *HK$'000*
Financial assets		
Fair value through profit or loss		
— held-for-trading investment	–	1,529
Loans and receivables (including cash and cash equivalents)	**324,058**	210,322
Financial liabilities		
Financial liabilities at amortised cost	**92,302**	86,171

Financial risk management objectives and policies

The Group's risk management objectives are to achieve a proper balance between risks and yield, minimise the adverse impacts of risks on the Group's operating performance, and maximize the benefits of the shareholders. Based on these risk management objectives, the Group's basic risk management strategy is to identify and analyse the various risks the Group is exposed to, and to establish an appropriate tolerance for risk management practice, so as to monitor, notify and respond to the risks regularly and effectively and to control risks at an acceptable level.

The risks the Group is exposed to in its daily operating activities mainly include market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The Group has established policies and procedures accordingly to identify and analyse the risks. The Group has set up appropriate risk indicators, risk limits, risk policies and internal control process. The Group also manages risks with information system on a continuous monitoring basis.

There has been no change to the types of the Group's exposure in respect of financial instruments or the manner in which it manages and measures the risks.

The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

35. FINANCIAL INSTRUMENTS *(continued)*

Market risk

Interest rate risk

At the end of the reporting period, the cash flow interest rate risk mainly arises from the Group's bank balances (house account) and bank borrowings, which are financial instruments carried at variable interest rates. Based on the year end interest-bearing bank balances (house account) and bank borrowings, if interest rates had been 50 basis points higher and all other variables were held constant, the Group's profit after taxation for the financial year ended 31 March 2017 would increase by approximately HK$58,000 (2016: HK$132,000). The management of the Group assessed that a decrease in interest rates is not likely and will not affect the Group's cash flow interest rate risk.

Currency risk

Currency risk is the risk of loss due to adverse movements in foreign exchange rates relating to foreign currency deposits with banks. The Group's foreign exchange rate risk is not material as foreign currency deposits with banks are minimal.

Credit risk

At the end of the reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group holds collateral to cover its credit risks associated with its accounts receivable from margin clients as mentioned in note 19 and reviews the recoverable amount of each individual accounts receivable at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

As at 31 March 2017, the Group has concentration of credit risk on accounts receivable as 49% of the total accounts receivable was due from top five largest customers (2016: 64%) and 1% of the total accounts receivable was due from a clearing house (2016: 3%).

As at 31 March 2017, the Group has concentration of credit risk on liquid funds as bank balances are deposited with one bank (2016: one bank). The credit risk on liquid funds and accounts receivable from clearing house is limited because the counterparties are bank and a clearing house with high credit ratings assigned by international credit-rating agencies.

Other than concentration of credit risk on liquid funds and accounts receivable, the Group does not have any other significant concentration of credit risk.

35. FINANCIAL INSTRUMENTS *(continued)*

Liquidity risk

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

The tables below present the cash flows payable by the Group within the remaining contractual maturities at the end of the reporting period. The amounts disclosed in the tables are the contractual undiscounted cash flows. The tables include both interest and principal cash flows. To the extent that interest rates are floating, the undiscounted amount is derived from interest rate at the end of the reporting period.

	Weighted average interest rate	**On demand**	**Less than 3 months**	**Total undiscounted cash flow**	**Carrying amount**
	%	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
As at 31 March 2017					
Other payables	**–**	**–**	**197**	**197**	**197**
Accounts payable arising from the business of dealing in securities:					
— Clearing house	**–**	**–**	**3,827**	**3,827**	**3,827**
— Cash clients	**0.01**	**68,526**	**4,305**	**72,831**	**72,831**
— Margin clients	**0.01**	**13,596**	**–**	**13,596**	**13,596**
Accounts payable arising from the placing and underwriting business	**–**	**–**	**1,851**	**1,851**	**1,851**
		82,122	**10,180**	**92,302**	**92,302**

	Weighted average interest rate	On demand	Less than 3 months	Total undiscounted cash flow	Carrying amount
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 March 2016					
Other payables	–	–	164	164	164
Accounts payable arising from the business of dealing in securities:					
— Cash clients	0.01	43,970	6,975	50,945	50,945
— Margin clients	0.01	726	17	743	743
Bank borrowings	2.41	–	10,060	10,060	10,000
Amounts due to directors	–	24,319	–	24,319	24,319
		69,015	17,216	86,231	86,171

35. FINANCIAL INSTRUMENTS *(continued)*

Fair value measurements

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated statement of financial position approximate their fair values.

The Group's held-for-trading investment (see note 18) are measured at fair value at the end of each reporting periods. It is traded in active liquid markets and its fair value is determined with reference to quoted market bid prices.

	Fair value hierarchy as at 31 March 2017			
	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Financial assets				
Held-for-trading investment	**–**	**–**	**–**	**–**

	Fair value hierarchy as at 31 March 2016			
	Level 1	Level 2	Level 3	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Financial assets				
Held-for-trading investment	1,529	–	–	1,529

There were no transfers between Level 1 and 2 during the year.

The total unrealised loss for the financial year ended 31 March 2016 was HK$514,000 relating to financial assets that are measured at fair value.

36. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The Group offsets the following financial assets and financial liabilities since it currently has a legally enforceable right to set off the balances, and intends either to settle on a net basis, or to realise the balances simultaneously.

Under the agreement signed between the Group and the selected customers, money obligations receivable and payable with the same customers on the same settlement date are settled on net basis.

Under the continuous net settlement, money obligations receivable and payable with Hong Kong Securities Clearing Company Limited and other brokers on the same settlement date are settled on a net basis.

36. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES *(continued)*

Financial assets and financial liabilities subject to offsetting

The gross amounts of the recognised financial assets and financial liabilities and their net amounts as presented in the consolidated statement of financial position are as follows:

As at 31 March 2017

	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities set off in the consolidated statement of financial position	Net amounts of financial assets presented in the consolidated statement of financial position	Related amounts not set off in the consolidated statement of financial position: Financial instruments	Related amounts not set off in the consolidated statement of financial position: Financial collateral received	Net amount
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Type of financial assets						
Deposits placed with stock exchange and clearing house	630	–	630	(630)	–	–
Accounts receivable arising from the business of dealing in securities:						
— Clearing house	5,777	(5,777)	–	–	–	–
— Cash clients	9,232	(3,281)	5,951	(1,246)	–	4,705
— Margin clients	109,930	(1,781)	108,149	–	(108,149)	–

	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets set off in the consolidated statement of financial position	Net amounts of financial liabilities presented in the consolidated statement of financial position	Related amounts not set off in the consolidated statement of financial position: Financial instruments	Related amounts not set off in the consolidated statement of financial position: Financial collateral pledged	Net amount
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Type of financial liabilities						
Accounts payable arising from the business of dealing in securities:						
— Clearing house	9,604	(5,777)	3,827	(630)	–	3,197
— Cash clients	76,112	(3,281)	72,831	(1,246)	–	71,585
— Margin clients	15,377	(1,781)	13,596	–	–	13,596

36. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES *(continued)*

As at 31 March 2016

	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities set off in the consolidated statement of financial position	Net amounts of financial assets presented in the consolidated statement of financial position	Related amounts not set off in the consolidated statement of financial position		Net amount
				Financial instruments	Financial collateral received	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Type of financial assets						
Deposits placed with stock exchange and clearing house	675	—	675	—	—	675
Accounts receivable arising from the business of dealing in securities:						
— Clearing house	12,521	(8,477)	4,044	—	—	4,044
— Cash clients	9,115	(1,633)	7,482	(3,434)	—	4,048
— Margin clients	116,055	(4,066)	111,989	—	(111,989)	—

	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets set off in the consolidated statement of financial position	Net amounts of financial liabilities presented in the consolidated statement of financial position	Related amounts not set off in the consolidated statement of financial position		Net amount
				Financial instruments	Financial collateral pledged	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Type of financial liabilities						
Accounts payable arising from the business of dealing in securities:						
— Clearing house	8,477	(8,477)	–	–	–	–
— Cash clients	52,578	(1,633)	50,945	(3,434)	–	47,511
— Margin clients	4,809	(4,066)	743	–	–	743

37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

		2017	2016
		HK$'000	*HK$'000*
Non-current asset			
Investment in a subsidiary		**–**	–
Current assets			
Prepayments		**135**	2,013
Amount due from a subsidiary		**54,494**	–
Total current assets		**54,629**	2,013
Current liabilities			
Accruals		**440**	3,807
Amounts due to related parties		**–**	4,195
Total current liabilities		**440**	8,002
Net current assets/(liabilities)		**54,189**	(5,989)
Net assets/(liabilities)		**54,189**	(5,989)
Equity			
Share capital		**20,000**	–
Reserves	*Note (a)*	**34,189**	(5,989)
Equity attributable to owners of the Company		**54,189**	(5,989)

37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(continued)*

Note (a):

A summary of the Company's reserves is as follows:

	Share premium *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*
At 3 August 2015 (date of incorporation)	–	–	–
Loss and total comprehensive expense for the year	–	(5,989)	(5,989)
At 31 March 2016	–	(5,989)	(5,989)
Loss and total comprehensive expense for the year	–	(8,051)	(8,051)
Issue of ordinary shares by placing	70,000	–	70,000
Share issue costs	(6,771)	–	(6,771)
Capitalisation issue of shares	(15,000)	–	(15,000)
At 31 March 2017	48,229	(14,040)	34,189

38. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Particulars of the Company's subsidiaries at 31 March 2017 are as follows:

Name of subsidiary	Place of incorporation	Place of principal operation	Date of incorporation	Issued and fully paid-up share capital	Equity attributable to the Group At 31 March 2017	2016	Principal activities
Direct							
Dynamic Express Global Limited	BVI	Hong Kong	1 June 2015	United States Dollar 1	**100%**	100%	Investment holding
Indirect							
Pacific Foundation Holdings Limited	Hong Kong	Hong Kong	7 October 1993	HK$7	**100%**	100%	Investment holding
PFSL	Hong Kong	Hong Kong	17 June 1987	HK$10,000,000	**100%**	100%	Provision of (i) securities dealing and brokerage services; (ii) placing and underwriting services; (iii) financing services including securities and IPO margin financing; and (iv) asset management services.

None of the subsidiaries had issued any debt securities at the end of the year.

FINANCIAL SUMMARY

A summary of the results and assets and liabilities of the Group for the last four financial years, as extracted from the audited consolidated financial statements in this report and the prospectus of the Company dated 12 December 2016, is set out below.

RESULTS

	For the year ended 31 March			
	2017	2016	2015	2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Revenue				
Commission income from securities dealing and brokerage services	**5,184**	10,918	10,225	12,717
Fee and commission income from placing and underwriting activities	**44,988**	15,884	23,171	32,620
Interest income from margin financing	**5,901**	4,245	5,006	5,028
Fee income from asset management services	**3,997**	434	2,448	3,829
Others	**11,192**	9,440	1,545	271
Total revenue	**71,262**	40,921	42,395	54,465
Bank interest income	**11**	9	6	6
Gain on disposal of property and equipment	**–**	–	800	3
Other gains and losses	**545**	198	666	772
	71,818	41,128	43,867	55,246
Commission expenses	**(4,888)**	(4,030)	(3,673)	(7,496)
Depreciation expenses	**(145)**	(241)	(235)	(739)
Staff costs	**(15,263)**	(10,343)	(10,235)	(10,403)
Other operating expenses	**(12,131)**	(10,617)	(9,688)	(13,094)
Finance costs	**(139)**	(272)	(273)	(416)
Listing expenses	**(6,966)**	(5,989)	–	–
Profit before tax	**32,286**	9,636	19,763	23,098
Income tax expense	**(6,713)**	(2,753)	(3,300)	(4,769)
Profit and total comprehensive income for the year	**25,573**	6,883	16,463	18,329

ASSETS AND LIABILITIES

	As at 31 March			
	2017	2016	2015	2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Total assets	**327,954**	216,770	246,563	204,132
Total liabilities	**(104,673)**	(93,413)	(134,134)	(108,166)
Net assets	**223,281**	123,357	112,429	95,966