PF Group Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8221

Annual Report 2018

Torres del Paine, Patagonia, Chile © Niall Chang 2018

CHARACTERISTICS OF GEM ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate small and mid-sized 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.

Given that the companies listed on GEM are generally small and mid-sized companies, 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.

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

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.

CONTENTS

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG
11/F, New World Tower
Tower II
16–18 Queen's Road Central
Hong Kong

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE
Union Registrars Limited
Suites 3301–04
33/F
Two Chinachem Exchange Square
338 King's Road
North Point, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE
Conyers Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman
KY1-1111
Cayman Islands

AUDITOR
Deloitte Touche Tohmatsu
(Certified Public Accountants)
35/F
One Pacific Place
88 Queensway
Hong Kong

COMPLIANCE ADVISER
Ample Capital Limited
Unit A, 14th Floor
Two Chinachem Plaza
135 Des Voeux Road Central
Central, Hong Kong

PRINCIPAL BANKER
Standard Chartered Bank (Hong Kong) Limited
4–4A Des Voeux Road
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 2018.

REVIEW

During the year under review, the financial market was affected by various uncertainties, such as concerns over hikes in Hong Kong's benchmark interest rate to catch up with the United States (the "US"), the Brexit negotiation process, the US's policies on interest rate and tariff, etc. Notwithstanding these, the Hong Kong stock market sentiment was active during the year. The market's average daily transaction value for the year ended 31 March 2018 increased by approximately 57.5% as compared to the year ended 31 March 2017. This was supported by, among others, signs of stabilisation in the economy of the Mainland China and the Southbound inflows of funds through Stock Connect.

For the year ended 31 March 2018, the Group's income from the securities dealing and brokerage services and the placing and underwriting services had achieved a remarkable growth of approximately 91.6% and 33.6% respectively as compared to the year ended 31 March 2017. Interest income from margin financing also increased by approximately 10.8% from approximately HK$5.9 million for the year ended 31 March 2017 to approximately HK$6.5 million for the year ended 31 March 2018.

On the other hand, fee income from asset management services for the year ended 31 March 2018 was approximately HK$1.6 million, representing a decrease of approximately 59.0% as compared to approximately HK$4.0 million for the year ended 31 March 2017, which was mainly due to the decrease in performance fee recorded. Despite the decrease in fee income from asset management services, the Group was engaged by two new hedge funds for asset management services during the year ended 31 March 2018. As at 31 March 2018, the Group had six asset management clients in total and the total net assets value managed by the Group was approximately HK$4.8 billion. The management believes that the Group's asset management business will expand in the coming future.

Other revenue for the year ended 31 March 2018 was approximately HK$4.8 million which mainly comprised of referral fee income of approximately HK$4.3 million.

Overall, total revenue for the year ended 31 March 2018 increased by approximately 16.5% or HK$11.8 million as compared to the year ended 31 March 2017 mainly as a result of the increase in income from the securities dealing and brokerage services and the placing and underwriting services.

CHAIRMAN'S STATEMENT

OUTLOOK

The Directors are of the view that the Hong Kong and global financial markets are still challenging and full of uncertainties. 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 potential development opportunities arising from favorable policies, such as the Mainland China's Belt and Road Initiative and the reform of the Hong Kong stock market, the Group and the Directors shall continue to strive to 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.

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 2018

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 2018, the Group had 677 active securities trading accounts (2017: 618).

For the year ended 31 March 2018, the Group completed a securities trading transaction in which the Group generated commission income of approximately HK$2.9 million. Together with the effect of overall positive atmosphere of the Hong Kong stock market during the year, the total transaction value of securities trading carried out by the Group on behalf of customers increased to approximately HK$5.8 billion for the year ended 31 March 2018 (2017: HK$3.1 billion). As a result, the Group's commission income from securities dealing and brokerage services increased significantly by approximately HK$4.8 million or 91.6% from approximately HK$5.2 million for the year ended 31 March 2017 to approximately HK$9.9 million for the year ended 31 March 2018.

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.

Placing and underwriting fee and commission income is principally affected by the number of engagements participated by the Group, the size of engagements and the commission rates. For the year ended 31 March 2018, the Group completed 44 placing and underwriting engagements with a total transaction value of approximately HK$1.3 billion (2017: 30 placing and underwriting engagements with a total transaction value of approximately HK$1.9 billion). Attributed to the increase in (i) number of engagements participated by the Group and (ii) the average commission rate, the Group generated fee and commission income from placing and underwriting activities of approximately HK$60.1 million for the year ended 31 March 2018, representating an increase of approximately HK$15.1 million or 33.6% compared with that of the year ended 31 March 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW (continued)

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.

The Group's margin financing business continues to grow. The Group recorded an average daily margin loan balance of approximately HK$96.2 million for the year ended 31 March 2018 (2017: HK$91.1 million) and interest income from margin financing recorded an increase of approximately 10.8% from approximately HK$5.9 million for the year ended 31 March 2017 to approximately HK$6.5 million for the year ended 31 March 2018.

Asset Management Services

The Group's asset management operations have been resumed in July 2016. As at 31 March 2018, the Group had six (2017: four) asset management clients and the total net assets value managed by the Group amounted to approximately HK$4.8 billion (2017: HK$119.6 million). Pursuant to the relevant asset management agreements with these clients, the Group acts as an investment manager and provides asset management services to them on a discretionary basis pursuant to each client's investment requirements, objectives and restrictions, and is entitled to (i) management fees on a fixed fee basis or on a percentage basis ranging from 1.0% per annum to 1.5% per annum; (ii) performance fees on a percentage basis ranging from 10% to 20%; and (iii) discretionary bonus. Total fee income from asset management services for the year ended 31 March 2018 was approximately HK$1.6 million, representing a decrease of approximately 59.0% as compared to the year ended 31 March 2017, which was mainly due to the decrease in performance fee recorded.

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.

The Group was notified the interest of some investors in trading securities through Shanghai-Hong Kong Stock Connect. However, the Group currently does not have a Shanghai-Hong Kong Stock Connect licence to execute such trades on behalf of these investors. As such, the Group entered into referral agreements with other securities companies in Hong Kong (the "Securities Companies"), who have proper licences, and pursuant to the referral agreements, the Group will refer investors to the Securities Companies (the "Referral") and is entitled to a monthly referral fee calculated with reference to the revenue of the Securities Companies generated from the referred investors. For the year ended 31 March 2018, revenue from other services mainly represented referral fee income of approximately HK$4.3 million generated from such Referral.

For 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 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 2018	2017	Approximate percentage change
Results of operation (HK$'000)			
Revenue	83,045	71,262	16.5%
Profit before tax	42,239	32,286	30.8%
Net profit	35,106	25,573	37.3%
Financial position (HK$'000)			
Current assets	398,553	325,738	22.4%
Current liabilities	147,743	104,673	41.1%
Net assets	258,387	223,281	15.7%
Key financial ratios			
Net profit margin	42.3%	35.9%	
Return on equity	13.6%	11.5%	
Return on total assets	8.6%	7.8%	
Current ratio	2.7 times	3.1 times	
Net debt to equity ratio	Net cash position	Net cash position	
Gearing ratio	Not applicable	Not applicable	

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.

	2018 HK$'000	2017 HK$'000
Commission income from securities dealing and brokerage services	9,934	5,184
Fee and commission income from placing and underwriting activities	60,101	44,988
Interest income from margin financing	6,536	5,901
Fee income from asset management services	1,638	3,997
Others	4,836	11,192
	83,045	71,262

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW (continued)

Revenue (continued)

The Group recorded a total revenue for the year ended 31 March 2018 of approximately HK$83.0 million, representing an increase of approximately HK$11.8 million, or 16.5% from approximately HK$71.3 million for the year ended 31 March 2017. The increase in revenue was mainly attributed to:

(i) an increase in commission income from securities dealing and brokerage services by approximately HK$4.8 million due to the recognition of commission income of approximately HK$2.9 million from a securities trading transaction and the overall positive atmosphere of the Hong Kong stock market during the year;

(ii) an increase in revenue generated from the placing and underwriting services by approximately HK$15.1 million mainly as a result of the increase in number of placing and underwriting engagements participated by the Group and the average commission rate during the year; and

(iii) an increase in interest income from margin financing by approximately HK$0.6 million which was mainly attributable to the increase in average daily margin loan provided by the Group during the year.

Such increase was partly offset by:

(i) the decrease in fee income from asset management services by approximately HK$2.4 million which was mainly due to the decrease in performance fee recorded; and

(ii) the decrease in income from other services from approximately HK$11.2 million for the year ended 31 March 2017 to approximately HK$4.8 million for the year ended 31 March 2018.

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 exchange gain. The total other gains and losses for the year ended 31 March 2018 was approximately HK$1.7 million (2017: HK$0.5 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 76.4% from approximately HK$4.9 million for the year ended 31 March 2017 to approximately HK$8.6 million for the year ended 31 March 2018 which was mainly due to the increase in both (i) commission paid to accounts executives and (ii) commission paid to sub-placing agents or sub-underwriters by approximately HK$1.0 million and HK$2.7 million respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW (continued)

Staff Costs

Staff costs include Directors' emoluments, staff salaries, bonus, allowances and contribution to Mandatory Provident Fund. As at 31 March 2018, the Group had a total of 29 employees including Directors (2017: 27). Staff costs is a major expense item for the Group which accounted for approximately 37.3% of the total expenses of the Group for the year ended 31 March 2018 (2017: 33.0%). Total staff costs for the year ended 31 March 2018 was approximately HK$18.5 million, representing an increase of approximately HK$3.3 million or 21.5% from approximately HK$15.3 million for the year ended 31 March 2017. 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, software and stock information expenses and various miscellaneous office expenses. For the year ended 31 March 2018, the Group's other operating expenses increased to approximately HK$15.2 million as compared to approximately HK$12.1 million for the year ended 31 March 2017, representing an increase of approximately 24.9%, which was mainly due to the increase in legal and professional fees of approximately HK$1.6 million, increase in office rent and rates of approximately HK$0.4 million and increase in software and stock information expenses of approximately HK$0.3 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. No such expenses were recorded for the year ended 31 March 2018.

Income Tax Expense

Income tax expense for the year ended 31 March 2018 was approximately HK$7.1 million (2017: HK$6.7 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$9.5 million, or 37.3% from approximately HK$25.6 million for the year ended 31 March 2017 to approximately HK$35.1 million for the year ended 31 March 2018.

Dividends

The Directors do not recommend the payment of any dividend in respect of the year ended 31 March 2018 (2017: nil).

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

For the year ended 31 March 2018, 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 2018, the net current assets of the Group amounted to approximately HK$250.8 million (2017: HK$221.1 million), including cash and cash equivalents of approximately HK$178.4 million excluding pledged bank deposit and cash held on behalf of customers (2017: HK$106.8 million). The current ratio of the Group, being the ratio of current assets to current liabilities, was approximately 2.7 times (2017: 3.1 times).

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE (continued)

The capital of the Group comprises only ordinary shares. As at 31 March 2018, the total equity attributable to owners of the Company amounted to approximately HK$258.4 million (2017: HK$223.3 million). Such increase was attributed by the profit for the year ended 31 March 2018 of approximately HK$35.1 million.

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 Group's asset management staff involved in the promotion and marketing activities for the Group by, among other things, providing 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 2018, there were 26 new Mainland China clients who have opened securities accounts with the Group, which have accounted for approximately 22.2% of the total new clients during the year.

For the year ended 31 March 2018, although the Group's securities dealing and brokerage business had achieved a remarkable growth, the management, after considering existing manpower of the Group and the market condition, did not hire any new in-house accounts executive during the year. 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

For the year ended 31 March 2018, the Group completed 44 placing and underwriting engagements with a total transaction value of approximately HK$1.3 billion (2017: 30 placing and underwriting engagements with a total transaction value of approximately HK$1.9 billion) and the fee and commission income from placing and underwriting activities increased significantly by approximately 33.6%. The Directors believe there are 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.

MANAGEMENT DISCUSSION AND ANALYSIS

ACHIEVEMENT OF BUSINESS OBJECTIVES (continued)

(iv) Enhancing the Group's quality of service offered to its customers by upgrading the Group's information technology ("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 in progress and is expected to be completed in the second half calendar year of 2018. All Directors and employees are encouraged to attend relevant training courses to keep abreast of the latest market and regulation changes.

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 2018 is as follows:

	Planned use of proceeds up to 31 March 2018 adjusted in the same manner and proportion as stated in the Prospectus and the Announcement HK$ million	Actual usage up to 31 March 2018 HK$ million
Expansion of margin financing services	37.5	37.5
Upgrade of the Group's IT Systems	0.8	0.8
General working capital	5.5	5.5
	43.8	43.8

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.

MANAGEMENT DISCUSSION AND ANALYSIS

RISK RELATING TO THE FUTURE PLAN (continued)

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 the globe. Therefore, the Group's expansion plans may not materialise in accordance with the timetable or at all.

OUTLOOK

The Directors are of the view that the Hong Kong and global financial markets are still challenging and full of uncertainties. 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 potential development opportunities arising from favorable policies, such as the Mainland China's Belt and Road Initiative and the reform of the Hong Kong stock market, the Group and the Directors shall continue to strive to 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 2018, the Group had a total of 29 employees including Directors (2017: 27). Total staff costs (including Directors' emoluments, staff salaries, bonus, allowances and contribution to Mandatory Provident Fund) for the year ended 31 March 2018 were approximately HK$18.5 million (2017: HK$15.3 million). Employees' remuneration was determined based on the employees' qualification, experience, position and seniority. The remuneration packages comprise mainly monthly fixed salaries and discretionary 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 2018, the Group had pledged its bank deposit amounting to HK$5.0 million (2017: HK$5.0 million) for banking facilities granted by a bank in Hong Kong to the Group.

FOREIGN EXCHANGE EXPOSURE

The Group's exposure to foreign exchange risk is primarily related to transactions denominated in a currency other than Hong Kong dollars. Except for part of the referral fee income which was settled in Renminbi, the turnover and operation costs of the Group were principally denominated in Hong Kong dollars. The Group currently does not have a policy on hedges of foreign exchange risk. However, the Group will closely monitor the fluctuations in exchange rates and will consider to employ financial instrument for hedging should the needs arise.

SIGNIFICANT INVESTMENTS

The Group did not hold any significant investments during the year ended 31 March 2018 (2017: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

There was no material acquisition or disposal of subsidiaries and affiliated companies during the year ended 31 March 2018.

CAPITAL COMMITMENTS

As at 31 March 2018, the Group did not have any significant capital commitments.

CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as at 31 March 2018 (2017: nil).

EVENT AFTER THE REPORTING PERIOD

After the reporting period and up to the date of this annual 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 maximise 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 2018, the Group had available banking facilities of HK$55.0 million to meet any contingency in its operations.

MANAGEMENT DISCUSSION AND ANALYSIS

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

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 55, 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 27 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 director and senior 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 52, 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.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

NON-EXECUTIVE DIRECTOR

Mr. Khoo Ken Wee (邱堅煒) ("Mr. Khoo"), aged 53, 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 for 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 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.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Ng Shu Bun Andrew (伍樹彬) ("Mr. Ng"), aged 56, was appointed as an independent non-executive Director of the Company on 5 December 2016, which took effect on 6 January 2017 (the "Listing Date").

Mr. Ng has over 21 years' experience in accounting practice industry and he has held senior positions in a number of blue-chip fast moving consumer goods multi-national organisations. 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 57, was appointed as an independent non-executive Director of the Company on 5 December 2016, which took effect on the Listing Date.

Mr. Mok has accumulated approximately 29 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 the Main Board (stock code: 1271). Since May and August 2017, Mr. Mok has been appointed as the chief financial officer and company secretary, respectively, of China Education Group Holdings Limited, a company listed on the Stock Exchange since 15 December 2017 (stock code: 0839).

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS (continued)

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.

Mr. Ma Wai Hung Vincent (馬偉雄) ("Mr. Ma"), aged 53, was appointed as an independent non-executive Director of the Company on 5 December 2016, which took effect on the Listing Date.

Mr. Ma is currently the managing director of Soma International Limited, a Hong Kong based company engaged in the toys trading business and other business investment, where he is responsible for the overall management of the company. Mr. Ma possesses over 26 years of experience in the toy industry. 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 47, 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 27 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 63, 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 39 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.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT (continued)

Ms. Tsang Kong Kit (曾江潔) ("Ms. Tsang"), aged 42, is one of the Responsible Officers for the Group's Type 1 and Type 9 regulated activities 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 18 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 computerisation 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 from 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 34, joined the Group in November 2015 as the financial controller. He was appointed as company secretary of the Company 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 10 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 currently a practising member of the HKICPA.

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 2018. 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. For the year ended 31 March 2018, 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 annual 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)*
Mr. Lo Shiu Wing Chester ("Mr. C Lo") *(Chief Executive Officer)*

<u>Non-executive Director</u>
Mr. Khoo Ken Wee ("Mr. Khoo")

CORPORATE GOVERNANCE REPORT

THE BOARD (continued)

Composition of the Board (continued)

Independent non-executive Directors
Mr. Ma Wai Hung Vincent ("Mr. Ma")
Mr. Mok Kwai Pui Bill ("Mr. Mok")
Mr. Ng Shu Bun Andrew ("Mr. Ng")

The biographical details of the Directors are set out on pages 17 to 20 of this annual 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 REPORT

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.

During the year ended 31 March 2018, the Audit Committee held 4 meetings to review, assess and comment on the consolidated quarterly, interim 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 annual 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.

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES (continued)

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 2018.

DIRECTORS' ATTENDANCE AT MEETINGS

During the year ended 31 March 2018, the attendance of each member of the committees meetings, Board meetings and general meeting are recorded as follows:

Directors	Board meetings attended/held (Note 1)	Audit Committee meetings attended/held (Note 1)	Nomination Committee meeting attended/held (Note 1)	Remuneration Committee meeting attended/held (Note 1)	General meeting attended/held
Mr. B Lo	C (4/4)	N/A	N/A	M (1/1)	(1/1)
Mr. C Lo	M (4/4)	N/A	M (1/1)	N/A	(1/1)
Mr. Khoo	M (4/4)	N/A	N/A	N/A	(1/1)
Mr. Ma	M (4/4)	M (4/4)	C (1/1)	M (1/1)	(1/1)
Mr. Mok	M (4/4)	C (4/4)	M (1/1)	M (1/1)	(1/1)
Mr. Ng	M (4/4)	M (4/4)	M (1/1)	C (1/1)	(1/1)

Note:

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

CORPORATE GOVERNANCE REPORT

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 believe that they have selected suitable accounting policies and applied them consistently, made judgments 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 49 to 52 of this annual 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 2018, 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 year ended 31 March 2018 and up to the date of this annual 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 annual 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 2018.

CORPORATE GOVERNANCE REPORT

INDEPENDENT AUDITOR'S REMUNERATION

During the year ended 31 March 2018, 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	859
Non-audit services	
— Internal controls review	125
— Hong Kong Profits Tax compliance services	37
— Others	50
	1,071

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. There are no changes in the Company's constitutional documents during the year ended 31 March 2018 and up to the date of this annual 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 for the year. The Board considered that the Group's internal control system is adequate and effective.

CORPORATE GOVERNANCE REPORT

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

The 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

The 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.

CORPORATE GOVERNANCE REPORT

RIGHTS OF THE SHAREHOLDERS (continued)

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 2018.

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. The water consumption of the Group is not material. 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 ("GHG") emissions from electricity consumption, which is mainly attributed to the use of lighting system, air-conditioning and office equipment. The details of the Group's GHG emissions and uses of resources for the years ended 31 March 2018 and 2017 were as follows:

GHG Emissions

The GHG emissions emitted by the Group's business operation for the year ended 31 March 2018 were approximately 44,466 kg (2017: 45,083 kg) of carbon dioxide equivalent ("CO_2e") and were mainly from indirect emission. Analysis of the major GHG emissions of the Group for the years ended 31 March 2018 and 2017 is set out below:

	GHG Emission	
Sources of GHG emission	**2018 (kg CO_2e)**	2017 (kg CO_2e)
Purchased electricity	**38,708**	39,506
Paper waste	**5,758**	5,577
Total GHG emissions	**44,466**	45,083

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ENVIRONMENTAL PROTECTION (continued)

Emissions, Use of Resources, the Environment and Natural Resources (continued)

Uses of Resources

(a) Energy — Electricity

Electricity consumed by the Group in its normal business operations is supplied by The Hongkong Electric Co., Limited. For the year ended 31 March 2018, the total electricity consumption was approximately 48,997 Kilowatt-hour (kWh) (2017: 50,007 kWh), with an energy intensity of approximately 10.0 kWh per square foot (2017: 10.2 kWh per square foot) or approximately 1,959.9 kWh per person (2017: 2,174.2 kWh per person). The slight decrease in electricity consumption was mainly attributable to the Group's continuous encouragement of energy-saving in office.

(b) Water

Due to the nature and scope of the Group's business, the Group's office is located in commercial premises. The water consumption of the Group is minimal and was included in the management fee and therefore the figures were not available for the GHG emission calculation.

(c) Paper

During the year ended 31 March 2018, the Group used a total of approximately 1,200 kg (2017: 1,162 kg) of paper in its normal business operations. This equates to approximately 48.0 kg per person (2017: 50.5 kg per person). The slight increase in total paper consumption was mainly due to the expansion of the Group's business.

The Group is committed to fulfilling the environmental protection and realising 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 employees 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 are 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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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 2018.

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 2018.

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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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 use approximately HK$1.7 million of the net proceeds from the Placing to upgrade its IT systems, which is expected to be completed in the second half calendar year of 2018, 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 creditworthiness 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 2018.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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, Ebenezer School & Home for the Visually Impaired Limited, etc., 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 2018, the Group made charitable donations of approximately HK$1.3 million (2017: 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 2018.

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 2018 are set out in note 35 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 2018, 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 7 to 16 of this annual 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 2018 and the financial position of the Group as at that date are set out in the consolidated financial statements from pages 53 to 99 of this annual report.

The Directors do not recommend the payment of any dividend in respect of the year ended 31 March 2018.

FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for each of the last five financial years is set out on page 100 of this annual report.

REPORT OF THE DIRECTORS

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 March 2018, the revenue attributable to the Group's largest customer accounted for approximately 6.0% (2017: approximately 11.7%) of the Group's total revenue and the revenue attributable to the Group's five largest customers accounted for approximately 27.2% (2017: approximately 39.3%) of the Group's total revenue.

During the period from 17 October 2017 to 22 November 2017, Mr. Khoo Ken Wee ("Mr. Khoo"), the non-executive Director, held no more than 0.6% of issued shares of one of the major customers above, which is a Hong Kong listed company, for his personal investment purpose.

Save as disclosed above, 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 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 2018 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 2018 are set out in note 23 to the consolidated financial statements.

DEBENTURES

The Company did not issue any debentures during the year ended 31 March 2018.

RESERVES

Details of movements in the reserves of the Group and the Company during the year ended 31 March 2018 are set out in the consolidated statement of changes in equity and in note 34 to the consolidated financial statements, respectively.

DISTRIBUTABLE RESERVES OF THE COMPANY

As at 31 March 2018, the Company's reserves available for distribution to the shareholders of the Company amounted to approximately HK$32.1 million (2017: HK$34.2 million).

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 during the year ended 31 March 2018.

REPORT OF THE DIRECTORS

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.

REPORT OF THE DIRECTORS

SHARE OPTION SCHEME (continued)

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 6 January 2017 (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 annual 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 2018, no Option has been granted by the Company.

REPORT OF THE DIRECTORS

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 2018 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 22 to 29 of this annual report.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

During the year ended 31 March 2018, 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 2018, 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 30 to 34 of this annual report.

KEY RELATIONSHIPS WITH CUSTOMERS AND SUPPLIERS

For the year ended 31 March 2018, the Group has 677 (2017: 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 2018, the Group made charitable donations of approximately HK$1.3 million (2017: HK$1.3 million).

REPORT OF THE DIRECTORS

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

The Directors of the Company during the year ended 31 March 2018 and up to date of this report were as follows:

Executive Directors

Mr. Lo Tak Wing Benson ("Mr. B Lo") *(Chairman)*
Mr. Lo Shiu Wing Chester ("Mr. C Lo") *(Chief Executive Officer)*

Non-executive Director

Mr. Khoo

Independent non-executive Directors

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

The biographical details of the Directors are set out on pages 17 to 20 of this annual report.

Pursuant to the Articles, at the forthcoming annual general meeting of the Company (the "2018 AGM"), Mr. Ma and Mr. Mok 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 2018 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 17 to 21 of this annual 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 27, 28 and 30 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. A permitted indemnity provision (as defined under the Hong Kong Companies Ordinance) is currently in force and was in force throughout the year ended 31 March 2018 for the benefit of the Directors.

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 year ended 31 March 2018 and up to the date of this annual 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.

REPORT OF THE DIRECTORS

NON-COMPETITION UNDERTAKING (continued)

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 for the year ended 31 March 2018 and up to the date of this annual report.

RELATED PARTY TRANSACTIONS

Details of the related party transactions undertaken by the Group are set out in note 30 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 2018, 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.

REPORT OF THE DIRECTORS

CONNECTED TRANSACTIONS (continued)

Continuing Connected Transactions (continued)

1. Khoo Connected Service Agreement (continued)

More details of the continuing connected transactions conducted under the Khoo Connected Service Agreement for the year ended 31 March 2018 were as follows:

Connected party	Annual caps	Annual cap amounts for the year ended 31 March 2018 HK$'000	Maximum daily outstanding amount/revenue amount for the year ended 31 March 2018 HK$'000 (Approximately)
Mr. Khoo	Khoo Outstanding Annual Cap (Note 1)	11,000	3,798
	Khoo Revenue Annual Cap (Note 2)	500	91 (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 2018 of approximately HK$24,000, HK$49,000 and HK$18,000 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 of the Company dated 12 December 2016 (the "Prospectus").

REPORT OF THE DIRECTORS

CONNECTED TRANSACTIONS (continued)

Continuing Connected Transactions (continued)

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 2018 were as follows:

Connected parties	Annual caps	Annual cap amounts for the year ended 31 March 2018 HK$'000	Maximum daily outstanding amount/revenue amount for the year ended 31 March 2018 HK$'000 (Approximately)
Lo's Group	Lo's Group Outstanding Annual Cap (Note 1)	50,000	48,452
	Lo's Group Revenue Annual Cap (Note 2)	2,000	1,985 (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 2018 of approximately HK$319,000, HK$1,604,000 and HK$62,000 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.

REPORT OF THE DIRECTORS

CONNECTED TRANSACTIONS (continued)

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 2018, 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.

REPORT OF THE DIRECTORS

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

Save as disclosed above, as at 31 March 2018, 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 2018, 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 2018, 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.

REPORT OF THE DIRECTORS

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 annual report, at no time during the year ended 31 March 2018 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 30 to the consolidated financial statements, during the year ended 31 March 2018, 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 or its parent company 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 2018.

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 annual 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 2018, 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 2018 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 2018 AGM. A resolution for the re-appointment of Deloitte as the independent auditor of the Company will be proposed at the 2018 AGM.

REPORT OF THE DIRECTORS

ANNUAL GENERAL MEETING

The 2018 AGM will be held at 10:30 a.m. on 29 August 2018 at 7/F, Nexxus Building, 77 Des Voeux Road Central, Hong Kong and a notice of the 2018 AGM will be published and despatched in due course.

On behalf of the Board

Lo Tak Wing Benson
Chairman

Hong Kong, 22 June 2018

INDEPENDENT AUDITOR'S REPORT

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 53 to 99, which comprise the consolidated statement of financial position as at 31 March 2018, 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 2018, 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.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (continued)

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$84,342,000 as at 31 March 2018, the significant judgment 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 32 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 of 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.

INDEPENDENT AUDITOR'S REPORT

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.

INDEPENDENT AUDITOR'S REPORT

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

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with 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 Chong Kwok Shing.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
22 June 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2018

	Notes	2018 HK$'000	2017 HK$'000
Revenue			
Commission income from securities dealing and brokerage services		9,934	5,184
Fee and commission income from placing and underwriting activities	7	60,101	44,988
Interest income from margin financing		6,536	5,901
Fee income from asset management services		1,638	3,997
Others	8	4,836	11,192
Total revenue		83,045	71,262
Bank interest income		22	11
Other gains and losses		1,744	545
		84,811	71,818
Commission expenses	9	(8,620)	(4,888)
Depreciation expenses		(254)	(145)
Staff costs	10	(18,548)	(15,263)
Other operating expenses		(15,150)	(12,131)
Finance costs	11	–	(139)
Listing expenses		–	(6,966)
Profit before tax	12	42,239	32,286
Income tax expense	13	(7,133)	(6,713)
Profit and total comprehensive income for the year attributable to owners of the Company		35,106	25,573
		HK cents	HK cents
Earnings per share			
Basic	14	1.76	1.58

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2018

	Notes	2018 HK$'000	2017 HK$'000
Non-current assets			
Property and equipment	16	759	404
Intangible asset	17	5,000	–
Deposits placed with stock exchange and clearing house	18	630	630
Rental and utility deposit		1,188	1,182
Total non-current assets		7,577	2,216
Current assets			
Accounts receivable	19	84,342	124,838
Prepayments and other receivables		690	2,073
Cash and bank balances:	20		
Bank balance — house accounts		178,388	106,792
Pledged bank deposit		5,000	5,000
Cash held on behalf of customers		130,133	87,035
Total current assets		398,553	325,738
Current liabilities			
Accounts payable	21	136,213	92,105
Other payables and accruals		11,073	8,901
Tax payable		457	3,667
Total current liabilities		147,743	104,673
Net current assets		250,810	221,065
Net assets		258,387	223,281
Equity			
Share capital	23	20,000	20,000
Reserves	24	238,387	203,281
Total equity attributable to owners of the Company		258,387	223,281

The consolidated financial statements on pages 53 to 99 were approved and authorised for issue by the board of directors on 22 June 2018 and signed on its behalf by:

Lo Tak Wing Benson
Director

Lo Shiu Wing Chester
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2018

	Equity attributable to owners of the Company				
	Share capital HK$'000 (Note 23)	Share premium HK$'000 (Note 24(a))	Other reserves HK$'000 (Note 24(b))	Retained profits HK$'000	Total HK$'000
At 1 April 2016	–	–	3,640	119,717	123,357
Profit and total comprehensive income for the year	–	–	–	25,573	25,573
Deemed contribution from a director (Note 24(b))	–	–	6,122	–	6,122
Issue of ordinary shares by placing (Note 23(d))	5,000	70,000	–	–	75,000
Share issue costs	–	(6,771)	–	–	(6,771)
Capitalisation issue of shares (Note 23(e))	15,000	(15,000)	–	–	–
At 31 March 2017	20,000	48,229	9,762	145,290	223,281
Profit and total comprehensive income for the year	–	–	–	35,106	35,106
At 31 March 2018	20,000	48,229	9,762	180,396	258,387

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2018

	Note	2018 HK$'000	2017 HK$'000
OPERATING ACTIVITIES			
Profit before tax		42,239	32,286
Adjustment for:			
Bank interest income		(22)	(11)
Interest expense		–	139
Depreciation charge	16	254	145
Gain on disposal of property and equipment		(8)	–
Loss arising on change in fair value of financial assets classified as held-for-trading		–	71
Operating cash flows before movement in working capital		42,463	32,630
Decrease in deposits placed with stock exchange and clearing house		–	45
Increase in bank balances — client accounts		(43,098)	(42,092)
Decrease in held-for-trading investment		–	1,458
Increase in rental and utility deposit		(6)	(82)
Decrease (increase) in accounts receivable		40,496	(1,183)
Decrease in prepayments and other receivables		1,383	197
Increase in accounts payable		44,108	40,417
Increase in other payables and accruals		2,172	1,495
CASH GENERATED FROM OPERATIONS		87,518	32,885
Income tax paid		(10,343)	(2,573)
Interest paid		–	(139)
Bank interest received		22	11
NET CASH GENERATED FROM OPERATING ACTIVITIES		77,197	30,184

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2018

	Notes	2018 HK$'000	2017 HK$'000
INVESTING ACTIVITIES			
Proceeds from disposal of property and equipment		30	–
Purchase of property and equipment	16	(631)	(148)
Purchase of intangible asset	17	(5,000)	–
NET CASH USED IN INVESTING ACTIVITIES		(5,601)	(148)
FINANCING ACTIVITIES			
Proceeds from issue of shares	23(d)	–	75,000
Expenses of issue of new shares		–	(6,771)
Repayment of bank borrowings		–	(10,000)
Repayment to directors		–	(18,197)
NET CASH GENERATED FROM FINANCING ACTIVITIES		–	40,032
NET INCREASE IN CASH AND CASH EQUIVALENTS		71,596	70,068
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF YEAR		106,792	36,724
CASH AND CASH EQUIVALENTS AT THE END OF YEAR			
represented by cash and bank balances — house accounts		178,388	106,792
Additional disclosure:			
Cash flow from interest received		7,029	6,183

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

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 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") are 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 year ended 31 March 2017. As a result, the Group comprising the Company and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity.

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 ended 31 March 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 year ended 31 March 2017, or since the respective dates of incorporation, where there is a shorter period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

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

Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle

Except as described below, the application of the amendments to HKFRSs in the current year has had no material effect on the Group's consolidated financial performance and positions for the current year and prior period and/or on the disclosures set out in these consolidated financial statements.

Amendments to HKAS 7 Disclosure Initiative

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

Specifically, the amendments require the following to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

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

New and revised HKFRSs and interpretations in issue but not yet effective

The Group has not early applied the following new and revised HKFRSs and interpretations that have been issued but are not yet effective and which may be relevant to the Group:

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers and the related Amendments[1]
HKFRS 16	Leases[2]
HKFRS 17	Insurance Contracts[4]
HK(IFRIC)–Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC)–Int 23	Uncertainty over Income Tax Treatments[2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[2]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[2]
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle[1]
Amendments to HKAS 40	Transfers of Investment Property[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle[2]

[1] Effective for annual periods beginning on or after 1 January 2018

[2] Effective for annual periods beginning on or after 1 January 2019

[3] Effective for annual periods beginning on or after a date to be determined

[4] Effective for annual periods beginning on or after 1 January 2021

Except for the new and amendments to HKFRSs and interpretations mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs and interpretations will have no material impact on the consolidated financial statements in the foreseeable future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

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

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.

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 by both 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 financial assets are measured at their fair value at 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.

Based on the Group's financial instruments and risk management policies as at 31 March 2018, the directors of the Company anticipate the following potential impact on initial application of HKFRS 9:

Classification and measurement

- Accounts receivable from margin clients arising from the business of dealing in securities classified as loans and receivables carried at amortised cost as disclosed in note 19: All of these financial assets are held within a business model whose objective is to collect contractual cash flows that are solely payments of principal and interest on the principal outstanding. Accordingly, they will continue to be subsequently measured at amortised cost upon the application of HKFRS 9; and

- All other financial assets and financial liabilities will continue to be measured on the same bases as are currently measured under HKAS 39.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

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

HKFRS 9 Financial Instruments (continued)

Impairment

In general, the directors of the Company anticipate that the application of the expected credit loss model of HKFRS 9 will result in earlier provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised cost and other items that are subject to the impairment provisions upon application of HKFRS 9 by the Group.

Based on the assessment by the directors of the Company, the Group will apply the simplified approach and record lifetime expected losses that are estimated based on the present values of all cash shortfalls over the remaining life of all of its accounts receivable. As a result, the accumulated amount of impairment loss to be recognised by the Group as at 1 April 2018 would be increased as compared to the accumulated amount recognised under HKAS 39. Such further impairment recognised under expected credit loss model would reduce opening retained earnings at 1 April 2018, after taking into account the impact of deferred tax.

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 was issued which establishes 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, HKFRS 15 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 considerations, as well as licensing application guidance.

The Group provides various types of financial services. Revenue under the scope of HKFRS 15 comprises primarily commission income arising from securities dealing and brokerage business, interest income from margin financing, fee and commission income from placing and underwriting, management fee income and performance fee income from asset management services.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

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

HKFRS 15 Revenue from Contracts with Customers (continued)

The directors intend to use the modified approach of transition to HKFRS 15. Under the modified approach, the Group can apply the standard only from the date of initial application (i.e. 1 April 2018). The Group is not required to adjust prior year comparatives and do not need to consider contracts that have completed prior to the date of initial application. Broadly, the figures reported from the date of initial application will be the same as if the standard had always been applied, but figures for comparative periods will remain on the previous basis. The Group has assessed the impact of HKFRS 15 and expects that application of the standard will have no significant impact on the commission income arising from securities dealing and brokerage services and interest income from margin financing. However, the application of HKFRS 15 may have impact on the timing on revenue recognition from fee income from placing and underwriting and certain source of income which are subject to variable consideration constraints. Furthermore, the application of HKFRS 15 may result in more disclosures in the consolidated financial statements.

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 are 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 loss, 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, the Group currently presents operating lease payments as operating cash flows. Under the 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 by the Group.

In contrast to lessee accounting, 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 2018, the Group has non-cancellable operating lease commitments of approximately HK$5,767,000 as disclosed in note 29. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

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

HKFRS 16 Leases (continued)

In addition, the Group currently considers refundable rental deposits paid of approximately HK$1,004,000 as rights and obligations under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost and such adjustments are considered as additional lease payments. Adjustments to refundable rental deposits paid would be included in the carrying amount of right-of-use assets.

Furthermore, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above.

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.

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, 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".

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of preparation (continued)

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

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 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.

(vi) Loan commitment fee income is recognised in accordance with the terms of the engagements on a time basis over the commitment period.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible asset

Intangible asset with indefinite useful life that is acquired separately is carried at cost less any subsequent accumulated impairment losses.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Impairment losses on tangible and intangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an asset individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible asset with indefinite useful life is tested for impairment at least annually, and whenever there is an indication that they may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

Leasing

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

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 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.

Current tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the current tax is also recognised in other comprehensive income or directly in equity respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability 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 financial instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income and expense are recognised on an effective interest basis.

Financial assets

The Group's financial assets are classified as 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Impairment of financial assets

Financial assets 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

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 are recognised at the proceeds received, net of direct issue costs.

Financial liabilities at amortised cost

Financial liabilities including accounts payable and other payables are subsequently measured at amortised cost using the effective interest method.

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 have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

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, judgments 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 and subsequent repayment of monies on an individual basis. As at 31 March 2018, the carrying amount of accounts receivable arising from the business of dealing in securities is approximately HK$80,858,000 (2017: HK$114,100,000).

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 creditworthiness, past collection history and subsequent repayment of monies. As at 31 March 2018, the carrying amount of accounts receivable arising from the placing and underwriting business was approximately HK$3,131,000 (2017: HK$3,897,000), accounts receivable arising from asset management services was approximately HK$353,000 (2017: HK$241,000) and accounts receivable arising from other services was nil (2017: approximately HK$6,600,000).

The collective impairment allowance for accounts receivable of the Group is determined based on management judgment of the debtors' ability to pay all amounts due according to the contractual terms of the receivables being evaluated and management assessment of the recoverable amount. A considerable amount of judgment is required in assessing the ultimate realisation of these accounts receivable, including the current creditworthiness and the applicability of past collection history and subsequent repayment of monies of each amount.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

6. SEGMENT REPORTING

The chief operating decision maker ("CODM") of the Group, being the executive directors and senior 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.

	2018 HK$'000	2017 HK$'000
Securities dealing and brokerage services	9,934	5,184
Placing and underwriting services	60,101	44,988
Financing services	6,536	5,901
Asset management services	1,638	3,997
Other services	4,836	11,192
	83,045	71,262

Revenue reported above represents revenue generated from external customers.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

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:

	2018 HK$'000	2017 HK$'000
Customer 1	N/A[1]	8,353

[1] No single customer contributed 10% or more to the Group's revenue during the year ended 31 March 2018.

No other single customer contributed 10% or more to the Group's revenue during the year ended 31 March 2017.

7. FEE AND COMMISSION INCOME FROM PLACING AND UNDERWRITING ACTIVITIES

	2018 HK$'000	2017 HK$'000
Fee and commission income from selling shareholders/issuers/brokers	56,069	41,311
Commission income from subscribers	4,032	3,677
	60,101	44,988

8. OTHER REVENUE

	2018 HK$'000	2017 HK$'000
Settlement fee income	–	1,120
Referral fee income	4,268	6,800
Handling fee income	418	72
Professional service fee income	150	500
Loan commitment fee income	–	2,700
	4,836	11,192

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

9. COMMISSION EXPENSES

	2018 HK$'000	2017 HK$'000
Commission to account executives	2,210	1,192
Commission to sub-placing agents and sub-underwriters	6,410	3,696
	8,620	4,888

10. STAFF COSTS

	2018 HK$'000	2017 HK$'000
Salaries and bonus	9,386	6,521
Contributions to Mandatory Provident Fund	277	245
Allowances	313	208
Directors' emoluments (Note 27)		
— Fees	396	93
— Salaries	2,160	2,160
— Bonus	5,980	6,000
— Contributions to Mandatory Provident Fund	36	36
	18,548	15,263

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

	2018 HK$'000	2017 HK$'000
Interest on bank borrowings	–	139

The weighted average interest rate on funds borrowed is nil for the year ended 31 March 2018 (2017: 2.75%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

12. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging (crediting):

	2018 HK$'000	2017 HK$'000
Net foreign exchange (gain) loss	(744)	18
Gain on disposal of property and equipment	(8)	–
Minimum lease payments paid under operating lease in respect of rented premises	4,498	4,129
Auditor's remuneration	859	800
Legal and professional fees (excluding listing expenses)	3,234	1,653
Donation	1,269	1,300
Entertainment expenses	1,480	1,527
Loss arising on change in fair value of financial assets classified as held-for-trading	–	71

13. INCOME TAX EXPENSE

	2018 HK$'000	2017 HK$'000
Current tax:		
Hong Kong Profits Tax	7,105	6,600
Under provision in prior year:		
Hong Kong Profits Tax	28	113
Income tax expense for the year	7,133	6,713

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

13. INCOME TAX EXPENSE (continued)

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:

	2018 HK$'000	2017 HK$'000
Profit before tax	**42,239**	32,286
Tax at the statutory tax rate of 16.5%	**6,969**	5,327
Tax effect of deductible temporary differences not recognised	**(62)**	(34)
Tax effect of expenses not deductible for tax purpose	**356**	1,329
Tax effect of income not taxable for tax purpose	**(128)**	(2)
Under provision in respect of prior year	**28**	113
Tax concession	**(30)**	(20)
Income tax expense for the year	**7,133**	6,713

As at 31 March 2018 and 2017, 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 owners of the Company is based on the following data:

	2018 HK$'000	2017 HK$'000
Earnings		
Earnings for the purpose of basic earnings per share:		
Profit for the year attributable to owners of the Company	**35,106**	25,573

	2018	2017
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**2,000,000,000**	1,616,438,000

The weighted average number of ordinary shares for the purpose of calculating basic earnings per share for the year ended 31 March 2017 has been determined on the assumption that the Reorganisation as disclosed in note 2 and the capitalisation issue as disclosed in note 23 had been effective on 1 April 2016.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

15. DIVIDENDS

The directors of the Company do not recommend the payment of any dividend in respect of the year ended 31 March 2018 (2017: nil).

16. PROPERTY AND EQUIPMENT

	Furniture and equipment HK$'000	Leasehold improvement HK$'000	Total HK$'000
COST			
Balance at 1 April 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
Disposal	(55)	–	(55)
Additions	631	–	631
Balance at 31 March 2018	2,139	52	2,191
ACCUMULATED DEPRECIATION			
Balance at 1 April 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
Disposal	(33)	–	(33)
Depreciation expense	254	–	254
Balance at 31 March 2018	1,380	52	1,432
CARRYING VALUES			
As at 31 March 2017	404	–	404
As at 31 March 2018	759	–	759

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

17. INTANGIBLE ASSET

	2018 HK$'000	2017 HK$'000
COST AND CARRYING VALUES		
Club membership	5,000	–

At 31 March 2018, intangible asset amounting to HK$5,000,000 (2017: nil) represents a club membership. The management of the Group determined that there was no impairment of the club membership and the amount is considered recoverable.

18. DEPOSITS PLACED WITH STOCK EXCHANGE AND CLEARING HOUSE

	2018 HK$'000	2017 HK$'000
Deposits with Hong Kong Stock Exchange	300	300
Stamp duty with Hong Kong Stock Exchange	30	30
Deposits with Hong Kong Securities Clearing Company Limited:		
Admission fee	150	150
Guarantee fund	150	150
	630	630

19. ACCOUNTS RECEIVABLE

	2018 HK$'000	2017 HK$'000
Accounts receivable arising from the business of dealing in securities:		
— Clearing house	2,211	–
— Cash clients	11,861	5,951
— Margin clients	66,786	108,149
Accounts receivable arising from the placing and underwriting business	3,131	3,897
Accounts receivable arising from asset management services	353	241
Accounts receivable arising from other services	–	6,600
	84,342	124,838
Less: Impairment	–	–
	84,342	124,838

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

19. ACCOUNTS RECEIVABLE (continued)

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.

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 10.75% as at 31 March 2018 (2017: 3.25% to 8.25%). 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 2018 and 2017 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$464,741,000 as at 31 March 2018 (2017: HK$712,176,000). 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:

	2018 HK$'000	2017 HK$'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 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. Except as described above, all accounts receivable from margin clients are included in "neither past due nor impaired" category.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

19. ACCOUNTS RECEIVABLE (continued)

As at 31 March 2018, 100% (2017: 100%) of the accounts receivable from margin clients were secured by sufficient collateral on an individual basis. The 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 2018, accounts receivable from margin clients includes accounts receivable from directors of the Company of approximately HK$3,779,000 (2017: HK$777,000), accounts receivable from a family member of a director of the Company of approximately nil (2017: HK$11,950,000) and accounts receivable from an entity controlled by the directors of the Company of approximately HK$26,000 (2017: HK$1,163,000). All these amounts represented continuing connected transactions.

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 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:

	2018 HK$'000	2017 HK$'000
0–60 days	378	3,072
61–90 days	749	–
>90 days	2,357	7,666
	3,484	10,738

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

19. ACCOUNTS RECEIVABLE (continued)

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

	2018 HK$'000	2017 HK$'000
0–60 days past due	25	139
61–90 days past due	749	–
>90 days past due	2,357	7,200
	3,131	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 2018 are debtors with aggregate carrying amount of approximately HK$3,131,000 (2017: HK$7,339,000) 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 51 days (2017: 96 days). Except as described above, all accounts receivable 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 2018, the Group has pledged deposits at bank of HK$5,000,000 to secure banking facilities granted to the Group (2017: HK$5,000,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

21. ACCOUNTS PAYABLE

	2018 HK$'000	2017 HK$'000
Accounts payable arising from the business of dealing in securities:		
— Clearing house	6,859	3,827
— Cash clients	119,368	72,831
— Margin clients	9,947	13,596
Accounts payable arising from the placing and underwriting business	39	1,851
	136,213	92,105

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 trades pending settlement or deposits received from clients for their trading activities under the normal course of business. Only the amounts in excess of the required deposits are repayable on demand.

Accounts payable to cash clients include amounts payable to directors of the Company of approximately HK$3,332,000 as at 31 March 2018 (2017: HK$3,440,000).

As at 31 March 2018, accounts payable to margin clients include accounts payable to a director of the Company of nil (2017: approximately HK$511,000) and accounts payable to a family member of a director of the Company of approximately HK$13,000 (2017: 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

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:

	2018 HK$'000	2017 HK$'000
0–60 days	39	1,851
	39	1,851

22. BANK FACILITY

The bank facility granted to the Group is secured by listed shares of certain margin clients with client's authorisation amounting to approximately HK$13,642,000 as at 31 March 2018 (2017: HK$15,826,000). The bank facility is also secured by pledged bank deposit amounting to HK$5,000,000 as at 31 March 2018 (2017: HK$5,000,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

23. SHARE CAPITAL

	Number of ordinary shares	Amount HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
1 April 2016 (Note (a))	38,000,000	380
Increase in authorised share capital (Note (c))	7,962,000,000	79,620
At 31 March 2017 and 2018	8,000,000,000	80,000
Issued and fully paid:		
1 April 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 and 2018	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.

24. RESERVES

(a) Share premium

Share premium is the net amount of (i) 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; and (ii) capitalisation issue of shares as disclosed in note 23(e).

(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; 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 26).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

25. 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 2018, no option has been granted by the Company.

26. 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 24(b)).

27. DIRECTORS' EMOLUMENTS

For the financial year ended 31 March 2018

Name	Director fees HK$'000	Salaries HK$'000	Contributions to Mandatory Provident Fund HK$'000	Bonus HK$'000	Total HK$'000
Mr. B Lo	12	1,200	18	3,100	4,330
Mr. C Lo	12	960	18	2,880	3,870
Khoo Ken Wee	12	–	–	–	12
Ma Wai Hung Vincent	120	–	–	–	120
Mok Kwai Pui Bill	120	–	–	–	120
Ng Shu Bun Andrew	120	–	–	–	120
	396	2,160	36	5,980	8,572

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

27. DIRECTORS' EMOLUMENTS (continued)

For the financial year ended 31 March 2017

Name	Director fees	Salaries	Contributions to Mandatory Provident Fund	Bonus	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

The directors' emoluments shown above were for their services as directors of the Company and subsidiary undertaking 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 2018, 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 (2017: nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

28. HIGHEST PAID INDIVIDUALS

Of the five individuals with the highest emoluments in the Group, two (2017: two) out of the five individuals were directors of the Company whose emoluments are included in the disclosures in note 27 above. The emolument of the remaining three individuals were as follows:

	2018 HK$'000	2017 HK$'000
Basic salaries and allowances	1,560	1,716
Bonuses	2,020	698
Contribution to retirement benefit schemes	54	54
	3,634	2,468

Their emoluments were within the following bands:

	Number of employees	
	2018	2017
Nil to HK$1,000,000	1	2
HK$1,000,001 to HK$1,500,000	1	1
HK$1,500,001 to HK$2,000,000	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.

29. OPERATING LEASE COMMITMENTS

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

	2018 HK$'000	2017 HK$'000
Within one year	4,614	678
In the second to fifth years inclusive	1,153	–
	5,767	678

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

30. RELATED PARTY TRANSACTIONS

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

	2018 HK$'000	2017 HK$'000
Commission income from securities dealing and brokerage services received or receivable from:		
Directors of the Company	41	29
Family member of a director of the Company	150	174
Entity controlled by the directors of the Company	49	85
Entity significantly influenced by the directors of the Company	–	4

	2018 HK$'000	2017 HK$'000
Fee and commission income from placing and underwriting activities received or receivable from:		
Directors of the Company	18	–
Family member of a director of the Company	–	106
Entity controlled by the directors of the Company	–	70

	2018 HK$'000	2017 HK$'000
Interest income from margin financing received or receivable from:		
Directors of the Company	49	236
Family member of a director of the Company	836	339
Entity controlled by the directors of the Company	164	39

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

30. RELATED PARTY TRANSACTIONS (continued)

Compensation of key management personnel

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

	2018 HK$'000	2017 HK$'000
Short term employee benefits	11,526	11,071
Contributions to Mandatory Provident Fund	106	107
	11,632	11,178

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

	Number of individuals	
	2018	2017
Nil to HK$1,000,000	3	3
HK$1,000,001 to HK$1,500,000	1	1

31. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

31. CAPITAL MANAGEMENT (continued)

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:

	2018 HK$'000	2017 HK$'000
Debt (Note 1)	–	–
Equity (Note 2)	258,387	223,281
Debt to equity ratio	N/A	N/A

Notes:

(1) No debt was outstanding as at 31 March 2018 and 2017 .

(2) Equity includes all capital and reserves.

32. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2018 HK$'000	2017 HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	398,095	324,058
Financial liabilities		
Financial liabilities at amortised cost	136,476	92,302

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

32. FINANCIAL INSTRUMENTS (continued)

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 maximise 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.

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), which are financial instruments carried at variable interest rates. Based on the year end interest-bearing bank balances (house account), if interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's profit after tax for the financial year ended 31 March 2018 would increase/decrease by approximately HK175,000 (2017: HK$58,000).

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 carrying amounts of the Group's foreign currency denominated monetary assets at the end of the reporting period are as follows:

	Foreign Currency	**2018 HK$'000**	2017 HK$'000
Bank balances	USD	**7,495**	6,046
	RMB	**23,856**	686
	GBP	**73**	96

As USD is pegged to HK$, the Group does not expect any significant movement in the USD/HK$ exchange rate. The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the RMB exchange rates, with all other variables held constant, of the Group's profit after tax.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

32. FINANCIAL INSTRUMENTS (continued)

Market risk (continued)

Currency risk (continued)

As at 31 March 2018

	Decrease/increase in profit after tax HK$'000
If Hong Kong Dollar strengthens/weakens against RMB by 5%	**996**

As at 31 March 2017

	Decrease/increase in profit after tax HK$'000
If Hong Kong Dollar strengthens/weakens against RMB by 5%	29

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 accounts receivable, other receivables and cash and bank balances 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 2018, the Group has concentration of credit risk on accounts receivable as 47% of the total accounts receivable was due from top five largest customers (2017: 49%) and 3% of the total accounts receivable was due from a clearing house (2017: 1%).

As at 31 March 2018, the Group has concentration of credit risk on liquid funds as bank balances are deposited with two banks (2017: 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

32. 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 the 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 HK$'000	Less than 3 months HK$'000	Total undiscounted cash flow HK$'000	Carrying amount HK$'000
As at 31 March 2018					
Other payables	–	–	263	263	263
Accounts payable arising from the business of dealing in securities:					
— Clearing house	–	–	6,859	6,859	6,859
— Cash clients	0.01	117,564	1,804	119,368	119,368
— Margin clients	0.01	9,947	–	9,947	9,947
Accounts payable arising from the placing and underwriting business	–	–	39	39	39
		127,511	8,965	136,476	136,476

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

32. FINANCIAL INSTRUMENTS (continued)

Liquidity risk (continued)

	Weighted average interest rate %	On demand HK$'000	Less than 3 months HK$'000	Total undiscounted cash flow HK$'000	Carrying amount HK$'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

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.

33. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

33. 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 2018

	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	630	–	630	(630)	–	–
Accounts receivable arising from the business of dealing in securities:						
— Clearing house	7,637	(5,426)	2,211	(2,211)	–	–
— Cash clients	18,349	(6,488)	11,861	(1,138)	–	10,723
— Margin clients	69,665	(2,879)	66,786	–	(66,786)	–

	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	12,285	(5,426)	6,859	(2,841)	–	4,018
— Cash clients	125,856	(6,488)	119,368	(1,138)	–	118,230
— Margin clients	12,826	(2,879)	9,947	–	–	9,947

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

33. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

Financial assets and financial liabilities subject to offsetting (continued)

As at 31 March 2017

	Gross amounts of recognised financial assets HK$'000	Gross amounts of recognised financial liabilities set off in the consolidated statement of financial position HK$'000	Net amounts of financial assets presented in the consolidated statement of financial position HK$'000	Related amounts not set off in the consolidated statement of financial position: Financial instruments HK$'000	Related amounts not set off in the consolidated statement of financial position: Financial collateral received HK$'000	Net amount HK$'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 HK$'000	Gross amounts of recognised financial assets set off in the consolidated statement of financial position HK$'000	Net amounts of financial liabilities presented in the consolidated statement of financial position HK$'000	Related amounts not set off in the consolidated statement of financial position: Financial instruments HK$'000	Related amounts not set off in the consolidated statement of financial position: Financial collateral pledged HK$'000	Net amount HK$'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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

34. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

		2018 HK$'000	2017 HK$'000
Non-current asset			
Investment in a subsidiary		–	–
Current assets			
Prepayments		396	135
Amount due from a subsidiary		51,328	54,494
Bank balances		869	–
Total current assets		52,593	54,629
Current liabilities			
Other payables and accruals		499	440
Total current liabilities		499	440
Net current assets		52,094	54,189
Net assets		52,094	54,189
Equity			
Share capital		20,000	20,000
Reserves	Note (a)	32,094	34,189
Equity attributable to owners of the Company		52,094	54,189

Note (a):

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

	Share premium HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 April 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
Loss and total comprehensive expense for the year	–	(2,095)	(2,095)
At 31 March 2018	48,229	(16,135)	32,094

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

35. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Particulars of the Company's subsidiaries at 31 March 2018 and 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		Principal activities
					2018	2017	
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 five financial years, as extracted from the audited consolidated financial statements in this report, the annual report of the Company for the year ended 31 March 2017 and the prospectus of the Company dated 12 December 2016, is set out below.

RESULTS

	For the year ended 31 March				
	2018	2017	2016	2015	2014
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue					
Commission income from securities dealing and brokerage services	**9,934**	5,184	10,918	10,225	12,717
Fee and commission income from placing and underwriting activities	**60,101**	44,988	15,884	23,171	32,620
Interest income from margin financing	**6,536**	5,901	4,245	5,006	5,028
Fee income from asset management services	**1,638**	3,997	434	2,448	3,829
Others	**4,836**	11,192	9,440	1,545	271
Total revenue	**83,045**	71,262	40,921	42,395	54,465
Bank interest income	**22**	11	9	6	6
Gain on disposal of property and equipment	**8**	–	–	800	3
Other gains and losses	**1,736**	545	198	666	772
	84,811	71,818	41,128	43,867	55,246
Commission expenses	**(8,620)**	(4,888)	(4,030)	(3,673)	(7,496)
Depreciation expenses	**(254)**	(145)	(241)	(235)	(739)
Staff costs	**(18,548)**	(15,263)	(10,343)	(10,235)	(10,403)
Other operating expenses	**(15,150)**	(12,131)	(10,617)	(9,688)	(13,094)
Finance costs	**–**	(139)	(272)	(273)	(416)
Listing expenses	**–**	(6,966)	(5,989)	–	–
Profit before tax	**42,239**	32,286	9,636	19,763	23,098
Income tax expense	**(7,133)**	(6,713)	(2,753)	(3,300)	(4,769)
Profit and total comprehensive income for the year	**35,106**	25,573	6,883	16,463	18,329

ASSETS AND LIABILITIES

	As at 31 March				
	2018	2017	2016	2015	2014
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**406,130**	327,954	216,770	246,563	204,132
Total liabilities	**(147,743)**	(104,673)	(93,413)	(134,134)	(108,166)
Net assets	**258,387**	223,281	123,357	112,429	95,966