Quam 華富國際
Financial Services Group

Quam Limited
華富國際控股有限公司
(Incorporated in Bermuda with limited liability)
(於百慕達註冊成立之有限公司)
(Stock Code 股份代號 : 00952)

Annual Report 2016 年年報

This report is printed on environmentally friendly paper 本報告以環保紙印製

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Corporate Information

BOARD OF DIRECTORS

Mr. Bernard POULIOT *Chairman*
Mr. Kenneth LAM Kin Hing
Deputy Chairman and Chief Executive Officer
Mr. Richard David WINTER
Deputy Chairman
Mr. Kenneth YOUNG Chun Man#
Mr. Robert CHAN Tze Leung#
Mr. Robert Stephen TAIT#

\# *Independent Non-executive Director*

Audit Committee

Chairman: Mr. Kenneth YOUNG Chun Man
Members: Mr. Robert CHAN Tze Leung
Mr. Robert Stephen TAIT

Remuneration Committee

Chairman: Mr. Robert Stephen TAIT
Members: Mr. Kenneth YOUNG Chun Man
Mr. Robert CHAN Tze Leung
Mr. Richard David WINTER

Company Secretary

Ms. Hortense CHEUNG Ho Sze
(with effect from 1 November 2015)

Registered Office

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

18th and 19th Floors
China Building
29 Queen's Road Central
Hong Kong

AUDITOR

BDO Limited
Certified Public Accountants

HONG KONG LEGAL ADVISERS

Charltons
Howse Williams Bowers

BERMUDA LEGAL ADVISER

Conyers Dill & Pearman

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Codan Services Limited
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKERS

The Bank of East Asia, Limited
China CITIC Bank International Limited
Dah Sing Bank, Limited
Shanghai Commercial Bank Limited
Standard Chartered Bank (Hong Kong) Limited

STOCK CODE

00952

WEBSITES OF QUAM GROUP

www.quamlimited.com
www.quamcapital.com
www.quamfunds.com
www.quamir.com
www.quamnet.com
www.quamnet.com.cn
www.quamsecurities.com
www.quamprivatewealth.com

INVESTOR RELATIONS

Quam Investor Relations
Tel : (852) 2217–2888
Fax : (852) 3905–8732
Email : quamir@quamgroup.com

Quam Limited at a Glance

Based in Hong Kong, Quam Limited offers premier one-stop financial services to individual, corporate and institutional clients. With our core businesses comprising Quam Securities, Quam Capital, Quam Asset Management, Quam Wealth Management and Quamnet.com, Quam Limited utilizes the best of its solid expertise and online resources to expand its extensive business network in Hong Kong, China and beyond. In addition, it actively explores investment opportunities in both developed and emerging financial markets through its Global Alliance Partners and M&A International network.

PREPARE
for the worst

Chairman's Statement

Mr. Richard David WINTER, Deputy Chairman *(Left)*
Mr. Bernard POULIOT, Chairman *(Centre)*
Mr. Kenneth LAM Kin Hing, Deputy Chairman and Chief Executive Officer *(Right)*

Dear Stakeholders,

What a dramatic year since our last annual report of last June. From being a target for a takeover by a consortium of investors led by China Minsheng Bank, the transaction simply fizzled out after 13 months. During the year all decisions were tied to the close of this transaction and the expected integration. Difficult times indeed and yet despite all this and a number of changes in personnel, we are back on track on our own, and more excited than ever.

We can now move forward and redeploy all the pent-up energy that was kept in check during that period. We will not dwell on the exhausting saga that surrounded this deal but are comforted that, nevertheless, it gave us an opportunity to meet new friends and establish new relationships that will be useful in the future.

The final results for the year are disappointing as a number of events such as tax settlements, legal fee associated with the business and expenses related to the aborted takeover have hit our bottom line. We have decided to put all this behind us and move ahead with a view that the Company still has many opportunities and a solid balance sheet, having increased our capital base by HK$181,183,000, since last financial year.

We continue to focus on Greater China but also through the contribution of our association with both Global Alliance Partners (GAP) and M&A International Inc. (MAI), we are in a position to offer an international outlook to our business. A number of M&A transactions will come to fruition in the new financial year while the deployment of our Quam Direct trading business and our new status as offshore member of both the Singapore Stock Exchange and Futures Exchange will add more impetus to our overall trading strategy. Another interesting development has been the set-up of our Société d'Investissement à Capital Variable (SICAV) funds for our fund management business which will permit us to roll-out our funds in Europe. In addition, a number of our partners in GAP, have decided to use our European platform to offer their funds as well. This will permit us to achieve more critical mass for our asset management business and thus contribute steady income to the Company.

The cover page of our annual report shows us coming out of a storm-with the sun shining. We are ready for new challenges and the top management as well as the Quam team is dedicated to continue making the company a success with attractive profits and continuous dividend payments.

I wish to take this opportunity to thank all the staff for their continuous dedication throughout all this saga. We are proud of them. That's why Quam is more solid than ever.

Thank you also to our bankers, our suppliers and naturally all of you, our shareholders, for keeping faith in us. You will not regret.

Yours truly,
Bernard POULIOT
Chairman

Hong Kong, 29 June 2016


SEIZE
the Opportunity

Chief Executive Officer's Review

The past year has certainly felt as though we were sitting in a roller coaster where our destiny was in the hands of third parties. It has been very frustrating especially after having lived a very exciting first quarter of our financial year. At that point of time, we were enjoying a China provoked bull market while being approached by a third party for a change of control, catapulting our share price to over HK$2.50 per share. What a start of a year!

But then politics and economy inter-mingled, and the markets were in free fall again and continued to be very soft for the remainder of the year. Despite all this, your company is reporting a 26% increase in turnover, year on year, while our profit before tax was down slightly, by 9%. However our after tax profit was hit by a onetime non recurrent tax expense of approximately HK$7,600,000 following an Inland Revenue Department tax investigation that has lasted over two years. Nevertheless, your company is more solid than ever. Over the last year, we have increased our capital base by 42%, expanded our banking relationships, increased our client base, diversified our products offering and have remained very liquid by exercising our usual prudent approach to business. So in light of this solid financial state, the Board has recommended that a final dividend of HK0.5 cent per share be paid out to Shareholders bringing the total for the financial year to HK1.5 cents per share. This is the highest pay-out we have done for a long time.

Now for a more detailed review of the events that have occurred during the year, let's start with the markets.

As we all know the Shanghai-Hong Kong Stock Connect scheme really started to heat up by the first quarter of the calendar year 2015 and the frenzy gathered pace until early July when it started to cool down dramatically. This period was a major contributor to our revenues and profits. It is also when we were approached by CMBC International Holdings Limited ("CMBCI"), a wholly-owned subsidiary of China Minsheng Bank, for a potential change of control that would involve an equity injection of approximately HK$13,000,000,000, including the co-investors, and a general offer at HK$1.38 per share. The documentation to that effect was completed in August 2015 with the final board approval from China Minsheng Bank.

However, from July 2015, storms were brewing in China and the financial markets fell off the cliff. This lead to various government sponsored market interventions compounded with a number of other government initiatives such as the Anti-Corruption drive, the clampdown on "wealth management" products, the adjustments to reserve ratios to the banks, the adjustment of the renminbi resulting, at the end, in capital flight and loss of confidence. In other words, a perfect storm. During that time as a large number of China based listed companies had their shares suspended, the Hong Kong Stock Exchange became an ATM machine, proving again to the markets its resilience and good governance.

Despite the Hong Kong market resisting the perfect storm, we suffered significant collateral damage. This ranged from a drop in real estate prices, fall in tourist numbers from China, drop in sales of luxury consumer products compounded by local politics that lacked our "can do" attitude that has always been the soul of Hong Kong in the past. Thus an expected sunny summer turned to a cold and wet winter that sadly is still upon us, symbolically, despite the return of warm weather.

Where do we stand now.

With the financials now available to you, we have taken this opportunity to clear the deck of a number of pending liabilities, which have been hanging over our head over the past years. We have recognised over HK$33,000,000 to cover, among others, the costs of the tax audit by Inland Revenue Department, the costs of legal actions and the costs of closing the file with CMBCI. Had we not had to recognise for these non recurrent events, our profit could have reached over HK$50,000,000 despite the horrible trading conditions in the second half of the year. The books are now clear and we are ready to move ahead and have much to report to you on a unit by unit basis.

Quam Securities:

Overall turnover was up by 29% and despite reduced equity trading contribution, the bulk of the revenues were generated by our global futures platform. Our average share margin book increased by 12% from HK$743,000,000 to HK$835,000,000. During the year, we were admitted to become the first offshore trading member of the Singapore Stock Exchange (the "SGX") for both equities and derivatives. We are excited by this prospect and are planning to roll this initiative out before September. We now have a presence as a member in three trading centers including Chicago Mercantile Exchange (CME) in Chicago. We are also in the initial phase of getting access to the Intercontinental Exchange (ICE) market in United Kingdom. This will enlarge the spectrum of our activities. The long awaited launch of our Quam Direct project, held back during the protracted discussion with our potential suitor, will be launched by September and will address the requirements of the new wave of young investors that trade directly through Apps. It is important that we have a presence in the mobile market and Quam Direct will position us accordingly. Our Equity Capital Market (ECM) group made substantial contribution to the distribution platform while our institutional sales team added new clients.

Quam Asset Management:

Revenue for Quam Asset Management doubled from HK$26,678,000 to HK$59,311,000 largely as a result of the first half bull market. The amount of Assets Under Management (the "AUM") remained static. However with the launch of our newly set-up UCITS (Undertakings for the collective investment in transferable securities) fund in Europe, we will tap into the European market which has shown great interest as a result of our road shows there. Despite incurring marked to market losses during this financial year, we are confident that the fund will bounce back and be popular with European investors by giving them access to an approved fund dedicated to investing in China. The establishment of this UCITS structure will lead to the addition of a number of different theme funds generated either through our Global Alliance Partners (GAP) network or internally with the setting up of a China fixed income fund. During the year we have decided to close our Mongolia Fund as well as our Global Alpha Fund and Middle East Fund with a view to concentrate on the China region.

Quam Capital:

The results of our corporate finance division was affected by both external factors and internal factors. The macro events and the subsequent slowdown in the market affected the timing of a number of initial public offerings and corporate activities in general. Furthermore, on the internal front, we suffered a loss of talents as some of our professionals decided to seek their own course or join the competition. Clearly, the prolonged discussion with the potential new investor created much anxiety amongst the team resulting in this situation. Although we expect a slow recovery in the corporate finance division, high hopes are placed on the merger and acquisition team that should be closing a number of profitable transactions in the first half of the year. We are pleased to say that despite this set back, the actual team in place is well placed to meet the new challenges and serve our clients as we have done in the past. The drop of 17% in revenues to HK$54,823,000 from HK$66,374,000 in the previous year, was acceptable given the circumstances.

Quam.net:

The results of the Company have stabilized and incurred a slight loss during the year. The team has been very pro-active in developing new products and working very closely with other Group divisions and particularly with the wealth management division of Quam Securities. It has been exciting in seeing the evolution of the team that is morphing into a media group that offers both online and offline capability. Major events hosted by them were the Financial Giant Forum, the Outstanding Enterprise Award and the Outstanding Investor Relations Award.

CONCLUSION

Quam is back on its feet. We are excited by the prospects. We have a good team and very dedicated staff who have kept a steady hand during these long 13 months, and ultimately unsuccessful negotiation process. Throughout this tiring period, we have nevertheless made friends and have come out stronger and more determined than ever to make Quam Limited a Hong Kong institution that continues to grow for you and with you!

Kenneth LAM Kin Hing
Chief Executive Officer

Hong Kong, 29 June 2016


LEAP
to the success

Financial Review

FINANCIAL REVIEW

For the year ended 31 March 2016 (the "Year"), the Group reports an after tax profit of HK$24,688,000 (2015: HK$36,037,000) and recommends a final dividend of HK0.5 cent per share (2015: HK0.5 cent per share).

Operationally, the Year resulted in a significant increase in total Group revenue from HK$423,686,000 last year to HK$532,527,000, a 26% increase. This came as a result of the solid first half performance in the securities and asset management units coupled with robust markets and high market turnover in Hong Kong. However as we have seen, such momentum was short lived and since August 2015, these markets have languished, thereby affecting overall global market sentiment.

A placement of new shares raising HK$112,500,000 in April 2015, combined with conversion of share options and unlisted warrants has helped in increasing our capital base by 42%. Our margin loan book benefited from this increase in capital and the Company was therefore in a position to capture higher interest income generated from margin loans.

Our futures business was solid despite the market correction and it is pleasing this providing us with a steady recurrent income. We kept our focus in furthering our plans to building our asset management operations and launching the UCITS funds in December. The first portfolio launched being the China focus fund which strategy mirrors the existing Quam China Focus Fund. Due to poor market and staff departure, the corporate finance division contributed less than the previous year.

The Company, despite its 13 months of proposed integration and stalled activity, is back on its feet with a healthy balance sheet ready to expand and assist our client base.

REVIEW OF OPERATIONS

Securities, futures and bonds dealing

Securities and futures dealing commissions for the Year amounted to HK$321,256,000 (2015: HK$223,964,000), an increase of 43% over the same period last year. Although both securities and futures experienced a reduction in business trading volume during the Year, we were able to capture better margins from a growing core of high net worth and institutional customers. The average securities margin loan book continued to grow, at 12% year on year, with average margin loan book of HK$835,000,000 as compared to HK$743,000,000 last year. This contributed to an increase in overall interest revenue generated from margin loans from HK$54,644,000 to HK$59,812,000. The interest income from margin financing and money lending services in previous year amounted to HK$66,854,000 included HK$54,644,000 and HK$12,210,000 generated from margin loans and loan related to general offer respectively. Our cost of funds remains low as our bank utilization has been reduced by virtue of our higher capital base and better portfolio management.

Financial Review

In order to support all of our business activities, we need to invest heavily in IT infrastructure and architecture. To that effect, we have relocated our strategic data centers and have taken advantage of the new Tseung Kwan O site of Hong Kong Exchanges and Clearing Limited (HKEX) to have last meter advantage and lower latency. This enables us to offer better service to our clients whose trades are based on algorithms.

We were successful in being accepted as SGX trading member for securities this year, adding to the SGX derivative membership obtained earlier. By offering both products, we are able to expand our reach with clients. With regards to our retail strategy, we target to launch user friendly Quam Direct in last quarter of year 2016. The management time and costs spent on all these products should put us a step ahead of the competition.

ECM business activity including placement and underwriting fee income for the Year was HK$18,318,000 (2015: HK$16,918,000). Most of the contribution happened in the first half of the year.

Corporate financial advisory services

The revenue of corporate finance and advisory services amounted to HK$54,823,000 (2015: HK$66,374,000) down by 17%. In the course of the Year, a total of 32 (2015: 47) transactions were completed, 3 (2015: 2) were IPOs and 29 (2015: 45) were corporate advisory and merger and acquisition mandates.

Asset Management

Revenue from management and performance fees for the Year amounted to HK$59,311,000 (2015: HK$26,678,000), an increase of 122% as compared to last year. This result was achieved in the first half as a result of the buoyant market. We successfully obtained approval to launch the UCITS fund in December 2015, a platform to introduce European based investors into our key portfolio strategies. We launched the China focus portfolio strategy in December which is a similar strategy as that of our Quam China Focus Fund. Total AUM, comprising of managed funds and discretionary accounts, was steady US$130,700,000 (2015: US$129,300,000) as at 31 March 2016. In light of these developments, we have decided to close our smaller portfolios such as the Mongolia Fund, the Middle East Fund, as well as our fund of fund, the Global Alpha Fund in order to concentrate on our core products focusing in China.

Quamnet

Quamnet's revenue for the Year was HK$16,759,000 (2015: HK$18,418,000), a decrease of 9% compared to last year.

With the restructure of our subscription service revenue in the previous year, there were noticeable improvements in the contribution margin from these services, and as such the marketing team has carried out joint marketing of existing and new columnist and service contributors to extend the subscription level of our products. Furthermore, we have been carrying out the usual annual events such as Financial Giant Forum, Quamnet Outstanding Enterprise Awards and the recent Quam Outstanding Investor Relations Awards, which has given an extended reach in our corporate clients. Revenue from our subscription services was HK$13,653,000 (2015: HK$13,893,000). Advertising, banner and events revenue was HK$1,838,000 (2015: HK$2,883,000). Investor relations services revenue was HK$1,268,000 (2015: HK$1,642,000).

CAPITAL RESOURCES AND FUNDING

Capital Structure, Liquidity and Financial Resources

The Group generally finances its operations with internally generated cash flow as well through the use of banking facilities and short term loans from independent third parties. From time to time, the Company may raise capital by issuing new shares either by placement or issuance of debt instruments. Currently a note instrument issued in April 2014 to the principal amount of HK$100,229,000 remains outstanding and will mature in April 2017. Furthermore in mid-April 2015 we completed a top up share placing raising approximately HK$112,500,000 before expenses. All fund raising exercise is primarily applied to working capital for the securities operation, in particular the securities margin loan business as well as to ensure liquidity for our trading and underwriting activities.

We monitor carefully the asset quality of our loan portfolio. As at 31 March 2016, the Group had available aggregate banking facilities of approximately HK$1,157,200,000 (2015: HK$984,400,000), mostly secured through legal charges on certain securities owned by the Group's margin and money lending clients. As at 31 March 2016, approximately HK$263,948,000 (2015: HK$541,127,000) of these banking facilities were utilized.

The Group's cash and short term deposits as at 31 March 2016 stood at approximately HK$83,382,000 (2015: HK$67,102,000).

Gearing Ratio

The Group's gearing ratio was 60% as at 31 March 2016 (2015: 269%), being calculated as borrowings and financial lease payable over net assets. The borrowings are attributable mainly to the facilitation of securities margin lending business. The management has applied prudent risk and credit management on the increased lending to clients and borrowings from banks. In addition, the Group is required to strictly follow regulatory re-pledging ratios and prudent bank borrowing benchmarks that govern the extent of borrowings in the securities margin lending business.

EMPLOYEES AND REMUNERATION POLICIES

As of 31 March 2016, the Group had 198 full time employees and 4 part time employees in Hong Kong (2015: 173 full time employees and 1 part time employee in Hong Kong), together with 49 full time employees based in the Mainland China (2015: 52 full time employees based in the Mainland China). In addition, the Group has 147 commission sales representatives (2015: 178). The total headcount of the Group as at 31 March 2016 is 398 (2015: 404).

Competitive total remuneration packages are offered to employees by reference to prevailing market practices and standards and individual merit. Salaries are reviewed annually and bonuses are paid with reference to individual performance appraisals, prevailing market conditions and the Group's financial performance. Other benefits offered by the Group include a mandatory provident fund scheme and medical and health insurance. In addition, the Group has maintained a share option scheme and a restricted share award scheme as a means for reward and staff retention.

Financial Review

RISK MANAGEMENT

The Group adopts stringent risk management policies and monitoring systems to contain exposure associated with credit, liquidity, market and IT systems in all its major operations. In addition, compliance and regulatory risk is continually monitored. We do appoint yearly outside parties to monitor different aspects of our business such as money-laundering, treasury control and systems, staff procedure and compliance. The Management believes it is of utmost importance that every aspect of our business be regularly probed and tested by outside parties.

Credit Risk

The Group's Credit Committee within the securities and futures operation meets regularly to review credit limits for clients and identify and assess risks associated with financial products. The Credit Committee, which is appointed by the Executive Committee of the Company and ultimately reporting to the Board, is responsible for the approval of individual stocks acceptable for margin lending. The stock list is revised as and when deemed necessary by the Committee. The Committee will prescribe from time to time lending limits on individual stocks and/or for each individual client, taking into account loan and stock concentration exposures.

The credit control department is responsible for monitoring and making margin calls to clients when limits have been exceeded and when concentration risks for particular counters have been reached and posed a strategic risk. Failure to meet margin calls can result in liquidation of the customer's positions. The credit control department runs stress tests on loan portfolios to determine the impact on the firm's financial position and exposure.

Liquidity Risk

The Group's operating units are subject to various liquidity requirements as prescribed by the authorities and financial market regulators. The Group has put in place monitoring systems to ensure that it maintains adequate liquid capital to fund its business commitments and to comply with the relevant rules including Financial Resources Rules.

As a further safeguard, the Group has maintained banking facilities to meet contingencies in its operations. The Company will consider the need to raise capital whenever the business operations growth justify these periods of high market volatility, the management believes the Group's working capital is adequate to meet its financial obligations.

Market Risk

The Group offers margin trading in securities and futures and options products. Clients are required to maintain a margin in order to hold positions and meet margin calls when there are changes in value of the underlying interest. The margins to be maintained for futures and options products are based on requirements set by the exchanges and counter party brokers. The margin ratios for securities margin loans are based on a combination of factors including indicative acceptable lending rates from our bankers, the quality of the company represented by the securities, the liquidity of the securities, and the concentration level of securities held. All margin ratios are reviewed and assessed by the Credit Committee. In situations where there may be sudden volatile market movement (e.g. market gap opening) affecting client's positions, the liquidation of these positions can be compromised due to market liquidity and therefore, expose the Group to credit and delivery risk.

The Group's exposure to underwriting commitments is subject to market volatility and sentiment. In that respect, the Group follows strict limits as to the maximum exposure to any underwriting commitment. The Board has established prudent guidelines in respect to net exposure commitment per issue and aggregate exposure commitment at any one time as measured against the net asset value of the Group.

IT Risk

The Group is very conscious of data security and access control risk associated with client data and trading platforms that allow clients access to trading systems. The Group deploys industry best practice in its IT architecture, implementing firewalls, intrusion surveillance, and the prevention of denial of service attacks. Furthermore, a full on back up and contingency plan is established to ensure continuity in case of systems fall over.

Legal and Regulatory Risk

As a financial group operating the regulated businesses, we endeavor to meet the stringent and evolving regulatory requirements, including but not limited to those related to investor protection, market integrity and anti-money laundering. Our compliance team working together with third party professionals continually review and scrutinize our internal control processes to reduce the legal and regulatory risk that can impact the Group's operation.

PROSPECTS

The recent Brexit event has shaken the world capital markets and brought up questions regarding the future of United Kingdom, the survival of the European Union and its impact on world order. In addition to this fragile state, we are facing a number of elections which results could be disruptive.

We expect greater volatility and thus a need for greater prudence in managing our assets and resources. But then, as the Chinese so rightly suggest, changes equals opportunity. Out of all this uncertainty, we should be able to benefit from some of the products we offer, such as our global futures platform.

Corporate Social Responsibility

Quam Limited ("Quam") is committed to maintaining a high standard of Corporate Social Responsibility and which is consistent with our "people-centric" approach to business. Quam is honourable to be awarded as a "Caring Company" by the Hong Kong Council of Social Service for year 2015/2016 in recognition of its commitment to caring for the well-being of the community. This encourages Quam to take up the more responsibility to care for the community and support the policy of sustainability.

COMMUNITY

Not only Quam sponsored and supported various events and charities, its staff also participated in various activities.

Quam was the "Ruby Sponsor" of 12th CyberRun for Rehab — Healthy Steps in Cyberport 2015, proactively aimed at raising funds for rehabilitation services in Hong Kong and Mainland China to promote "Community Rehabilitation and Social Integration".

Quam sponsored and encouraged employees to participate in CENTRAL Rat Race, one of Hong Kong's signature charity events. This exhilarating event aims at raising funds for MINDSET, which supports mental health-related organisation and projects in Hong Kong and Mainland China.

Quam's employees has also participated in Oxfam Trailwalker. It is one of the largest fundraising sports events in Hong Kong which aims to support its various poverty alleviation and emergency relief projects in Africa and Asia, including Hong Kong and Mainland China.

Nurturing young talents and providing the next generation of Hong Kong hockey players with, not only the opportunities to play, but a natural path to follow, Quam is the title sponsor of CIHL (China Ice Hockey League) Quam Cup 2015.

Quam is a keen supporter of the Hong Kong French Film Festival and Hong Kong International Film Festival, bringing diversified cultures to the community.

Quam was glad to take part in the 44th Hong Kong French Film Festival as Platinum Sponsor in 2015 and has sponsored the Gala Premiere of the local film "Trivisa" in 2016.

EMPLOYEES

In demonstrating the "people-centric" culture, Quam is adopting an equitable, fair and open approach on recruitment. Quam strives to offer equal and fair job opportunities to all qualified candidates. In order to establish the sense of belongings to the new employees, Quam conducts staff orientation for new employees in order to familiarise them with the corporate culture and business environment of the group. Quam also provides in-house training programs and external training sponsorships to strengthen the technical knowledge and soft skills of employees and to keep them abreast of the latest development in the market and industry. Study leaves and examination leaves will provide to allow employees to prepare for professional examinations.

Recreational activities have also been organized to relieve stress of employees and to encourage interactions amongst employees.

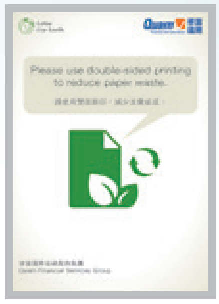
Quam also encouraged its employees to participate various activities to maintain work-life balance.

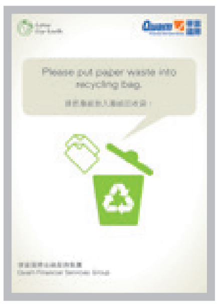
Quam was the title sponsor of the "Hong Kong Masters Athletics Meet 2015", which raised the health awareness and sports development for the age of 35 or above. Quam's employees and business partners also joined the track and field event.

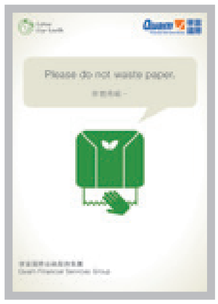
The Quam Outward Bound Adventure Race had come to its 15th anniversary this year. Quam was proud to be the title sponsor of the race again. Quam's employees had also participated in the race in order to test their physical strength, teamwork and sense of contingency through various challenges.

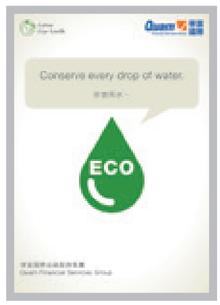
ENVIRONMENT

Quam has adopted various measures to strike a balance between business needs and environmental conservation. Measures on saving energy, reduce paper consumption and wastes, and paper recycling have been implemented. In order to enhance the awareness of employees on environmental protection, office announcements and posters have also been posted in prominent area.







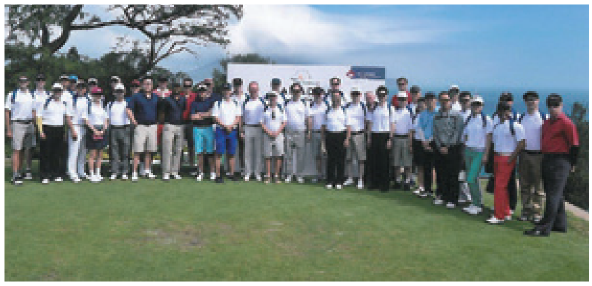


Quam's employees joined the "Green Concert & Polar Bike Challenge" which advocates the environmental protection.

Quam's Corporate Events and Affiliations

As a professional financial services group, Quam has built up a close partnership with various organization and association.

To showcase the brand, entertain key clients and meet the elite peers in a relaxed atmosphere, Quam sponsored and participated in The Sun Life Canadian Golf Tournament 2015.



Quam, an advocate of good corporate governance, has been supporting the activities of The Chamber of Hong Kong Listed Companies and became the Gold Sponsor of The Hong Kong Corporate Governance Excellence Awards 2015. Quamnet, a major financial media in Hong Kong, also served as an online media partner of the awards in a bid to promote the importance of exceptional corporate governance.

Every year, Quamnet organized "Quamnet Financial Giant Forum (QGFF)" where distinguished guest speakers shared their insight in global market and various investment opportunities. The 10th QGFF was successfully held on 6 June 2015 at JW Marriot Hotel, with support of Hong Kong and China media. Thousand of public audiences and high-net-worth investors attended the grand event.

The award presentation ceremony of the Quamnet Outstanding Enterprise Awards 2015 was held on 14 January 2016 at The Hong Kong Bankers Club, where the awardees celebrated their achievements with eminent figures from the business community and notable guests. A total of 19 awards were presented in recognition of the achievements of enterprises covering different sectors and industries.

Group photo of Quam Management & all Guests of Honour, including Dr. Pollyanna Y.W. CHU, Chairman of The Institute of Securities Dealers and Honorary Chairman of The Chamber of Hong Kong Listed Companies; Dr. Simon GALPIN, Director-General of InvestHK, HKSAR; Dr. CHEUNG Ga Lam, Honourable Treasurer of Hong Kong Small and Medium Enterprises Association; Prof. Terence CHONG, Executive Director, Institute of Global Economics and Finance, The Chinese University of Hong Kong and Siyuan Chair Professor, Nanjing University; Sr Hon Tony TSE Wai Chuen, *BBS*, Legislative Councilor of HKSAR (Architectural, Surveying and Planning); Mr. Dickie WONG, Executive Committee Member of The Hong Kong Institute of Financial Analysts and Professional Commentators Limited and Mr. Stanley LAU, *SBS, MH, JP*, Chairman of Hong Kong Productivity Council, as our guests of honor to witness the glorification of the outstanding enterprises.

Quam's Corporate Events and Affiliations

M&A INTERNATIONAL INC. (MAI)

MAI strives to better serve its clients through offering greater coverage of global and industry expertise. Quam Capital is member of MAI for Hong Kong and China.

With 48 members in 43 countries, MAI members complete a transaction every working day. Over 1,400 closed transactions since worth more than US$75 billion worldwide covering almost every economic sector.

The global footprint of MAI facilitates the delivery of expert support by over 650 professionals with extensive industry knowledge to clients undertaking both domestic and cross-border M&A transactions.

MAI held full member conferences in Amsterdam and San Francisco during the year.

GLOBAL ALLIANCE PARTNERS (GAP)

In 2008, four like-minded financial services companies led by Quam, radically braced themselves against the great recession and formalized their strategic alliance by establishing the Global Alliance Partners (GAP).

These four founding partners, namely: Capital Partners Securities (Japan); KT ZMICO Securities (Thailand); MAC Capital Advisors (UAE); and Quam Financial Services Group (Hong Kong), remain as the fundamental strength and steady core of the current 12-member alliance.

MEMBERSHIP FOCUS ON THE ASIA PACIFIC REGION

GAP Chairman and Executive Director, Mr. Bernard POULIOT, stirs the Alliance this time on the backdrop of Asia being the engine of the global economy, which is a positive contrast to eight years ago.

Imperative to this, GAP is focusing its membership expansion in the Asia Pacific region. The Alliance is currently considering candidate firms from Indonesia, Malaysia, India, and has recently approved one from the Philippines — AP Securities Inc.

NEXT INVESTMENT CONFERENCE IN THAILAND

At the Board meeting held in New York on 9 May 2016, it was decided that the next GAP Investment Conference be held in Thailand. This parallel move sets the stage for our host partner, KT ZMICO Securities to bring into fore its Indo-China network comprising of Laos, Myanmar, Cambodia, and Vietnam.

BEYOND CAPITAL RAISING

GAP rolls out other vehicles for business generation other than capital raises. In particular, member firms are looking to tap on the UCIT Fund through Quam, which has obtained SICAV incorporation in Luxembourg; and the OTC markets through Auerbach Grayson.

GAP — GO AND PRODUCE

GAP serves as the platform by which members can leverage each other's strengths and make business.

- KT ZMICO Securities taps on Auerbach Grayson's reach in the US for its road shows.
- Capital Partners Securities is doing well and with its Capital Asset Management getting a few awards for their funds performance, including the Philippine Fund. This presents collaborative opportunities with new member AP Securities.
- MAC Capital Advisors has been taking advantage of Quam's trading platform for a third-party transaction.
- Sigma Investment could use the help of Petra Capital as it gears for an IPO involving its Australia-based partner.
- Quam and Petra Capital have been active in the brokerage. Quam has been discussing the idea of developing a model portfolio for clients to invest in Australia to take advantage of very low prices in the mining or banking sectors.
- Daniel Stewart is exploring with GAP the idea of issuing corporate bonds on the local bond exchange for the retail market.

With the economic growth in Europe and Africa slowing, two GAP members refocused their operations locally and left the Alliance. Nonetheless, both Imara in Zimbabwe and Killik in London, continue to trade with Quam.

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Bernard POULIOT, aged 64, joined the Company in 2000 and is currently the Chairman of the Company. Mr. POULIOT is a responsible officer for Types 4 and 9 regulated activities under the Securities and Futures Ordinance for Quam Asset Management Limited, a responsible officer for Type 4 regulated activity under the Securities and Futures Ordinance for Quam (IA) Limited and a responsible officer for Type 9 regulated activity under the Securities and Futures Ordinance for Quam Securities Company Limited. Mr. POULIOT has more than 30 years of experience in investment, finance and corporate development. He is responsible for formulating the overall business strategy of the Group. Prior to being chairman of the Company, he was a group managing director of a Hong Kong listed company. Mr. POULIOT was a director of Seamico Securities Public Company Limited, a company listed in Thailand (September 1997 to May 2013) and was appointed as the vice-chairman in February 2008. He is a director and beneficial owner of Newer Challenge Holdings Limited and Porto Global Limited, which are substantial shareholders of the Company.

Mr. Kenneth LAM Kin Hing, aged 62, joined the Company in 2001, and is currently the Deputy Chairman of the Company and Chief Executive Officer of the Group. Since 1994, he has been the Managing Director of Dharmala Capital Holdings Group, a company which was subsequently amalgamated with the Company. Mr. Lam is a responsible officer for Types 1, 2, 4, 6 and 9 regulated activities under the Securities and Futures Ordinance for Quam Securities Company Limited and a responsible officer for Types 4 and 9 regulated activities under the Securities and Futures Ordinance for Quam Asset Management Limited. Mr. Lam had worked for an international bank for 10 years as the head of its PRC and corporate banking operations. Mr. Lam has more than 30 years of experience in corporate finance and banking. He was an independent non-executive director of Hon Kwok Land Investment Company, Limited, a company listed in Hong Kong (March 2004 to August 2015) and a director of Seamico Securities Public Company Limited, a company listed in Thailand (September 1997 to August 2013), and had previously held directorship in other public listed company in Thailand. Mr. Lam is the member of the General Committee of The Chamber of Hong Kong Listed Companies since June 2013 and the Vice Chairman and past Chairman (2009 to 2010) of the Institute of Securities Dealers Limited. He holds a Bachelor of Science Degree in University of Western Ontario with a double major in Computer Science and Economic (1976), and a Master of Business Administration in the 3-Year MBA Program of The Chinese University of Hong Kong (1983). In 2012, he was conferred on Honorary Fellowship by Canadian Chartered Institute of Business Administration and Honorary Doctor of Laws by Lincoln University. He is a director and beneficial owner of Olympia Asian Limited, which is a substantial shareholder of the Company.

Mr. Richard David WINTER, aged 63, joined the Company in 2002 and is currently the Deputy Chairman of the Company and Chief Executive Officer of corporate finance business of the Group. He is also a member of the remuneration committee of the Company. Mr. WINTER is a responsible officer for Type 6 regulated activity under the Securities and Futures Ordinance for Quam Capital Limited. He has extensive experience in the investment banking and corporate finance advisory field in Hong Kong. Mr. WINTER was previously managing director of Deloitte & Touche Corporate Finance Limited and before that Standard Chartered Investment Banking. He received an Honours Degree in Commerce from Edinburgh University. Mr. Winter is a member of the Takeovers and Mergers Panel, Takeovers Appeal Committee and Advisory Committee of the Securities and Futures Commission. Mr. Winter is the Chairman of Financial Markets Committee of the British Chamber of Commerce in Hong Kong, fellow of the Institute of Chartered Accountants in England and Wales, a member of the Hong Kong Institute of Certified Public Accountants, a senior fellow of Hong Kong Securities and Investment Institute and Chairman of Executive Committee of The Outward Bound Trust of Hong Kong Limited.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Kenneth YOUNG Chun Man, aged 52, was appointed as Independent Non-executive Director of the Company in September 2012. He is the chairman of the audit committee of the Company and a member of the remuneration committee of the Company. He has over 30 years of professional experience in audit and accounting field, with 18 years of those as partner, in medium to large international accounting firms. Mr. YOUNG was a member of the Professional Conduct Committee of The Hong Kong Institute of Certified Public Accountants (from 2007 to January 2015). He is a fellow of The Hong Kong Institute of Certified Public Accountants (Practising), The Institute of Chartered Accountants in England and Wales, The Taxation Institute of Hong Kong, The Hong Kong Institute of Directors and a certified tax adviser. Mr. YOUNG was a member of the Hong Kong Securities and Investment Institute (from 1998 to September 2014). He holds the Bachelor of Arts (Economics) from the University of Essex and a Master of Corporate Finance from the Hong Kong Polytechnic University.

Mr. Robert CHAN Tze Leung, aged 69, was appointed as Independent Non-executive Director of the Company in October 2011. He is a member of both the remuneration committee and audit committee of the Company. Mr. Chan was the chief executive officer of United Overseas Bank Limited, Hong Kong until his retirement in December 2011. He is an experienced banker with almost 40 years of experience in commercial and investment banking. Mr. CHAN is an independent non-executive director of Hutchison Port Holdings Management Pte. Limited, a trustee-manager of Hutchison Port Holdings Trust which is listed in Singapore, Noble Group Limited, a company listed in Singapore and Sibanye Gold Limited, a company listed in Johannesburg and its American Depositary Receipt (ADR) are traded on the New York Stock Exchange. He has resigned as an independent non-executive director of Gold One International Limited in May 2014 following the company's voluntary delisting in the Australian Securities Exchange and the Johannesburg Stock Exchange in January 2014 but remains a public company. He is also a senior adviser to Long March Capital Limited, a fund management company based in Beijing and Shanghai in partnership with leading Chinese institutions including CITIC Group. He is currently chairman (non-executive director) of The Hour Glass (HK) Limited. He holds the Bachelor of Science (Economic) Honours from the University of London and a Master of Business Administration from the University of Liverpool and is a fellow of the Hong Kong Institute of Directors.

Mr. Robert Stephen TAIT, aged 67, was appointed as Independent Non-executive Director of the Company in September 2008. Mr. TAIT is the chairman of the remuneration committee of the Company and a member of the audit committee of the Company. He holds a Bachelor of Commerce and Business Administration from the University of British Columbia. Mr. TAIT has extensive experience in human resources aspect and was the Head of Human Resources, Asia Pacific of the Hongkong and Shanghai Banking Corporation Limited during October 1999 to April 2008. He was a former Director and past Treasurer (October 1999 to April 2008) of the Employer's Federation of Hong Kong, the past Chairman (April 2004 to April 2008) of the Manpower Committee of the Hong Kong General Chamber of Commerce and a former Governor and past vice-chairman (May 2004 to May 2010) of the Canadian International School in Hong Kong. He is a member of the Hong Kong Institute of Directors.

Biographical Details of Directors and Senior Management

SENIOR MANAGEMENT

Mr. Adrian John BRADBURY, aged 52, is the Managing Director, Head of Mergers and Acquisitions and Private Equity of Quam Capital Limited. He is a responsible officer for Type 6 regulated activity under the Securities and Futures Ordinance for Quam Capital Limited. Mr. BRADBURY graduated from the University of Manchester with a Degree in Civil Engineering. He has been associated with Quam Capital Limited since 1999. He is a fellow member of the Institute of Chartered Accountants in England and Wales.

Mr. Calvin CHIU Chun Kit, aged 45, is the Deputy Chief Executive Officer of the securities and futures businesses of the Group. He is a responsible officer for Types 1, 2 and 9 regulated activities under the Securities and Futures Ordinance for Quam Securities Company Limited. He joined the Group in 2002.

Mr. Christopher CHOY Kwong Wa, aged 52, is the Chief Investment Officer of the asset management business of the Group. He is a responsible officer for Types 4 and 9 regulated activities under the Securities and Futures Ordinance for Quam Asset Management Limited. He joined the Group In 2006. Mr. CHOY has more than 20 years of experience in the investment industry and over 10 years of experience in the alternative investment management field. He holds a Bachelor of Arts (Honours) Degree from the Loughborough University of Technology and a Master of Business Administration from The University of East Asia.

Ms. Hortense CHEUNG Ho Sze, aged 41, is the Company Secretary to the Company. She joined the Group in 2007. Ms. CHEUNG has over 10 years of experience in handling listed company secretarial matters and is an associate member of both The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators in United Kingdom.

Ms. HUNG Chun Yee, aged 45, is the Managing Director and Head of Advisory of Quam Capital Limited. She is a responsible officer for Type 6 regulated activity under the Securities and Futures Ordinance for Quam Capital Limited. She joined the Group in 2002. Ms. HUNG has extensive experience in corporate finance. She is a member of the Hong Kong Institute of Certified Public Accountants.

Ms. Jane CHAN Ching Yin, aged 35, is the Managing Director of Quam (H.K.) Limited, in charge of the sales, marketing and operations of Quamnet website business. She joined the company in 2008 and rejoined again in 2012. She has extensive experience in the field of internal and external communication, public relations and marketing.

Mr. Kevin Graeme SEW HOY, aged 49, is the Chief Financial Officer to the Group and a Managing Director of Quam Securities Company Limited. He joined the Company in 2001 and had also held the post of Company Secretary of the Company from November 2001 to March 2008. Mr. SEW HOY has over 20 years of experience in audit, compliance and corporate secretarial services. He graduated from the University of Otago, New Zealand with a Degree in Commerce and further completed a Master of Business Administration from the University of South Australia. Mr. SEW HOY is a member of Chartered Accountants Australia and New Zealand and a member of the Hong Kong Institute of Certified Public Accountants. He is also a member and the honorary treasurer of the New Zealand Chamber of Commerce in Hong Kong since 2006.

Mr. Philip CHOI Lai Sang, aged 54, is Head of Information Technology of the Group. He joined the Group in 2007. Mr. CHOI graduated from the University of Saskatchewan with a Bachelor of Science in Computer Science. He has more than 25 years of extensive experience in information technology industry.

Mr. Sherman CHIU Hin Fung, aged 40, is the Director and Head of Equity Capital Markets. He is a responsible officer for Type 1 and a representative for Type 6 regulated activities under the Securities and Futures Ordinance for Quam Securities Company Limited. He joined the Group in April 2014. He has over 10 years of experiences in equity capital markets. He holds a Bachelor of Commerce majoring in Accounting and Finance from Murdoch University, Australia and a Master of Business Administration from Deakin University, Australia. He is a member of the Hong Kong Institute of Certified Public Accountants and CPA Australia.

Mr. TANG Kwok Chuen, aged 47, is the Executive Director of Private Client Service of the securities and futures businesses of the Group. He is a responsible officer for Types 1 and 2 regulated activities under the Securities and Futures Ordinance for Quam Securities Company Limited. He joined the Group in 2006.

Mr. TSANG Chung Him, aged 44, joined the Company in 2007 as the Head of Compliance. He acted as Company Secretary to the Group from April 2008 to October 2015. He has extensive experience of compliance in the financial industry. He worked for the Securities and Futures Commission and several major financial groups. Mr. TSANG holds a Bachelor of Social Sciences and a Master of Laws from The University of Hong Kong and the professional designations of Chartered Financial Analyst, Certified Public Accountant and Financial Risk Manager.

Ms. TSUI Ka Chi, aged 46, is the Group Human Resources Manager of the Group. She is responsible for overseeing the overall human resources management and administration of the Group. She joined the Group in 2006. Ms. TSUI has more than 10 years of experience in human resources and administration and is a professional member of the Hong Kong Institute of Human Resource Management.

Ms. TU HongYing, aged 42, is the Consultant of the Group. She received her Master of Business Administration from Emory University, Atlanta, U.S.A. Her first degree is in computer science. She has spent her early years in Business consulting. While returning to Hong Kong, she was participated in assisting Chinese companies to list in Hong Kong market. Ms. TU joined the group in 2007 and has been actively developing the Group's presence in China. She has extensive experience in marketing and business development. Her recent focus is on Shanghai-Hong Kong Stock Connect and cross boarder M&A initiatives.

Directors' Report

The board of directors (the "Board" or "Directors") of Quam Limited (the "Company") presents its report together with the audited financial statements of the Company and its subsidiaries (together, the "Group") for the financial year ended 31 March 2016 (the "Year").

PRINCIPAL ACTIVITIES

During the Year, the principal activity of the Company is investment holding and the principal activities of the subsidiaries are as follows:

a) discretionary and non-discretionary dealing services for securities, futures and options, securities placing and underwriting services, margin financing and money lending services, insurance broking and wealth management services;

b) corporate finance advisory and general advisory services;

c) fund management, discretionary portfolio management and portfolio management advisory services;

d) investor relation, online advertising and financial information services; and

e) investment holding and securities trading.

Particulars of the principal subsidiaries of the Company as at 31 March 2016 are set out in note 46 to the financial statements.

BUSINESS REVIEW

A review of the business of the Group during the Year, a discussion on the Group's future business development and possible risks and uncertainties that the Group may be facing are provided in the section of "Chief Executive Officer's Review", "Financial Review" and "Corporate Social Responsibility" on pages 10 to 11, page 13 to 17 and pages 18 to 21 respectively of this annual report.

SEGMENT INFORMATION

An analysis of the Group's revenue and results by business segment for the Year is set out in note 7 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the Year and the financial position of the Company and the Group as at 31 March 2016 are set out in the financial statements on pages 59 to 143.

An interim dividend of HK1.0 cent per share (interim dividend for the year ended 31 March 2015: HK0.5 cent per share) amounting to approximately HK$15,110,000 was paid to the shareholders of the Company (the "Shareholders") on 1 December 2015.

The Board has proposed to recommend, at the forthcoming annual general meeting of the Company to be held on Friday, 19 August 2016 (the "2016 AGM"), a final dividend of HK0.5 cent per share (final dividend for the year ended 31 March 2015: HK0.5 cent per share) for the Year.

It is expected that the proposed final dividend, if approved by the Shareholders at the 2016 AGM, will be payable on or about Thursday, 15 September 2016 to shareholders whose name appear on the register of members of the Company on Friday, 26 August 2016.

The register of members of the Company will be closed during the following periods, within which no transfers of shares will be effected:

(i) from Wednesday, 17 August 2016 to Friday, 19 August 2016, both days inclusive, for the purpose of ascertaining Shareholders' entitlement to attend and vote at the 2016 AGM. In order to be entitled to attend and vote at the 2016 AGM, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's branch registrar and transfer office, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Tuesday, 16 August 2016; and

(ii) from Thursday, 25 August 2016 to Friday, 26 August 2016, both days inclusive, for the purpose of ascertaining Shareholders' entitlement to the proposed final dividend. In order to qualify for the proposed final dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's branch registrar and transfer office, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Wednesday, 24 August 2016.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the published results and of the assets and liabilities of the Group for the last five financial years ended 31 March 2016, which was extracted from the audited financial statements and reclassified as appropriate, is set out on page 144 of this annual report. This summary does not form part of the financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements of the property, plant and equipment of the Company and the Group during the Year are set out in note 15 to the financial statements.

Directors' Report

SHARE CAPITAL

Details of movements in the share capital of the Company during the Year are set out in note 33 to the financial statements.

During the Year, a total of 305,986,873 new shares were issued and allotted as a result of the following:

(i) the exercise of 134,584,800 unlisted warrants. Details can be found in the section headed "Issue of Unlisted Warrants" in the Directors Report.

(ii) the exercise of 21,402,073 share options which generating gross cash proceed of approximately HK$14,857,000 for the Company, which had been used as general working capital for the Group. As at 31 March 2016, the total number of share options outstanding was 3,026,248 options.

(iii) 150,000,000 new shares were allotted and issued to Mr. Kenneth LAM Kin Hing (Deputy Chairman, Chief Executive Officer and executive director of the Company) on 28 April 2015 at the subscription price of HK$0.75 per subscription share pursuant to the subscription agreement entered between the Company and Mr. LAM dated 16 April 2015 under a "top-up placing and subscription". The net proceeds from the subscription were approximately HK$109,099,000 which had been solely applied towards the securities margin financing operation of the Group.

ISSUE OF UNLISTED WARRANTS

On 4 April 2014, the Company issued 190,912,000 unlisted warrants (in registered form and by way of deed poll), which entitled the holder of each warrant the right to subscribe for one share of the Company at the initial exercise price of HK$0.5 per new ordinary share (subject to adjustment), for an exercise period of 1,100 days commencing from the date of issue of the unlisted warrants following the completion of the open offer of the Company of non-listed 6.5% coupon straight notes due 2017. Details of the issue of unlisted warrants are set out in the announcement of the Company dated 20 February 2014.

For the Year, a total of 134,584,800 new shares had been issued and allotted as a result of the exercise of 134,584,800 unlisted warrants generating a gross cash proceed of approximately HK$67,292,000 for the Company, which had been used as the general working capital of the Group. As at 31 March 2016, the total number of unlisted warrants outstanding was 44,190,000 warrants.

DEBENTURE

The Company had issued a non-listed 6.5% coupon straight notes due 2017 in an aggregate principal amount of approximately HK$100,229,000 on 4 April 2014 following the completion of open offer of the Company. Interests are payable semi-annually in arrears. Details of the notes are set out in Note 29 to the financial statements.

BORROWINGS AND INTEREST CAPITALISED

Borrowings repayable on demand or within one year are classified under current liabilities. Details of the borrowings are set out in Note 29 to the financial statements.

SHARE OPTION SCHEME

The Company has a share option scheme, which is an employee share option scheme adopted on 30 September 2002 (the "Share Option Scheme"), for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the operations of the Group. The Share Option Scheme expired on 29 September 2012. Despite the fact that no further options may be granted under the Share Option Scheme, all other provisions shall remain in force to govern all the outstanding options previously granted until the end of the respective exercise periods.

A summary of the principal terms of the Share Option Scheme is given below:

I)	Purpose of the scheme	:	The purpose of the Share Option Scheme is to provide incentives or rewards to eligible participants for their contribution or would-be contribution to the Group and/or to enable the Group to recruit and retain high caliber employees and attract human resources that are valuable to the Group and any invested entity.
II)	Participants of the scheme	:	Eligible participants of the Share Option Scheme include Directors, other employees of the Group, suppliers of goods or services to the Group, customers of the Group, and a person or entity that provided research, development or technological support or other services to the Group or any invested entity and any shareholder or any member of the Group.
III)	Total number of shares available for issue under the scheme and percentage of issued share capital as at 29 June 2016	:	The number of shares available for issue under the Share Option Scheme was 3,026,248 shares representing 0.20% of the issued share capital as at 29 June 2016.
IV)	Maximum entitlement of each participant under the scheme	:	The maximum number of shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme to each participant in any 12-month period up to the date of grant must not exceed 1% of the shares in issue unless it is approved by Shareholders (other than the grantees and/or their respective associates) in a general meeting of the Company. Any share options granted to a substantial Shareholder or an independent non-executive Director of the Company or to any of their associates, in excess of 0.1% of the shares in issue and with an aggregate value (based on the closing price of the shares at the date of the grant) in excess of HK$5,000,000, in any 12-month period, are subject to Shareholders' approval in general meeting of the Company.
V)	The period within which the shares must be taken up under an option	:	The period within which the options must be exercised will be specified by the Company at the time of grant. This period shall end in any event not later than 10 years from the relevant date of grant.
VI)	The minimum period for which an option must be held before it can be exercised	:	The Company may specify any minimum period(s) for which an option must be held before it can be exercised at the time of grant of the options. The Share Option Scheme does not contain any such minimum period.
VII)	The amount payable upon acceptance of option	:	HK$10.0 is payable by each eligible participant to the Company on acceptance of options within 28 days from the date of the offer of grant of the options.

Directors' Report

VIII) The basis of determining the exercise price	:	The exercise price must be at least the higher of: (i) the closing price of share as stated in the daily quotation sheet of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on the date of grant, which must be a trading day; (ii) the average closing prices of the shares as stated in the daily quotation sheet of the Stock Exchange for the five trading days immediately preceding the date of grant; and (iii) the nominal value of a share.
IX) The remaining life of the scheme	:	The Share Option Scheme expired at the close of business on 29 September 2012.

Movements of the share options under the Share Option Scheme during the Year are as follows:

Participants	Outstanding at 1 April 2015	Exercised during the Year	Lapsed/ Forfeited during the Year	Outstanding at 31 March 2016	Exercisable at 31 March 2016	Date of grant of share options (Note 1)	Exercise period of share options	Exercise price of share options HK$ per share
	Number of share options							
Employees under continuous contract								
In aggregate	2,337,925	2,337,925	—	—	—	9 June 2006	9 June 2007 to 8 June 2016 (Note 2)	0.1296
In aggregate	599,468	300,000	—	299,468	299,468	29 February 2008	1 March 2009 to 28 February 2018 (Note 3)	0.8340
In aggregate	12,199,156	9,472,376	—	2,726,780	2,726,780	6 June 2008	6 June 2009 to 5 June 2018 (Note 4)	0.7623
Directors								
Mr. Bernard POULIOT	2,997,346	2,997,346	—	—	—	6 June 2008	6 June 2009 to 5 June 2018 (Note 4)	0.7623
Mr. Kenneth LAM Kin Hing	2,997,346	2,997,346	—	—	—	6 June 2008	6 June 2009 to 5 June 2018 (Note 4)	0.7623
Mr. Richard David WINTER	2,997,346	2,997,346	—	—	—	6 June 2008	6 June 2009 to 5 June 2018 (Note 4)	0.7623
Other participant	299,734	299,734	—	—	—	6 June 2008	6 June 2009 to 5 June 2018 (Note 4)	0.7623
	24,428,321	21,402,073	—	3,026,248	3,026,248			

Notes:

1. The vesting period of the share options is from the date of grant until the commencement of the exercise period or the date the vesting conditions are satisfied, whichever is later.

2. One third of granted share options had been vested on 9 June 2007, 9 June 2008 and 9 June 2009 respectively and are exercisable from completion of each vesting period. The share options granted shall be valid for 10 years.

3. One third of granted share options had been vested on 1 March 2009, 1 March 2010 and 1 March 2011 respectively and are exercisable from completion of each vesting period. The share options granted shall be valid for 10 years.

4. One third of granted share options had been vested on 6 June 2009, 6 June 2010 and 6 June 2011 respectively and are exercisable from completion of each vesting period. The share options granted shall be valid for 10 years.

The Company had adopted an employee share subscription award trust on 28 August 2015 ("Share Subscription Award Trust") which would take effect upon the completion of new shares subscription by CMBC International Holdings Limited ("CMBCI"). Pursuant to the Share Subscription Award Trust, the Company would grant a loan to the trustee whereby the trustee would apply such sum to subscribe certain new shares of the Company pursuant to the subscription agreement entered between the Company and the trustee ("Subscription Agreement"). The subscription of new shares of the Company by the trustee, among other matters, was conditional upon the completion of new shares subscription by CMBCI. The trustee would then hold those shares of the Company upon trust exclusively for qualified employees until such shares of the Company were allocated and vested on the selected participants in accordance with the terms of the Share Subscription Award Trust. Since the shares subscription by CMBCI had not become unconditional in February 2016, the Subscription Agreement had ceased to be of effect as of 28 February 2016.

Save as disclosed above and the interests of unlisted warrants as disclosed in the section headed "Directors' Interest", at no time during the Year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors or any of their spouses or children under eighteen years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

SHARE AWARD SCHEME

A Restricted Share Award Scheme ("Share Award Scheme") was adopted by the Company on 19 August 2010. The purpose of the Share Award Scheme is to recognize and motivate the contribution of certain employees and/or consultants and to provide incentives and help the Group in retaining its existing employees or consultants and recruiting additional employees or consultants and to provide them with a direct economic interest in attaining the long-term business objectives of the Company.

Pursuant to the rules of Share Award Scheme, the Board may, from time to time, at its absolute discretion select the employees and consultants (excluding any excluded participant) as they deem appropriate for participation in the Share Award Scheme and determines the number of awarded shares to be granted. Existing shares would be purchased by the trustee from the market out of cash contributed by the Group and be held in trust for the relevant selected participants. The awarded shares of the Company will be vested only after satisfactory completion of time-based targets or time-and-performance-based targets.

The Share Award Scheme is subject to the administration of the Board in accordance with the rules of Share Award Scheme. The aggregate number of awarded shares granted by the Board throughout the duration of the Share Award Scheme should not in excess of 10% of the issued share capital of the Company as at the date of its adoption. Unless terminated earlier by the Board, the Share Award Scheme shall be valid and effective for a term of 10 years from the

Directors' Report

date of its adoption. However, the Board has the right to renew for the Share Award Scheme up to three times and each time for another 5-year terms. Further details of the Share Award Scheme were set out in the announcement of Company dated 19 August 2010.

Movements of the awarded shares under the Share Award Scheme during the Year are as follows:

		Number of Awarded Shares				
Participants	**Date of award**	**Outstanding as at 1 April 2015**	**Granted during the Year**	**Lapsed/ Forfeited during the Year**	**Vested during the Year**	**Outstanding as at 31 March 2016**
Employees under continuous contract						
Time-based						
In aggregate	2 December 2014	5,892,514	—	1,275,334	1,700,159 (Note 1)	2,917,021
		5,892,514	—	1,275,334	1,700,159	2,917,021

Note:

1. One third of awarded shares had been vested on 2 December 2015. The remaining awarded shares will be vested on 2 December 2016 and 4 December 2017 respectively.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Bye-laws of the Company or the laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing Shareholders.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

During the Year, neither the Company nor any of its subsidiaries had purchased, redeemed or sold any listed securities of the Company.

SHARE PREMIUM AND RESERVES

Details of movements in the share premium and reserves of the Group and the Company during the Year are set out in the consolidated statement of changes in equity, and in note 45 to the financial statements respectively.

DISTRIBUTABLE RESERVES

As at 31 March 2016, the Company's reserves available for cash distribution and/or distribution in specie to Shareholders, comprising the aggregate of contributed surplus and accumulated losses of the Company, amounted to HK$95,139,000. In accordance with the Companies Act 1981 of Bermuda (as amended), the contributed surplus of the Company is available for distribution to Shareholders. However, a company cannot declare or pay a dividend, or make a distribution out of contributed surplus, if there are reasonable grounds for believing that:

(i) the company is, or would after the payment be, unable to pay its liabilities as they become due; or

(ii) the realisable value of the company's assets would thereby be less than its liabilities.

CHARITABLE DONATIONS

During the Year, the total charitable donations made by the Group is HK$426,000 (2015: Nil).

MAJOR CUSTOMERS AND SUPPLIERS

During the Year, services provided to the Group's five largest customers accounted for 20% of the total turnover for the Year and services provided to the largest customer included therein amounted to 9%.

Services provided from the Group's five largest suppliers accounted for 31% of the total cost of services provided for the Year and services provided from the largest supplier included therein amounted to 10%.

None of the Directors or any of their associates or any Shareholder (which, to the best knowledge of the Directors, owns more than 5% of the Company's issued share capital) had, at any time during the Year, a beneficial interest in any of the five largest customers and suppliers of the Group.

DIRECTORS

The Directors of the Company during the Year and up to the date of this annual report are:

Executive Directors

Mr. Bernard POULIOT *(Chairman)*
Mr. Kenneth LAM Kin Hing *(Deputy Chairman and Chief Executive Officer)*
Mr. Richard David WINTER *(Deputy Chairman)*

Independent Non-executive Directors

Mr. Kenneth YOUNG Chun Man
Mr. Robert CHAN Tze Leung
Mr. Robert Stephen TAIT

In accordance with bye-law 87 of the Bye-laws of the Company, Mr. Richard David WINTER, the Deputy Chairman, and Mr. Robert Stephen TAIT, an independent non-executive Director, are due to retire by rotation at the 2016 AGM. They are being eligible and will offer themselves for re-election.

The Company has received from each of its independent non-executive Director an annual confirmation of independence pursuant to rule 3.13 of the Rules Governing the Listing of Securities of the Stock Exchange (the "Listing Rules") and considers that all the independent non-executive Directors are independent in accordance with the terms of the independence guidelines set out in rule 3.13 of the Listing Rules.

Directors' Report

DIRECTORS' REMUNERATION

Details of the emoluments of the Directors for the Year are set out in note 14 to the financial statements.

EMOLUMENT POLICY

The emolument policy of the Group, in general, is determined with reference to the financial position and operating results of the Company and the prevailing market condition and trends. On this basis, the emolument of the Directors is determined with reference to their individual performances. For the executive Directors, their remuneration is reviewed by the Remuneration Committee of the Company. As for the independent non-executive Directors, remuneration is determined by the Board, upon the recommendation from the Remuneration Committee of the Company.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of Directors and senior management of the Group are presented on pages 26 to 29 of this annual report.

DIRECTORS' SERVICE CONTRACTS

Each of Mr. Bernard POULIOT, Mr. Kenneth LAM Kin Hing and Mr. Richard David WINTER has re-entered into a service contract with the Company, respectively on 1 October 2014, 1 October 2014 and 17 September 2014, for a term of three years and is subject to retirement by rotation and re-election in accordance with the provisions of the Bye-Laws of the Company.

Each of Mr. Robert Stephen TAIT, Mr. Kenneth YOUNG Chun Man and Mr. Robert CHAN Tze Leung has re-entered into a service contract with the Company for a term of one year commencing on 31 July 2015, 6 September 2015 and 18 October 2015 respectively, all renewable following the expiration of the term and is subject to the retirement by rotation and re-election in accordance with the provisions of the Bye-Laws of the Company.

Save as disclosed above, no Director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not terminable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed under "Continuing Connected Transactions" in this directors' report and note 39 to the financial statements, no Director had a material interest in any transactions, arrangements or contract of significance to the business of the Group subsisted at the end of the Year or at any time during the Year to which the Company or any of its subsidiaries was a party.

MANAGEMENT CONTRACTS

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

DIRECTORS' INTERESTS

As at 31 March 2016, the interests and short positions of the Directors in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") under Appendix 10 of the Listing Rules were as follows:

Long Position

	Number of ordinary shares of Hong Kong one third of one cent each held					Interests in underlying shares	
Name of directors	Beneficial interests	Family interests	Corporate interests	Total interests	Approximate percentage of total interests in the shares in issue (Note 4)	Unlisted Warrants	Approximate percentage of total interests (including underlying shares) in the shares in issue (Note 4)
Mr. Bernard POULIOT	129,827,503	9,963,067 (Note 1)	239,539,844 (Note 2)	379,330,414	25.09%	—	25.09%
Mr. Kenneth LAM Kin Hing	209,887,346	—	150,540,458 (Note 3)	360,427,804	23.84%	41,463,600	26.59%
Mr. Richard David WINTER	104,281,744	—	—	104,281,744	6.89%	—	6.89%
Mr. Robert CHAN Tze Leung	519,750	—	—	519,750	0.03%	—	0.03%

Interests in the Debentures of the Company

Name of directors	Nature of Interest	Amount of Debenture
Mr. Bernard POULIOT	Personal Interest	HK$9,869,160
Mr. Kenneth LAM Kin Hing	Personal Interest	HK$44,390,640

Notes:

1. The family interests of Mr. Bernard POULIOT are held by his wife, Ms. Elizabeth CHAN Wai Yin.
2. The corporate interests are held by Newer Challenge Holdings Limited and Porto Global Limited, which are beneficially owned by Mr. Bernard POULIOT, the Chairman and executive Director of the Company.
3. The corporate interests are held by Olympia Asian Limited, which is beneficially owned by Mr. Kenneth LAM Kin Hing, the Deputy Chairman, Chief Executive Officer and executive Director of the Company.
4. The approximate percentage shown was the number of securities the relevant director of the Company was interested expressed as a percentage of the number of issued shares as at 31 March 2016.

Directors' Report

Save as disclosed above, as at 31 March 2016, none of the Directors or their respective associates had or were deemed under the SFO to have any interest or short position 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 were required to be recorded in the register kept by the Company under section 352 of the SFO or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 31 March 2016, so far as were known to the Directors, the following persons (other than the Directors) who had interests and short positions in the shares, underlying shares and debentures of the Company as recorded in the register kept by the Company under section 336 of the SFO, or as otherwise notified to the Company, as being directly or indirectly interested or deemed to be interested in 5% or more of the shares in issue of the Company, were as follows:

Long Position

	Number of ordinary shares of Hong Kong one third of one cent each held	
Name of Shareholders	**Beneficial interests**	**Approximate percentage of total interests in the shares in issue** (Note 3)
Newer Challenge Holdings Limited (Note 1)	139,443,760	9.22%
Olympia Asian Limited (Note 2)	150,540,458	9.96%
Porto Global Limited (Note 1)	100,096,084	6.62%

Notes:

1. Newer Challenge Holdings Limited and Porto Global Limited are companies beneficially owned by Mr. Bernard POULIOT, the Chairman and executive Director of the Company.

2. Olympia Asian Limited is a company beneficially owned by Mr. Kenneth LAM Kin Hing, the Deputy Chairman, Chief Executive Officer and executive Director of the Company.

3. The approximate percentage shown was the number of securities the relevant person was interested expressed as a percentage of the number of issued shares as at 31 March 2016.

4. The following persons (which are defined as Co-Investors below) disclosed to the Company they were, directly or indirectly interested or deemed to be interested in 5% or more of the Shares on 28 August 2015:

Name	Nature of interests	Interests in the Shares
Tisé Media Fund LP *	Beneficial owner and party acting in concert	23,054,875,391
China Alliance Properties Limited **	Beneficial owner and party acting in concert	23,054,875,391

On 28 August 2015, the Company, CMBCI and the co-investors, namely New Hope Global Holding Co., Limited, United Energy International Trading Limited, Mind Power Investments Limited, China P&I Services (Hong Kong) Limited, China Alliance Properties Limited, Good First International Holding Limited, Divine Unity Limited, Tisé Media Fund LP, Novel Well Limited, Ristora Investments Limited and Insight Multi-Strategy Funds SPC for the account of Insight Phoenix Fund III SP (together "Co-Investors"), entered into a subscription agreement pursuant to which CMBCI and the Co-Investors had conditionally agreed to subscribe for, and the Company had conditionally agreed to allot and issue in aggregate of 23,054,875,391 shares of the Company (the "Subscription Shares") at the subscription price of HK$0.565 per Subscription Share (the "First Subscription Agreement"). As disclosed in the announcement of the Company dated 1 March 2016, the First Subscription Agreement had ceased to be of effect as of 28 February 2016 as certain conditions precedent under the First Subscription Agreement remained outstanding as at the long stop date. Accordingly, as at the date of this annual report, so far as was known to the Directors, CMBCI and the Co-Investors ceased to have interests in the Shares.

* Pursuant to the First Subscription Agreement, Tisé Media Fund LP would subscribe for 700,000,000 Subscription Shares. As Tisé Media Fund LP was a party acting in concert with CMBCI and the Co-Investors under section 317 of the SFO in view of the consortium agreement entered between CMBCI and the Co-Investors on 28 August 2015, Tisé Media Fund LP was deemed to be interested in an aggregate of 23,054,875,391 ordinary shares of the Company.

** Pursuant to the First Subscription Agreement, China Alliance Properties Limited would subscribe for 180,000,000 Subscription Shares. China Alliance Properties Limited is a wholly-owned subsidiary of Shanghai Forte Land Co., Ltd. which, in turn, is owned as to approximately 99.08% by Shanghai Fosun High Technology (Group) Company Limited, which is a wholly-owned subsidiary of Fosun International Limited. Fosun International Limited is owned as to 71.5% by Fosun Holdings Limited, which is wholly-owned subsidiary of Fosun International Holdings Limited. Fosun International Holdings Limited is owned as to 58% by Mr. GUO Guangchang. As China Alliance Properties Limited was a party acting in concert with CMBCI and the Co-investors under section 317 of the SFO in view of the consortium agreement entered between CMBCI and Co-Investors on 28 August 2015, each of China Alliance Properties Limited, Shanghai Forte Land Co., Ltd., Shanghai Fosun High Technology (Group) Company Limited, Fosun International Limited, Fosun Holdings Limited, Fosun International Holdings Limited and Mr. GUO Guangchang was deemed to be interested in an aggregate of 23,054,875,391 ordinary shares of the Company.

Save as disclosed above, as at 31 March 2016, the Company had not been notified by any other person (other than the Directors) who had interests or short positions in the shares or underlying shares of the Company which were required to be recorded in the register maintained by the Company under section 336 of the SFO.

Directors' Report

DIRECTORS' INTEREST IN A COMPETING BUSINESS

As at 31 March 2016, none of the Directors or their respective associates was considered to have interests in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

CONTINUING CONNECTED TRANSACTIONS

During the Year, the Group has the following continuing connected transactions which were subsisting:

A) Connected Margin Loans

Transaction period	:	From 1 April 2015 to 31 March 2016
Parties to the transaction	:	Quam Securities Company Limited and — Mr. Bernard POULIOT and his respective associates — Mr. Kenneth LAM Kin Hing and his respective associates — Other directors of the Company and the Company's subsidiaries and their respective associates
Transaction	:	Share margin financing
Total consideration and terms	:	The Company has renewed the annual caps on the maximum daily outstanding balance of the connected margin loans of HK$50,000,000 for each of the three financial years ended 31 March 2016. This was approved by the Shareholders at the annual general meeting of the Company on 6 September 2012. The maximum daily outstanding balance of the connected margin loans amounted to HK$18,651,000. The interest rate charged on the advance made is calculated on the basis of 3% to 6% above the prime rate as quoted from time to time by a principal banker of the Group. The margin facilities are secured by collateral securities and are repayable upon demand.
Nature and extent of the connected persons' interests in the transaction	:	Given the recurring nature of share margin financing arrangements, this constituted financial assistance and continuing connected transactions of the Company under the Listing Rules.

B) Connected Dealings Services

Transaction period	:	From 1 April 2015 to 31 March 2016
Parties to the transaction	:	Quam Securities Company Limited and — Mr. Bernard POULIOT and his respective associates — Mr. Kenneth LAM Kin Hing and his respective associates — Mr. Richard David WINTER — Other directors of the Company and the Company's subsidiaries and their respective associates
Transaction	:	The securities dealing, futures dealing, share margin financing arrangements and portfolio management services
Total consideration and terms	:	The Company has renewed the annual caps for the connected dealings services of HK$30,000,000 for each of the three financial years ended 31 March 2016. This was approved by the Shareholders at the annual general meeting of the Company on 6 September 2012. Total annual aggregate of connected dealings services fees charged to connected persons for the Year amount to HK$2,057,000. The fees charged for futures dealing services comprise (i) commissions range between HK$5.0 and HK$250.0 per futures contract depending on the type of contracts and whether there are commissioned account executives servicing the clients in which the account executives shall receive a portion of the fee; and (ii) performance fees range between 10% and 45% of trading gains for discretionary managed accounts. The fees charged for securities dealing services comprise (i) commissions based on the consideration of the transactions multiplied by the applicable commission rates range from 0.01% to 2.75% depending on the type of market, volume of business and whether there are commissioned account executives servicing the clients in which the account executives shall receive a portion of the fee; and (ii) management fees range from 0% to 2% of the net asset value of securities held under the discretionary managed accounts and performance fees range from 0% to 36% of the investment return generated under the discretionary managed accounts. The interest rate charged on share margin financing is 3% to 6% above the prime rate as quoted from time to time by a principal banker of the Group.
Nature and extent of the connected persons' interests in the transaction	:	Given the recurring nature of the connected dealings services, these constitute continuing connected transactions of the Company under the Listing Rules.

Directors' Report

Further details of the annual caps of the connected margin loans and connected dealings services were set out in the circulars of the Company dated 3 August 2012.

The Company has renewed the annual caps for each of the connected margin loans and connected dealings services to HK$100,000,000 for each of the three financial years ending 31 March 2019 at the special general meeting of the Company on 19 May 2016. Further details of the renewal of annual caps of the connected margin loans and connected dealings services were set out in the circulars of the Company dated 26 April 2016.

Pursuant to rule 14A.55 of the Listing Rules, the independent non-executive Directors of the Company have reviewed the continuing connected transactions of A) and B) as set out above and have confirmed that these continuing connected 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; 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.

Certain related party transactions as disclosed in note 39 and the transaction as disclosed in note 37 (in respect of loan to directors) to the financial statements were "continuing connected transaction" or fell within de minimis continuing connected transaction which exempted from reporting, announcement and independent shareholders' approval under the Listing Rules. The Company has complied with the disclosure requirements, where applicable, in accordance with Chapter 14A of the Listing Rules.

The Company's auditor was engaged 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 auditor has issued an unqualified letter containing his findings and conclusions in respect of the continuing connected transactions disclosed by the Group in accordance with rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

SUFFICIENCY OF PUBLIC FLOAT

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

CORPORATE GOVERNANCE

Details of the corporate governance practices of the Company are presented in the Corporate Governance Report which is set out on pages 47 to 56 of this annual report.

COMPLIANCE WITH LAWS AND REGULATIONS

During the Year, as far as the Board and management are aware, 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.

PERMITTED INDEMNITY PROVISION

Pursuant to the Company's Bye-laws, every Director shall be indemnified out of the assets of the Company against all costs, charges, expenses, losses and liabilities which he may sustain or incur in the execution of his office or otherwise in relation thereto. The Company has taken out insurance policies against the liability and costs associated with defending any proceeding.

UPDATES ON DIRECTORS' INFORMATION UNDER RULE 13.51B(1) OF THE LISTING RULES

Changes of information of the Directors since the date of 2015 Interim Report which is required to be disclosed pursuant to rule 13.51B(1) of the Listing Rules are set out below:

Name of Directors	Details of Change	
Mr. Bernard POULIOT	—	the monthly salary (excluding discretionary bonus) increased from HK$172,200 to HK$216,000 with effect from 1 May 2016 due to annual adjustment and resume to work five days a week
Mr. Kenneth LAM Kin Hing	—	the monthly salary (excluding discretionary bonus) increased from HK$294,500 to HK$300,000 with effect from 1 April 2016 due to annual adjustment
Mr. Richard David WINTER	—	the monthly salary (excluding discretionary bonus) increased from HK$224,700 to HK$281,000 with effect from 1 May 2016 due to annual adjustment and resume to work five days a week

Save as disclosed above, there is no other information required to be disclosed pursuant to rule 13.51B(1) of the Listing Rules.

Directors' Report

AUDITORS

The financial statements for the years ended 31 March 2016 was audited by BDO Limited ("BDO"). BDO will retire at 2016 AGM and being eligible, offer themselves for re-appointment. A resolution will be proposed at 2016 AGM to re-appoint BDO as auditor of the Company.

On behalf of the Board

Bernard POULIOT
Chairman

Hong Kong, 29 June 2016

Corporate Governance Report

The Company is committed to maintaining high standards of corporate governance in order to ensure better transparency and safeguard the shareholders' interest in general. The board of directors (the "Directors" or "Board") works for building the effective self-regulatory practices by recruiting high caliber members, delegating authorities to the Board committees and senior management and implementing sound internal control systems.

CORPORATE GOVERNANCE PRACTICES

The Board considers that the Company has applied the principles and complied with the code provisions set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), titled "Corporate Governance Code and Corporate Governance Report" (the "CG Code"), throughout the year ended 31 March 2016 (the "Year") and subsequent period up to the date of this annual report, save for the deviations from code provision A.5.1 which is explained as follow:

The Company does not establish a Nomination Committee. This constitutes a deviation from code provision A.5.1 of the CG Code which stipulate that a Nomination Committee should be established. In view of the existing size of the board and business operation of the Group, it is considered more beneficial and effective to have the relevant function performed by the Board as a whole.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") under Appendix 10 of the Listing Rules. The code of conduct is also updated from time to time in order to keep abreast with the latest changes in the Listing Rules. It has also been extended to specific employees of the Company who are likely to be in possession of unpublished price sensitive information in respect of their dealings in the securities of the Company.

In response to specific enquiry, all of the Directors confirmed that they have complied with the required standard set out in the Model Code and the code of conduct regarding securities transactions by the Directors adopted by the Company throughout the Year.

BOARD OF DIRECTORS

The Board is charged with promoting the success of the Company by directing and supervising its affairs in a responsible and effective manner. Each Director has a duty to act in good faith in the best interests of the Company. The Directors are aware of their collective and individual responsibilities to all shareholders of the Company for the manner in which the affairs of the Company are managed, controlled and operated, and they devote sufficient time and attention to the Company's affairs.

The roles of the Chairman and the Chief Executive Officer of the Company are separated. Mr. Bernard POULIOT is the Chairman of the Board. The primary role of the Chairman is to provide leadership for the Board and to ensure that it works effectively in discharging its responsibilities. Mr. Kenneth LAM Kin Hing is the Chief Executive Officer of the Company. The Chief Executive Officer is responsible for the overall management of the Group's business. Matters reserved for the Board include formulation of the Group's long-term business strategy, consideration of dividend policy, approval of major investments, maintenance of an adequate system of internal controls and risk management, oversight of compliance with statutory and regulatory obligations and review of the corporate governance practices of the Group. Daily operations and administration are delegated to management teams.

Corporate Governance Report

The Board currently has six members which comprise:

— three executive Directors, namely Mr. POULIOT (the Chairman), Mr. LAM (Deputy Chairman and Chief Executive Officer) and Mr. Richard David WINTER (Deputy Chairman); and

— three independent non-executive Directors, namely, Mr. Kenneth YOUNG Chun Man, Mr. Robert CHAN Tze Leung and Mr. Robert Stephen TAIT.

The brief biographical details of the above directors are set out in the section of "Biographical Details of Directors and Senior Management" of this annual report. A list containing the names of the Directors and their roles and functions can also be found in the website of the Company (www.quamlimited.com) and the website of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk).

The Company has three independent non-executive Directors which represents half of the Board. They are highly experienced professionals and business people with a broad range of expertise and experience in areas covering accounting, finance, human resources and business management. Mr. YOUNG has appropriate professional qualification and accounting expertise as required by the Stock Exchange. He is a fellow member of the Institute of Chartered Accountants in England and Wales and the Hong Kong Institute of Certified Public Accountants, and had acted as partner in medium to large international accounting firms. Mr. TAIT is a specialist in human resources and administration. Mr. CHAN has extensive experience in finance, business management and strategic planning. Our independent non-executive Directors have brought their expertise, experience, professional knowledge together with independent judgment to the Board in making strategic decisions and resolving potential conflicts of interests. They provide adequate checks and balances to safeguard the interests of shareholders in general and the Company as a whole.

The Company has received, from each independent non-executive Director, an annual written confirmation of his independence pursuant to rule 3.13 of the Listing Rules. The Company considers all independent non-executive Directors to be independent.

The Board is continually updated on the Group's business and regulatory environments in which it operates and other changes affecting the Group. The Company has provided the Board with monthly updates of the Group's management information such as performance and key operational highlights to enable the Directors to discharge their duties.

The Company has arranged insurance cover for all Directors in respect of any legal action against the Directors. The insurance coverage is reviewed at least annually for ensuring that the Directors and officers are adequately protected against potential legal liabilities.

During the Year, the Board met ten times in person or through telephone conference to approve the 2015 final results, 2015 interim results, and to consider financial and operating performances and strategic investment decisions of the Group. Two general meetings were held which consisted of one annual general meeting and one special general meeting. Individual attendance of each Board member at these meetings is as follows:

Directors	Number of Board Meetings Attended/Total Number of Board Meetings Held (Percentage of Attendance)		Number of General Meetings Attended/Total Number of General Meetings Held (Percentage of Attendance)	
Executive Directors				
Mr. POULIOT	9/10	(90%)	2/2	(100%)
Mr. LAM	8/10	(80%)	2/2	(100%)
Mr. WINTER	7/10	(70%)	1/2	(50%)
Independent Non-executive Directors				
Mr. CHAN	10/10	(100%)	2/2	(100%)
Mr. TAIT	10/10	(100%)	2/2	(100%)
Mr. YOUNG	7/10	(70%)	1/2	(50%)

Arrangements are in place to allow all Directors the opportunity to include matters for discussion in the agenda of each Board meeting. At least fourteen days notice of all Board meetings is given to all Directors. The agenda and board materials are sent to all directors at least three business days in advance of every Board meeting to facilitate informed discussion and decision-making. Senior management will be invited to attend the Board meeting, when necessary, to provide information and explanation to facilitate the decision-making process. All Directors have recourse to external legal counsel and other professionals for independent advice at the Group's expense upon their request.

The Company Secretary assists the Chairman in preparing the agenda for the meeting and ensures that all applicable rules and regulations regarding the meetings are followed.

The proceedings of the Board at its meetings are generally conducted by the Chairman who ensures that sufficient time is allocated for discussion and consideration of each item on the agenda and also equal opportunities are being given to the Directors to speak, express their views and share their concerns.

The Company Secretary keeps minutes of each meeting. Draft minutes are sent to all Directors within a reasonable time for their comment and final versions of the minutes are available for inspection by all Directors at any time.

New director appointed by the Board is subjected to re-election by shareholders of the Company at the next general meeting pursuant to the Bye-laws of the Company. All Directors are subject to retirement by rotation and may offer themselves for re-election at the annual general meeting. Therefore, no Director has an effective term of appointment longer than three years.

At the annual general meeting of the Company held on 7 August 2015, Mr. LAM and Mr. YOUNG were re-elected as executive Director and independent non-executive Director respectively.

Corporate Governance Report

In order to allow the newly appointed Directors to understand the responsibilities under the relevant regulatory requirements, the operation and business of the Company, the Company will provide an orientation package including key legal requirements, the Memorandum and Bye Laws and information of the Company to and arrange a tailor-made induction for the newly appointed directors.

BOARD COMMITTEES

The Company has established the Audit Committee, the Remuneration Committee and the Executive Committee. The terms of reference of the Audit Committee and the Remuneration Committee can be found in the website of the Company (www.quamlimited.com) and the website of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk).

Audit Committee

The Audit Committee has been established to assist the Board in reviewing the financial information of the Company, maintaining the relationship with the external auditor and overseeing the financial reporting system, risk management and internal control procedures of the Company.

It currently comprises three independent non-executive Directors, namely Mr. YOUNG (the chairman), Mr. CHAN and Mr. TAIT.

The major role and authorities of the Audit Committee are summarised below:

i) to make recommendations to the Board on the appointment, reappointment and removal of the external auditors, and review and monitor their independence and objectivity as well as the effectiveness of the audit process;

ii) to approve the remuneration and terms of engagement of external auditors, maintain appropriate relationship between the Group and the external auditors and develop policy on the engagement of the external auditors to supply non-audit services;

iii) to ensure the integrity of the interim and annual consolidated financial statements and any significant financial reporting judgments contained in them; and review the external auditors' work, including management letter and management's response; and

iv) to review the Company's financial controls, internal controls and risk management systems.

During the Year, two Audit Committee meetings were held with BDO Limited ("BDO"), the external auditor of the Company. The Chief Financial Officer, the Head of Compliance and other senior management of the Company were also invited to participate in the meetings. The Audit Committee members also met privately with BDO twice during the Year. Individual attendance of each committee member at Audit Committee meetings is as follows:

Members of Audit Committee	**Number of Meetings Attended/ Total Number of Meetings Held**	**(Percentage of Attendance)**
Mr. YOUNG	2/2	(100%)
Mr. CHAN	2/2	(100%)
Mr. TAIT	2/2	(100%)

During the Year, the Audit Committee has discharged its responsibilities by considering and reviewing the following:

i) the financial statements for the year ended 31 March 2015 and for the six months ended 30 September 2015;

ii) the engagement and remuneration of the external auditor of the Company and the nature, scope and process of the external audit;

iii) the engagement of external consultants to conduct internal control reviews on the Group's operation;

iv) the continuing connected transactions of the Group for the year ended 31 March 2015;

v) the terms of reference of Audit Committee;

vi) the internal control and risk management systems of the Company;

vii) the adequacy of resources, qualifications and experience of staff, training programmes and budget of the accounting and financial reporting function; and

viii) the recommendation to the Board on the re-appointment of external auditor.

Corporate Governance Report

Remuneration Committee

The Remuneration Committee has been established and empowered by the Board to determine and review the remuneration packages of individual executive Directors and senior management, including salaries, bonuses, share options and benefits in kind.

It currently comprises three independent non-executive Directors, namely Mr. TAIT (the chairman), Mr. CHAN and Mr. YOUNG, and an executive Director, Mr. WINTER.

The major roles and authorities of the Remuneration Committee are summarised below:

i) to review and recommend to the Board on the Group's remuneration policy and strategy;

ii) to review and approve the proposals for remuneration of the executive Directors, senior management and employees of the Group; and

iii) to review and approve the compensation arrangement relating to the dismissal or removal of directors.

During the Year, two Remuneration Committee meetings were held. Individual attendance of each committee member at Remuneration Committee meeting is as follows:

Members of Remuneration Committee	Number of Meetings Attended/ Total Number of Meetings Held (Percentage of Attendance)	
Mr. TAIT	2/2	(100%)
Mr. CHAN	2/2	(100%)
Mr. YOUNG	2/2	(100%)
Mr. WINTER	2/2	(100%)

During the Year, the Remuneration Committee has discharged its responsibilities by considering and reviewing the following:

i) the proposal of remuneration packages of new senior management;

ii) the proposal of remuneration adjustment of executive Directors;

iii) the proposal of discretionary bonus and annual salary adjustment for senior management and general employees of the Group;

iv) the context of the annual self-assessment questionnaire of Remuneration Committee; and

v) those staff undertaking and declaration forms in relation to confidentiality and outside employment/business.

The basis for determining the emolument payable to directors and senior management are with reference to the prevailing market condition, the financial performance of the Company, time commitment and responsibilities and comparable market statistics.

Executive Committee

The Company has set up an Executive Committee which determines group strategy, reviews business performances, examine major investments and monitor management performance. It also identifies and manages the market risk, credit risk, liquidity risk, operational risk, legal risk and regulatory risk of the Group, devises the Group's risk management strategy and strengthens the Group's system of risk management. It comprises three executive Directors, namely Mr. POULIOT, Mr. LAM and Mr. WINTER, and the Chief Financial Officer of the Group, Mr. Kevin Graeme SEW HOY. In order to sustain the long-term business development of the Company, meetings are usually held once every month. Several senior managements are invited to participate actively in the meetings as advisory members. Minutes of the Executive Committee Meetings had also been sent to all the members of the Board within a reasonable time for review.

Nomination Committee

The Company does not establish a Nomination Committee. The Executive Committee will be responsible to identify and nominate suitable candidates as Board members. The shortlist of suitable candidates will then be proposed to the Board for consideration and appointment.

In February 2014, the Board has adopted a Board Diversity Policy which aims to set out the approach to achieve diversity on the Board. It endeavours to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business. All Board appointments will be based on meritocracy while taking into account of diversity. Selection of candidates will be based on a range of diversity criteria, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates are likely to bring to the Board. The Board Diversity Policy, as appropriate, will be reviewed from time to time to ensure its continuing effectiveness.

As a whole, the Board is diverse in terms of education background, professional background and business experience. Half of the Board members are non-Chinese. Their age, gender and length of service with the Company can be found in the section of "Biographical Details of Directors and Senior Management" of this annual report.

The Board will also be responsible for reviewing its structure, size and composition. Any new director appointed by the Board during the year shall be required to be offered for re-election by shareholders of the Company at the next general meeting of the Company.

Shareholders may propose a person for election as a Director at the general meeting of the Company in accordance with the Bye-laws of the Company. The procedures for such proposal can be found in the website of the Company (www.quamlimited.com).

CONTINUING PROFESSIONAL DEVELOPMENT

Pursuant to the CG Code, all Directors and company secretary should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contributions to the Board are made on a well-informed basis.

During the Year, all Directors had complied with the code provision in relation to continuous professional development. This has involved various forms of activities including attending courses, seminars and/or conference provided by external professional advisors and reading materials and updates relevant to the regulatory changes, director's duties and responsibilities.

During the Year, the Company Secretary had undertaken no less than 15 hours of relevant professional training.

Corporate Governance Report

EMOLUMENTS OF DIRECTORS AND SENIOR MANAGEMENT

The emoluments of the Directors and the senior management of the Company for the Year are set out in note 14 to the financial statements.

AUDITORS' REMUNERATION

During the Year, the Group has engaged the following audit and non-audit services provided by BDO:

Type of services	Fees payable to BDO 2016 HK$'000	Fees paid to BDO 2015 HK$'000
Audit fee for the Group including interim review	1,524	1,424
Taxation services for the Group	240	183
Others	45	688
TOTAL	1,809	2,295

The Audit Committee will recommend the appointment of BDO for assurance service for the financial year ending 31 March 2017 at a fee to be agreed.

DIRECTOR'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Board acknowledges that they are responsible for overseeing the preparation of the consolidated financial statements which give a true and fair view of the financial position of the Company and of the Group as at 31 March 2016 and of the Group's financial performance and cash flow for the year then ended in accordance with Hong Kong Financial Reporting Standards and the applicable disclosure provisions of the Listing Rules and for ensuring that appropriate accounting policies are selected and applied consistently.

BDO, the external auditor of the Company, stated their reporting responsibilities in the Independent Auditor's Report which is set out on pages 57 to 58 of this annual report.

The financial statements are prepared on a going concern basis. The Board confirms that, to the best of their knowledge, they are not aware of any material events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges the responsibility for establishing and maintaining an adequate system of internal control and risk management. The internal control system includes a well-established organizational structure with clearly defined lines of responsibility and authority, which is designed to protect the Group's operations and its clients from financial loss arising from theft, fraud, and other dishonest acts, professional misconduct or omissions.

During the Year, the Executive Committee continued to oversee the internal control and risk management systems of the Group on an ongoing basis, and had reviewed the particular internal controls and governance issues of the Group at each Executive Committee meeting with the assistance of the Group's Head of Compliance.

The Company is aware of its disclosure obligations under the Listing Rules and the Inside Information provisions under the Securities and Futures Ordinance and has put in place the proper procedure to ensure that any perceived inside information would be announced to the investing public on a timely basis.

The Company has complied with the code provisions on internal controls and risk management during the Year in view of the effectiveness and adequacy of the internal control and risk management system as below:

i) establish a framework of prudent and effective controls to enable risks to be identified, evaluated and managed;

ii) review the internal controls and risk management, through the Audit Committee, to ensure the effectiveness of such control; and

iii) review the effectiveness of the internal control and risk management systems on an ongoing basis.

The Board engaged external professional service providers to conduct review on the risk management and internal controls systems and make recommendations for strengthening such systems. During the Year, the Group had engaged Moore Stephens Consulting Limited to conduct a review of the internal control and risk management systems of the Group's asset management business and Mazars Corporate Recovery & Forensic Services Limited to conduct a review of the internal control and risk management systems of the Group's brokerage business in relation to suspicious transaction identification and reporting for anti-money laundering purpose. These review results had been reported to the Audit Committee and the Board. Areas for improvement had been identified and appropriate remedial measures will be taken by the Group in due course.

The Board, through the Audit Committee, has also reviewed the adequacy of resources, qualifications and experience of staff, training programmes and budget of the Company's accounting and financial reporting function during the Year. The review will be conducted annually in accordance with the requirements of the CG Code.

Based on the results of the review and monthly monitoring, the Directors considered that systems and procedures of the internal control and risk management of the Group were effective and adequate.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

Accountability and transparency are indispensable for ensuring good corporate governance and, in this regard, timely communication with the shareholders, including institutional investors, is crucial. The Company manages investor relations systematically as a key part of its operations and continues to promote and enhance investor relations and communications with the investors.

The Company maintains a company website at www.quamlimited.com. It is a channel of the Company to communicate with the investing public with our latest corporate development. All our corporate communications, such as press release, statutory announcement, circular, annual report and interim report etc. are available on the website whereas circular, annual report and interim report are printed and sent to all shareholders of the Company. Shareholders and investors may also email their enquiries to the Company's email address: quamir@quamgroup.com, which will be handled by the Company's Investor Relations team. The Company has established a shareholders' communication policy and will review it on a regular basis to ensure its effectiveness.

The last annual general meeting of the Company was held on 7 August 2015 at the Tian & Di, 7/F, The Landmark Mandarin Oriental Hong Kong, The Landmark, 15 Queen's Road Central, Hong Kong. At the meeting, the ordinary business of adopting the audited financial statements for the year ended 31 March 2015, the re-election of Directors, the re-appointment of auditor and the authorisation of the Directors to fix their remuneration were approved at the meeting. Ordinary resolutions providing Directors with general mandates to repurchase and issue and allot shares of the Company subject to the relevant limits under the Listing Rules were also approved. Mr. POULIOT (Chairman), Mr. LAM, Mr. TAIT (Chairman of Remuneration Committee), Mr. YOUNG (Chairman of Audit Committee) and Mr. CHAN and representatives of BDO were present and available to answer questions at the meeting.

Corporate Governance Report

The forthcoming annual general meeting of the Company will be scheduled to be held on Friday, 19 August 2016. Details of the meeting and the necessary information on issues to be considered in the meeting will be set out in the circular to be dispatched to the shareholders of the Company in due course.

CONSTITUTIONAL DOCUMENTS

There is no change in the constitutional documents of the Company during the Year.

SHAREHOLDERS' RIGHTS

Shareholder(s) holding not less than one-tenth of the paid-up capital of the Company may request the Board to convene a special general meeting of the Company. The purposes of convening the meeting must be stated in the relevant requisition, signed by all the shareholders concerned in one or more documents in like form and deposited at the Company's registered office and principal place of business in Hong Kong.

Shareholder(s) can also submit a written requisition to move a resolution at a general meeting pursuant to Section 79 to 80 of the Bermuda Companies Act if they (a) represent not less than one-twentieth of the total voting rights of those shareholders having the right to vote at a general meeting; or (b) are not less than one hundred shareholders. The written requisition must state the resolution, accompanied by a statement of not more than 1,000 words with respect to the matter referred to in the proposed resolution or the business to be dealt with at the general meeting and deposited at the Company's registered office and principal place of business in Hong Kong.

The written requisition must be signed by all the shareholders concerned in one or more documents in like form and deposited at the Company's registered office and principal place of business in Hong Kong for the attention of the Company Secretary not less than six weeks before the meeting in the case of a requisition requiring notice of a resolution, and not less than one week before the meeting in the case of any other requisition. A sum of money reasonably sufficient to meet the Company's expenses in serving the notice of the resolution and circulating the statement given by the requisitionists to all shareholders in accordance with the requirements under the applicable laws and rules should also be accompanied.

CONCLUSION

The Company believes that good corporate governance practices raise the confidence of investors towards the Company. We are one of the founding signatories of the Hong Kong Corporate Governance Charter of The Chamber of Hong Kong Listed Companies which demonstrate the commitment of the Company to uphold good corporate governance. The Company will keep its ongoing effort to enhance the corporate governance practices in order to meet the changing circumstances.

Independent Auditor's Report

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TO THE SHAREHOLDERS OF QUAM LIMITED
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Quam Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 59 to 143, which comprise the consolidated statement of financial position as at 31 March 2016, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the 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.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

Independent Auditor's Report

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 March 2016, and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BDO Limited
Certified Public Accountants
Yu Tsui Fong
Practising Certificate No.: P05440

Hong Kong, 29 June 2016

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2016

	Notes	2016 HK$'000	2015 HK$'000
Revenue	5	**532,527**	423,686
Fair value (loss)/gain on financial assets measured at fair value through profit or loss		**(5,302)**	1,086
Other operating income and gains	6	**16,948**	10,147
Cost of services provided		**(244,155)**	(167,248)
Staff costs	9	**(151,413)**	(134,146)
Depreciation and amortisation expenses	10	**(7,132)**	(6,967)
Other operating expenses		**(85,567)**	(57,965)
Finance costs	8	**(20,334)**	(25,131)
Loss on disposal of an associate		**—**	(177)
Share of results of joint ventures		**1,156**	(2,946)
Profit before income tax	10	**36,728**	40,339
Income tax expense	11	**(12,040)**	(4,302)
Profit for the year, attributable to owners of the Company		**24,688**	36,037
Other comprehensive income, including reclassification adjustments			
Item that may be reclassified subsequently to profit or loss			
— Exchange (loss)/gain on translation of financial statements of foreign operations		**(1,397)**	1,494
Item that will not be reclassified subsequently to profit or loss			
— Changes in fair value of financial assets measured at fair value through other comprehensive income		**(11,379)**	6,050
Other comprehensive income for the year, including reclassification adjustments and net of tax		**(12,776)**	7,544
Total comprehensive income for the year, attributable to owners of the Company		**11,912**	43,581
		HK cents	HK cents *(Restated)*
Earnings per share for profit attributable to owners of the Company for the year	13		
— Basic		**1.671**	2.916
— Diluted		**1.626**	2.908

Consolidated Statement of Financial Position

As at 31 March 2016

	Notes	2016 HK$'000	2015 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	15	17,245	17,126
Goodwill	16	14,695	14,695
Development costs	17	3,845	2,854
Other intangible assets	17	212	272
Financial assets measured at fair value through other comprehensive income	18	15,380	26,759
Other financial assets measured at amortised cost	19	16,145	24,144
Interests in joint ventures	20	42,200	42,447
Other assets	21	7,684	17,790
Deposits for intangible assets		1,820	—
Deferred tax assets	31	445	445
		119,671	146,532
Current assets			
Trade receivables	22	1,622,201	2,131,904
Loan receivables	23	—	306
Prepayments, deposits and other receivables	24	18,209	17,381
Financial assets measured at fair value through profit or loss	25	64,831	9,059
Tax recoverable		714	31
Trust time deposits held on behalf of clients	26	513,740	345,956
Trust bank balances held on behalf of clients	26	824,408	811,316
Cash and cash equivalents	27	83,382	67,102
		3,127,485	3,383,055

	Notes	2016 HK$'000	2015 HK$'000
Current liabilities			
Trade payables	28	2,171,798	1,884,355
Borrowings	29	263,948	1,050,203
Accruals and other payables		93,825	70,942
Finance lease payables	30	—	455
Tax payables		7,880	1,162
Provision	32	3,100	—
		2,540,551	3,007,117
Net current assets		586,934	375,938
Total assets less current liabilities		706,605	522,470
Non-current liabilities			
Borrowings	29	98,564	95,612
		98,564	95,612
Net assets		608,041	426,858
EQUITY			
Equity attributable to Company's owners			
Share capital	33	5,038	4,017
Reserves		603,003	422,841
Total equity		608,041	426,858

On behalf of the Board

Bernard POULIOT
Director

Kenneth LAM Kin Hing
Director

Consolidated Statement of Cash Flows

For the year ended 31 March 2016

	Notes	2016 HK$'000	2015 HK$'000
Cash flows from operating activities			
Profit before income tax		**36,728**	40,339
Adjustments for:			
Amortisation of development costs and other intangible assets	10	**1,288**	1,333
Changes in net assets attributable to other holders of a consolidated investment fund	6	**(1,897)**	—
Depreciation of property, plant and equipment	10	**5,844**	5,634
Dividend income from financial assets measured at fair value through other comprehensive income	6	**(924)**	—
Finance charges on finance lease payables	8	**13**	52
Gain from derecognition of financial assets measured at amortised cost	6	**(221)**	—
Impairment of trade receivables	10	**1,956**	1,941
Interest income from banks and other financial assets measured at amortised cost	6	**(5,295)**	(5,723)
Loss on disposal of an associate		**—**	177
Net losses on disposals of property, plant and equipment	10	**4**	23
Reversal of impairment of trade and other receivables	6	**(2,500)**	—
Share awards expense	35	**684**	377
Share of results of joint ventures		**(1,156)**	2,946
Operating profit before working capital changes		**34,524**	47,099
Decrease/(Increase) in other assets		**10,106**	(2,354)
Decrease/(Increase) in trade receivables, loan receivables, prepayments, deposits and other receivables		**509,725**	(967,244)
Increase in financial assets measured at fair value through profit or loss		**(55,772)**	(2,081)
(Increase)/Decrease in trust time deposits and trust bank balances held on behalf of clients		**(180,876)**	52,757
Increase in trade payables, accruals and other payables		**280,565**	193,088
(Decrease)/Increase in borrowings		**(783,303)**	667,525
Increase in provision for professional service fee		**3,100**	—
Cash used in operations		**(181,931)**	(11,210)
Dividend paid		**(22,661)**	(11,944)
Income tax paid		**(6,036)**	(7,032)
Income tax refunded		**31**	392
Net cash used in operating activities		**(210,597)**	(29,794)

	Notes	2016 HK$'000	2015 HK$'000
Cash flows from investing activities			
Capital injection to a joint venture		**—**	(42,000)
Development costs capitalised and paid		**(2,219)**	(500)
Dividend received from financial assets measured at fair value through other comprehensive income		**924**	—
Interest received from banks and other financial assets measured at amortised cost		**5,648**	5,553
Purchases of intangible assets		**(1,820)**	(300)
Purchases of property, plant and equipment		**(5,978)**	(5,082)
Proceeds from disposals/(purchases) of senior notes		**7,867**	(23,974)
Net cash generated from/(used in) investing activities		**4,422**	(66,303)
Cash flows from financing activities			
Capital element of finance lease paid		**(455)**	(572)
Interest element of finance lease paid		**(13)**	(52)
Proceeds from issue of new shares		**112,500**	—
Proceeds from issue of shares to other holders of a consolidated investment fund		**31,700**	—
Proceeds from shares issued upon exercise of share options		**14,857**	—
Proceeds from shares issued upon exercise of Warrants		**67,292**	6,069
Refund of proceeds in connection with the Open Offer	29(b)	**—**	(1,260)
Transaction costs attributable to the issue of new shares		**(3,401)**	—
Transaction costs in connection with issue of Notes and Warrants	29(b)	**—**	(3,866)
Net cash generated from financing activities		**222,480**	319
Net increase/(decrease) in cash and cash equivalents		**16,305**	(95,778)
Cash and cash equivalents at the beginning of the year		**67,102**	162,880
Effect of foreign exchange rate changes, on cash held		**(25)**	—
Cash and cash equivalents at the end of the year	27	**83,382**	67,102

Consolidated Statement of Changes in Equity

For the year ended 31 March 2016

	Attributable to owners of the Company											
	Share capital HK$'000 (note 33)	Share premium* HK$'000	Awarded share reserve* HK$'000	Capital redemption reserve* HK$'000	Contributed surplus* HK$'000 (note 36)	Exchange reserve* HK$'000	Investment revaluation reserve* HK$'000	Shares held for Share Award Scheme* HK$'000	Share option reserve* HK$'000	Warrants reserve* HK$'000	Retained profits* HK$'000	Total HK$'000
At 1 April 2014	3,977	185,024	—	936	4,742	328	(5,255)	(2,703)	6,995	—	189,695	383,739
Dividend approved	—	—	—	—	(11,944)	—	—	—	—	—	—	(11,944)
Issue of Warrants	—	—	—	—	—	—	—	—	—	5,036	—	5,036
Exercise of Warrants	40	6,349	—	—	—	—	—	—	—	(320)	—	6,069
Share Award Scheme arrangements	—	—	377	—	—	—	—	—	—	—	—	377
Transactions with owners	40	6,349	377	—	(11,944)	—	—	—	—	4,716	—	(462)
Profit for the year	—	—	—	—	—	—	—	—	—	—	36,037	36,037
Other comprehensive income												
— Exchange gain on translation of financial statements of foreign operations	—	—	—	—	—	1,494	—	—	—	—	—	1,494
— Changes in fair value of financial assets measured at fair value through other comprehensive income	—	—	—	—	—	—	6,050	—	—	—	—	6,050
Total comprehensive income for the year	—	—	—	—	—	1,494	6,050	—	—	—	36,037	43,581
Transfer from share premium account	—	(120,000)	—	—	120,000	—	—	—	—	—	—	—
Forfeiture of share options	—	—	—	—	—	—	—	—	(333)	—	333	—
At 31 March 2015	4,017	71,373	377	936	112,798	1,822	795	(2,703)	6,662	4,716	226,065	426,858

	Attributable to owners of the Company											
	Share capital HK$'000 (note 33)	Share premium* HK$'000	Awarded share reserve* HK$'000	Capital redemption reserve* HK$'000	Contributed surplus* HK$'000 (note 36)	Exchange reserve* HK$'000	Investment revaluation reserve* HK$'000	Shares held for Share Award Scheme* HK$'000	Share option reserve* HK$'000	Warrants reserve* HK$'000	Retained profits* HK$'000	Total HK$'000
At 1 April 2015	4,017	71,373	377	936	112,798	1,822	795	(2,703)	6,662	4,716	226,065	426,858
Dividend approved	—	—	—	—	(22,661)	—	—	—	—	—	—	(22,661)
Exercise of share options	72	20,542	—	—	—	—	—	—	(5,757)	—	—	14,857
Exercise of Warrants	449	70,393	—	—	—	—	—	—	—	(3,550)	—	67,292
Issue of new shares	500	112,000	—	—	—	—	—	—	—	—	—	112,500
Transaction costs attributable to the issue of new shares	—	(3,401)	—	—	—	—	—	—	—	—	—	(3,401)
Share Award Scheme arrangements	—	—	684	—	—	—	—	—	—	—	—	684
Transactions with owners	1,021	199,534	684	—	(22,661)	—	—	—	(5,757)	(3,550)	—	169,271
Profit for the year	—	—	—	—	—	—	—	—	—	—	24,688	24,688
Other comprehensive income												
— Exchange loss on translation of financial statements of foreign operations	—	—	—	—	—	(1,397)	—	—	—	—	—	(1,397)
— Changes in fair value of financial assets measured at fair value through other comprehensive income	—	—	—	—	—	—	(11,379)	—	—	—	—	(11,379)
Total comprehensive income for the year	—	—	—	—	—	(1,397)	(11,379)	—	—	—	24,688	11,912
Vesting of awarded shares	—	—	(565)	—	—	—	—	710	—	—	(145)	—
At 31 March 2016	5,038	270,907	496	936	90,137	425	(10,584)	(1,993)	905	1,166	250,608	608,041

* These reserve accounts comprise the reserves of HK$603,003,000 (2015: HK$422,841,000) in the consolidated statement of financial position as at 31 March 2016.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

1. GENERAL INFORMATION

Quam Limited (the "Company") is a limited liability company incorporated and domiciled in Bermuda. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and, its principal place of business is 18th and 19th Floors, China Building, 29 Queen's Road Central, Hong Kong. The Company's shares are listed on The Stock Exchange of Hong Kong Limited ("Stock Exchange").

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

— discretionary and non-discretionary dealing services for securities, futures and options, securities placing and underwriting services, margin financing and money lending services, insurance broking and wealth management services

— corporate finance advisory and general advisory services

— fund management, discretionary portfolio management and portfolio management advisory services

— investor relation, online advertising and financial information services

— investment holding and securities trading

The financial statements for the year ended 31 March 2016 were approved for issue by the board of directors ("Board") on 29 June 2016.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements on pages 59 to 143 have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance and of the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules").

The significant accounting policies that have been used in the preparation of these financial statements are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated. The adoption of new and amended HKFRSs and the impact on the Group's financial statements, if any, are disclosed in note 3 to the financial statements.

The financial statements have been prepared on the historical cost basis except for certain financial assets which are measured at fair value. The measurement bases are fully described in the accounting policies below.

It should be noted that accounting estimates and assumptions are used in preparation of the financial statements. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4 to the financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Basis of consolidation

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

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

2.3 Subsidiaries

Subsidiaries are entities (including structured entities) controlled by the Group. The Group controls an entity when it has power over the investee, exposure, or rights, to variable returns from its involvement with the investee and the ability to affect those returns through its power over the investee. When assessing whether the Group has power, only substantive rights relating to the investee (held by the Group and others) are considered. For a right to be substantive, the Group must have the practical ability to exercise that right. Control is reassessed when facts and circumstances indicate that there are changes to one or more of the elements of control.

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements. Structured entities often have restricted activities and a narrow and well defined objective.

In the Company's statement of financial position, subsidiaries are carried at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the reporting date. All dividends whether received out of the investee's pre or post-acquisition profits are recognised in the Company's profit or loss.

2.4 Associates and joint ventures

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the Group and other parties that have joint control of the arrangement have rights to the net assets of the arrangement. A joint arrangement is an arrangement of which the Group and other parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Associates and joint ventures (Continued)

In consolidated financial statements, the investments in associates or joint ventures are accounted for using the equity method whereby they are initially recognised at cost and thereafter, their carrying amounts are adjusted for the post-acquisition change in the Group's share of net assets and any impairment losses relating to the investment. The Group's share of the post-acquisition, post-tax results of the investees, including any impairment losses on the investments in associates or joint ventures for the year, are recognised in profit or loss, whereas the Group's share of the post-acquisition, post-tax items of the investees' other comprehensive income are recognised in other comprehensive income of the Group. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture, the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

Unrealised profits and losses resulting from transactions between the Group and its associates or joint ventures are recognised only to the extent of unrelated investors' interests in the associates or joint ventures. The investor's share in the associate's or joint venture's profits and losses resulting from these transactions is eliminated against the carrying value of the associate or joint venture, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are immediately recognised in profit or loss.

Where the associate or joint venture uses accounting policies other than those of the Group for like transactions and events in similar circumstances, adjustments are made to conform the associate's or joint venture's accounting policies to those of the Group when the associate's or joint venture's financial statements are used by the Group in applying the equity method.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued and any proceeds from disposing of the interest in the associate or joint venture is included in the determination of gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities.

In the Company's statement of financial position, investments in associates and joint ventures are carried at cost less impairment losses, if any. The results of associates and joint ventures are accounted for by the Company on the basis of dividends received and receivable during the year.

2.5 Foreign currency translation

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Foreign currency translation (Continued)

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At the reporting date, monetary assets and liabilities denominated in foreign currencies are retranslated at the foreign exchange rates ruling at that date. Foreign exchange gains and losses resulting from the settlement of and from the reporting date retranslation of monetary assets and liabilities are recognised in profit or loss. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the foreign exchange rates prevailing on the date when the fair value was determined and are reported as part of the fair value gain or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

In the consolidated financial statements, all individual financial statements of foreign operations, originally presented in a currency different from the Group's presentation currency, have been converted into HK$. Assets and liabilities have been translated into HK$ at the closing rate at the reporting date. Income and expenses have been converted into HK$ at the exchange rates ruling at the transaction dates, or at the average rates over the reporting period provided that the exchange rates do not fluctuate significantly. Any differences arising from this procedure have been recognised in other comprehensive income and accumulated separately in exchange reserve in equity.

On disposal of a foreign operation involving loss of control over a subsidiary, joint control over a joint venture or significant influence over an associate that includes a foreign operation, the cumulative exchange differences relating to that foreign operation accumulated in exchange reserve are reclassified from equity to profit or loss as part of the gain or loss on disposal.

2.6 Revenue recognition

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

(a) for advertising, banner and events fee income, advisory, financial information service fee income, investor relations service fee income, loan arrangement fee income and wealth management service fee income from the brokerage of insurance policies and pension schemes , they are recognised when the services are provided;

(b) for asset management fee income, it is recognised on a time-proportion basis with reference to the net asset value of the investment funds and portfolios under management;

(c) for performance fee income, it is recognised on the fee valuation day when there is a positive performance for the relevant period, taking into consideration the relevant calculation basis of the investments funds and portfolios under management;

(d) for commission and brokerage income, they are recognised on a trade date basis when the relevant transactions are executed;

(e) for interest income, it is recognised on time-proportion basis taking into account the principal outstanding and effective interest rate applicable;

Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Revenue recognition (Continued)

(f) for placing and underwriting fee income, they are recognised when the obligations under the agreement have been fulfilled; and

(g) for dividend income, it is recognised when the shareholders' right to receive payment has been established.

2.7 Borrowing costs

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

2.8 Goodwill

Goodwill arising on acquisition of a subsidiary prior to 1 April 2010

Goodwill represents the excess of the cost of a business combination over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. The cost of the business combination is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group, plus any costs directly attributable to the business combination.

Any excess of the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of a business combination is recognised immediately in profit or loss.

Goodwill arising on acquisition of a subsidiary on or after 1 April 2010

Goodwill is initially recognised at cost being the excess of the aggregate of the fair value of the consideration transferred and the amount recognised for non-controlling interests over the fair value of identifiable assets, liabilities and contingent liabilities acquired.

Where the fair value of identifiable assets, liabilities and contingent liabilities exceed the fair value of consideration paid, the excess is recognised in profit or loss on the acquisition date, after re-assessment.

Goodwill is stated at cost less accumulated impairment losses. For the purpose of impairment testing, goodwill is allocated to cash-generating units ("CGUs") and is tested annually for impairment or when there is an indication that the CGU may be impaired (see note 2.11 to the financial statements).

On subsequent disposal of a subsidiary, the attributable amount of goodwill capitalised is included in the determination of the amount of gain or loss on disposal.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Intangible assets (other than goodwill)

Intangible assets acquired separately or in a business combination

Intangible assets acquired separately are measured initially at cost. The cost of intangible assets acquired in a business combination is its fair value at the acquisition date. After initial recognition, intangible assets are carried at cost less accumulated amortisation and any impairment losses.

Internally-developed intangible assets (Research and development expenditures)

Expenditures associated with research activities are expensed in profit or loss as they occur. Expenditures that are directly attributable to development activities are recognised as intangible assets provided they meet the following recognition requirements:

(a) demonstration of technical feasibility of the prospective product for internal use or sale;

(b) there is intention to complete the intangible asset and use or sell it;

(c) the Group's ability to use or sell the intangible asset is demonstrated;

(d) the intangible asset will generate probable economic benefits through internal use or sale;

(e) sufficient technical, financial and other resources are available for completion; and

(f) the expenditure attributable to the intangible asset can be reliably measured.

Direct costs include employee costs incurred on development activities along with an appropriate portion of relevant overheads. The expenditure of development of internally generated software, products or knowhow that meet the above recognition criteria are recognised as intangible assets and are recognised initially at cost. After initial recognition, they are carried at cost less accumulated amortisation and any impairment losses. Development expenditures not satisfying the above criteria are expensed when incurred.

Amortisation of intangible assets

Amortisation of intangible assets is provided on straight-line method over the estimated useful lives. The estimated useful lives of intangible assets are as follows:

Trading rights	10 years
Mobile phone applications	5 years
Development costs	3 years

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Property, plant and equipment

Property, plant and equipment, including leasehold land classified under finance leases, are carried at cost less any accumulated depreciation and any impairment losses.

Depreciation on property, plant and equipment is provided to write off the cost less their estimated residual value over their estimated useful lives, using the straight-line method, as follows:

Leasehold land under finance leases	Over the lease terms
Buildings	47 years or over the lease terms of the land, whichever is shorter
Leasehold improvements	10 years or over the lease terms, whichever is shorter
Furniture, fixtures and equipment	5 to 10 years

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

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

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

2.11 Impairment of non-financial assets

Goodwill arising on acquisition of a subsidiary, development costs and other intangible assets with an indefinite useful life or those not yet available for use are tested for impairment at least annually, and whenever there is any indication that they may be impaired. Property, plant and equipment and interests in joint ventures are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

Recoverable amount is the higher of fair value, reflecting market conditions 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 time value of money and the risk specific to the asset for which the future cash flow estimates have not been adjusted.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets or group of assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. CGU). As a result, some assets are tested individually for impairment and some are tested at CGU level. Goodwill in particular is allocated to those CGUs that are expected to benefit from the synergies of the related business combination and represent the lowest level within the Group at which the goodwill is monitored for internal management purpose. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Impairment of non-financial assets (Continued)

An impairment loss is recognised as an expense immediately for the amount by which the carrying amount of an asset, or the CGU to which it belongs, exceeds its recoverable amount. Impairment loss recognised for CGU, to which goodwill has been allocated, is credited initially to the carrying amount of goodwill. Any remaining impairment loss is allocated pro rata to the other assets in the CGU, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal, if measureable, and value in use, if determinable.

An impairment loss recognised for goodwill is not reversed in a subsequent period. An impairment loss for an asset other than goodwill is reversed if there is any indication that an impairment loss recognised in prior periods may no longer exist or may have decreased, there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised. Reversal of impairment loss is recognised immediately in profit or loss.

2.12 Leases

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

Classification of assets leased to the Group

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

Assets acquired under finance leases

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liabilities, net of finance charges, are recorded as finance lease payables.

Subsequent accounting for assets held under finance lease agreements corresponds to those applied to comparable acquired assets. The corresponding finance lease liability is reduced by lease payments less finance charges.

Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Leases (Continued)

Operating lease charges as lessee

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

2.13 Financial assets

Financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the instrument. 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 under a contract whose terms that require delivery of assets within the time frame established generally by regulation or convention in the marketplace concerned. Derecognition of financial assets occurs when, and only when, the contractual rights to receive cash flows from the financial assets expire or are transferred and substantially all of the risks and rewards of ownership have been transferred.

Following the early adoption of HKFRS 9 (2009) on 31 March 2010, financial assets of the Group are classified under the following categories:

(a) financial assets measured at amortised cost;

(b) financial assets measured at fair value through profit or loss; and

(c) financial assets measured at fair value through other comprehensive income.

Financial assets measured at amortised cost

Debt instruments are classified under this category if they satisfy both of the following conditions:

(a) the assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows for managing liquidity and generating income on its investment, but not for the purpose of realising fair value gains; and

(b) the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, with interest being the consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and are unleveraged.

Debt instruments meeting these criteria are measured initially at fair value plus transaction costs. They are subsequently measured at amortised cost using the effective interest method less any impairment. On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 Financial assets (Continued)

Financial assets measured at fair value through profit or loss

Debt instruments are classified under this category if they do not meet the conditions to be measured at amortised cost.

Investments in equity instruments are classified as at fair value through profit or loss, unless the Group designates an investment that is not held for trading as at fair value through other comprehensive income on initial recognition as described below.

Financial assets at fair value through profit or loss are measured at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. Transaction costs directly attributable to the acquisition of financial assets at fair value through profit or loss are recognised immediately in profit or loss.

Interest income on debt instruments and dividend income on investments in equity instruments at fair value through profit or loss is recognised in profit or loss. Fair value gain or loss does not include any dividend or interest earned on these financial assets.

Financial assets measured at fair value through other comprehensive income

On initial recognition, the Group can make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at fair value through other comprehensive income. Designation at fair value through other comprehensive income is not permitted if the equity investment is held for trading.

A financial asset is held for trading if:

(a) it has been acquired principally for the purpose of selling it in the near term; or

(b) on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or

(c) it is a derivative that is not a designated and effective hedging instrument or a financial guarantee contract.

Investments in equity instruments at fair value through other comprehensive income are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investment revaluation reserve. On derecognition of a financial asset that is classified as fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the investment revaluation reserve is not reclassified to profit or loss, but is reclassified to retained profits.

Dividends on these investments in equity instruments are recognised in profit or loss, unless the dividends clearly represent a recovery of part of the cost of the investment.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 Financial assets (Continued)

Impairment of financial assets

At each reporting date, financial assets measured at amortised cost are reviewed to determine whether there is any objective evidence of impairment. Objective evidence of impairment of individual financial assets includes observable data that comes to the attention of the Group about one or more of the following loss events:

(a) significant financial difficulty of the debtor;

(b) a breach of contract, such as a default or delinquency in interest or principal payments;

(c) it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; or

(d) granting concession to a debtor because of the debtor's financial difficulty.

Loss events in respect of a group of financial assets include observable data indicating that there is a measurable decrease in the estimated future cash flows from the group of financial assets. Such observable data includes but not limited to adverse changes in the payment status of debtors in the group and, national or local economic conditions that correlate with defaults on the assets in the group.

Loan subject to collective impairment assessment whose terms have been renegotiated are no longer considered past due, but are treated as new loans for measurement purposes once the minimum number of payments required under the new arrangements has been received. These renegotiated loans are segregated from other parts of the loan portfolio for the purposes of collective impairment assessment, to reflect their risk profile. Loans subject to individual impairment assessment, whose terms have been renegotiated, are subject to ongoing review to determine whether they remain impaired or should be considered past due.

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The amount of the loss is recognised in profit or loss of the financial period in which the impairment occurs.

If, in a subsequent period, the amount of the 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 to the extent that it does not result in a carrying amount of the financial asset exceeding what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss of the financial period in which the reversal occurs.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 Financial assets (Continued)

Impairment of financial assets (Continued)

Impairment losses for doubtful receivables, whose recovery is considered doubtful but not remote, are recorded using an allowance account. When the Group considered that recovery of receivables is remote, the amount considered irrecoverable is written off against the receivables directly and any amounts held in the allowance account in respect of that receivable are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

2.14 Accounting for income taxes

Income taxes comprise current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the reporting date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year.

Deferred tax is calculated using the liability method on temporary differences at the reporting date between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit, including existing taxable temporary differences, will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are not recognised if the temporary differences arise from goodwill or initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

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

Deferred tax is calculated, without discounting, at tax rates that are expected to apply to the period when the liability is settled or the asset is realised, provided they are enacted or substantively enacted at the reporting date.

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

Current tax and changes in deferred tax assets or liabilities are recognised in profit or loss, or in other comprehensive income or directly in equity if they relate to items that are charged or credited to other comprehensive income or directly in equity, respectively.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Accounting for income taxes (Continued)

Current tax assets and current tax liabilities are presented in net if, and only if, (a) the Group has a legally enforceable right to set off the recognised amounts; and (b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

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

2.15 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2.16 Share capital and share premium

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

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

2.17 Retirement benefit costs and short-term employee benefits

Retirement benefits

The Group participates in several staff retirement benefit schemes for employees in Hong Kong and the People's Republic of China ("PRC"), comprising defined contribution retirement schemes and a Mandatory Provident Fund scheme ("MPF Scheme"). The assets of these schemes are held separately from those of the Group in independently administered funds. The retirement benefit schemes are generally funded by payments from employees and the relevant group companies. The retirement benefit scheme costs charged to profit or loss represent contributions payable by the Group to the schemes.

The subsidiaries operating in the PRC are required to participate in the defined contribution retirement schemes for their employees, organised by the relevant local government authorities. They are required to make contributions to the retirement benefit schemes at a specified percentage of the employees' relevant income and there are no other further obligations to the Group.

The Group contributes to the MPF Scheme under the Mandatory Provident Fund Schemes Ordinance for all employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The Group's employer contributions vested fully with the employees when contributed into the MPF Scheme.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Retirement benefit costs and short-term employee benefits (Continued)

Short-term employee benefits

The Group provides paid annual leave to its employees under their employment contracts on a calendar year basis. Under certain circumstances, such leave which remains untaken as at the reporting date is permitted to be carried forward and utilised by the respective employees in the following year. An accrual is made at the reporting date for the expected future cost of such paid leave earned during the year by the employees and carried forward.

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

2.18 Share-based payments

All share-based payment arrangements granted after 7 November 2002 and had not vested on 1 April 2005 are recognised in the financial statements. The Group operates a share option scheme and a share award scheme for remuneration of its employees and/or consultants.

All services received in exchange for the grant of any share options and awarded shares are measured at their fair value. These are indirectly determined by reference to the fair value of share options and awarded shares granted. Their value is appraised at the grant date and excludes the impact of any service and non-market performance vesting conditions (for example, profitability and sales growth targets).

All services received is ultimately recognised as an expense in profit or loss over the vesting period if vesting conditions apply, or recognised as an expense in full at the grant date when the share options and awarded shares granted vest immediately unless the expense qualifies for recognition as asset, with a corresponding increase in "Share option reserve" and "Awarded share reserve" within equity. If service or non-market performance conditions apply, the expense is recognised over the vesting period, based on the best available estimate of the number of share options and awarded shares expected to vest. Non-market performance and service conditions are included in assumptions about the number of share options and awarded shares that are expected to vest. Estimates are subsequently revised, if there is any indication that the number of share options and awarded shares expected to vest differs from previous estimates. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share option reserve and awarded share reserve.

Where a grant of share options or awarded shares is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the grant is recognised immediately. This includes any grant where non-vesting conditions within the control of either the Group or the employee are not met.

At the time when the share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained profits.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Share-based payments (Continued)

The shares awarded under the share award scheme are acquired from open market. The net consideration paid, including any directly attributable incremental costs, is presented as "Shares held for Share Award Scheme" and deducted from total equity. When the awarded shares are transferred to the awardees upon vesting, the related weighted average cost of the awarded shares vested are credited to "Shares held for Share Award Scheme", the related service costs of awarded shares vested are debited to the "Awarded share reserve", and any difference will be transferred to retained profits. Where the shares held for Share Award Schemes are revoked and the revoked shares are disposed of, the related gain or loss is transferred to retained profits.

2.19 Financial liabilities

The Group's financial liabilities include borrowings, trade and other payables and finance lease liabilities. Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the instrument. All interest related charges are recognised in accordance with the Group's accounting policy for borrowing costs (see note 2.7 to the financial statements).

A financial liability is derecognised when, and only when, the obligation under the financial liability is discharged or cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing financial liability are substantially modified, such an exchange or modification is treated as derecognition of the original financial liability and the recognition of a new financial liability, and the difference in the respective carrying amount is recognised in profit or loss.

Borrowings

Borrowings include bank loans, other loans and note payables. These are recognised initially at fair value, net of directly attributable transaction costs incurred. The fair value and transaction costs of notes issued with detachable warrants are determined based on the relative fair value of the notes and the warrants. Subsequent to initial recognition, they are stated at amortised cost, any difference between the initial amount and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months from the reporting date.

Trade and other payables

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

Finance lease liabilities

Finance lease liabilities are measured at initial value less the capital element of lease repayments (see note 2.12 to the financial statements).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Warrants

The net proceeds received from the issue of warrants are recognised in warrants reserve within equity. Net proceeds received for warrants issued with notes are determined based on their relative fair value at the issue date. When the warrants are exercised, the amount recognised in warrants reserve will be transferred to share capital and share premium accounts. When the warrants are still not exercised at the expiry date, the amount previously recognised in the warrants reserve will be transferred to retained profits.

2.21 Provisions and contingent liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to be required to settle the obligation.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the present obligation is disclosed as a contingent liability, unless the possibility of outflow of economic benefits is remote. Possible obligations that arise from past events, whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group, are also disclosed as contingent liabilities unless the possibility of an outflow of economic benefits is remote.

2.22 Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive directors are determined following the Group's major service lines.

The Group has identified the following reportable segments:

(a) the brokerage segment engages in discretionary and non-discretionary dealing services for securities, futures and options, securities placing and underwriting services, margin financing and money lending services, insurance broking and wealth management services;

(b) the advisory segment engages in corporate finance advisory and general advisory services;

(c) the asset management segment engages in fund management, discretionary portfolio management and portfolio management advisory services;

(d) the website management segment engages in investor relation, online advertising and financial information services; and

(e) the investments segment engages in investment holding and securities trading.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Segment reporting (Continued)

Each of these operating segments is managed separately as each of the service lines requires different resources as well as marketing approaches. No operating segments identified have been aggregated in arriving at the reportable segments of the Group.

The measurement policies the Group uses for reporting segment results under HKFRS 8 are the same as those used in its financial statements prepared under HKFRSs, except that:

(a) share of results and gain or loss on disposal of associates and joint ventures accounted for using the equity method;

(b) income tax expense; and

(c) corporate income and expenses which are not directly attributable to the business activities of any operating segment

are not included in arriving at the operating results of the operating segments. Inter-segment revenue are charged on the expenses incurred by the relevant subsidiaries plus certain percentages.

Segment assets include all assets but interests in joint ventures. In addition, corporate assets which are not directly attributable to the business activities of any operating segment are not allocated to a segment, which primarily applies to the Group's headquarters.

Segment liabilities exclude corporate liabilities which are not directly attributable to the business activities of any operating segment and are not allocated to a segment.

2.23 Related parties

(a) A person or a close member of that person's family is related to the Group if that person:

- (i) has control or joint control of the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

- (i) the entity and the Group are members of the same group.
- (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) both entities are joint ventures of the same third party.
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Related parties (Continued)

(b) An entity is related to the Group if any of the following conditions applies: (Continued)

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) the entity is controlled or jointly controlled by a person identified in (a).

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

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

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

3.1 Adoption of new and amended HKFRSs

During the year, the Group has adopted all the new and amended HKFRSs which are first effective for the reporting period and relevant to the Group. Except as explained below, the adoption of these new and amended HKFRSs did not result in material changes to the Group's accounting policies.

Annual Improvements to HKFRSs 2010–2012 Cycle and 2011–2013 Cycle

These two cycles of annual improvements contain amendments to nine standards with consequential amendments to other standards. Among them, HKAS 24 (Revised), Related Party Disclosures, has been amended to expand the definition of a "related party" to include a management entity that provides key management personnel services to the reporting entity, and to require the disclosure of the amounts incurred for obtaining the key management personnel services provided by the management entity. These amendments do not have an impact on the Group's related party disclosures as the Group does not obtain key management personnel services from management entities.

3.2 Amendments to the Listing Rules

The Company has adopted the amendments to the Listing Rules relating to the disclosure of financial information with reference to the Hong Kong Companies Ordinance, Cap. 622, during the current financial year.

There is no impact on the Group's financial position or financial performance, however the amendments impact the presentation and disclosures in the consolidated financial statements. For example, the statement of financial position of the Company is now presented in the notes to the financial statements rather than as a primary statement and related notes to the statement of financial position of the Company are generally no longer presented.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

3.3 New and amended HKFRSs that have been issued but are not yet effective

At the date of authorisation of these financial statements, certain new and amended HKFRSs have been issued but are not yet effective. The Group had not adopted early any new and amended HKFRSs that are not yet effective for the year ended 31 March 2016. The directors of the Company anticipated that these new and amended HKFRSs will be adopted for the first period beginning after their effective date.

Information on new and amended HKFRSs that have not been adopted early by the Group but expected to have impact on the Group's consolidated financial statements is provided below. Other new and amended HKFRSs that have been issued but are not expected to have a material impact on the Group's consolidated financial statements.

Amendments to HKAS 1, Disclosure Initiative

Amendments to HKAS 1 will be effective for accounting period beginning on or after 1 January 2016. The amendments to HKAS 1 are designed to encourage entities to use judgement in the application of HKAS 1 when considering the layout and content of their financial statements. In addition, an amendment is made to HKAS 1 to clarify the presentation of an entity's share of other comprehensive income from its equity accounted interests in associates and joint ventures. The amendment requires an entity's share of other comprehensive income to be split between those items that will and will not be reclassified to profit or loss, and presented in aggregate as single line items within those two groups.

HKFRS 9 (2014), Financial Instruments

HKFRS 9 issued in November 2009, i.e. HKFRS 9 (2009), introduced new requirements for the classification and measurement of financial assets and was early adopted by the Group on 31 March 2010. HKFRS 9 was subsequently amended in October 2010, i.e. HKFRS 9 (2010), to introduce requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013, i.e. HKFRS 9 (2013), to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014, i.e. HKFRS 9 (2014), which incorporate these previous versions of HKFRS 9 and also include (a) impairment requirements for financial assets and (b) limited amendments to the classification and measurement requirements of financial assets by introducing a "fair value through other comprehensive income" ("FVTOCI") measurement category for certain simple debt instruments. Entities that have adopted a previous version by 31 January 2015 may continue to apply that version until the mandatory effective date of HKFRS 9 (2014) of 1 January 2018.

With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 (2014) requires that the amount of change in the fair value of financial liability that is attributable to change in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss is presented in profit or loss.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

3.3 New and amended HKFRSs that have been issued but are not yet effective (Continued)

HKFRS 9 (2014), Financial Instruments (Continued)

In relation to the impairment of financial assets, HKFRS 9 (2014) requires an expected credit loss models, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in HKAS 39. Under HKFRS 9 (2014), greater flexibility has been introduced to the types of transaction eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principal of an "economic relationship". Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's management activities have also been introduced.

The directors of the Company anticipate that the application of HKFRS 9 (2014) in the future may have a material impact on amounts reported in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide reasonable estimate of the effect of HKFRS 9 (2014) until the Group has completed a detailed review.

HKFRS 15, Revenue from Contracts with Customers

HKFRS 15 was issued which established 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.

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

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. Furthermore, extensive disclosures are required by HKFRS 15.

HKFRS 15 will be effective for accounting period beginning on or after 1 January 2018. The directors of the Company anticipate that the application of HKFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group has completed a detailed review.

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For the year ended 31 March 2016

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

3.3 New and amended HKFRSs that have been issued but are not yet effective (Continued)

HKFRS 16, Leases

The HKICPA has published the new lease standard in May 2016. The new standard will have a significant impact on many entities across various industries. HKFRS 16 will supersede HKAS 17 "Leases" and the related interpretations.

From the perspective as a lessee, under the existing standard, leases are classified as either finance lease or operating lease, resulting in different accounting treatment. Finance leases are required to be accounted for "On Balance Sheet" (i.e. lease asset and corresponding liabilities are recognised in the statement of financial position); while operating lease is accounted for "Off Balance Sheet" where no asset or liabilities are recognised and the lease expenses are recognised on a straight-line basis along the lease period. Under the new standard, "On Balance Sheet" accounting treatment is required for all leases, except for certain short-term leases and leases of low-value assets.

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

HKFRS 16 will be effective for accounting period beginning on 1 January 2019. The directors of the Company anticipate that the application of HKFRS 16 in the future will have impact on the amounts reported in respect of the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 16 until the Group has completed a detailed review.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Provision for impairment of receivables

The Group's policy of provision for impairment of receivables is based on the evaluation of collectability and ageing analysis of accounts and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables based on, among others factors, the current creditworthiness, the collateral security and the past collection history of each debtor. Management reviews the provision for impairment of receivables on a regular basis.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

Critical accounting estimates and assumptions (Continued)

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the CGUs to which the goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate the present value. As at 31 March 2016 and 2015, the net carrying amount of goodwill was approximately HK$14,695,000 . Based on the value in use calculations, the Group's management has concluded there was no impairment to goodwill as at 31 March 2016. Details of the assumptions and basis of the recoverable amount calculation are set out in note 16 to the financial statements.

Fair value of investments in unlisted equity instruments

The investments in unlisted equity instruments that are accounted for as "Financial assets measured at fair value through other comprehensive income" are stated at fair value. The fair value of these investments is determined using a discounted cash flow analysis. The assumptions and discount rates used to prepare the cash flow analysis involve significant estimates and judgements and hence the fair value of these investments in unlisted equity instruments is subject to uncertainty. As at 31 March 2016, the carrying amount of the Group's investments in unlisted equity instruments was approximately HK$15,380,000 (2015: HK$26,759,000).

Current tax and deferred tax

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

Deferred tax assets relating to certain deductible temporary differences and tax losses will be recognised when management considers it is probable that future taxable profit will be available against which the deductible temporary differences or tax losses can be utilised. Where the expectation is different from the original estimate, such differences will impact the recognition of deferred tax assets and income tax expense in the period in which such estimate is changed.

The Hong Kong Inland Revenue Department ("IRD") issued a notice to the Group to commence a group tax audit and in January 2013, management together with its tax advisors had a meeting with IRD to provide an overview of the Group's affairs and understand the possible scope of enquiries. On 14 March 2013, the IRD issued a specific enquiry letter to the Group pertaining to several operating entities and their scope of review which includes the affairs of the asset management operation and the operations of website management. In this respect, the Group maybe subject to additional tax and the directors of the Company have made an assessment of the overall tax payable that the directors are of the opinion would be acceptable to the IRD, further details of which are set out in note 11 to the financial statements. Should the final tax payable is different from the estimated amount, the amount of income tax provision would be different.

Notes to the Consolidated Financial Statements

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4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

Critical judgement in applying accounting policies

In the process of applying the Group's accounting policies, the directors are required to make judgements, apart from those involving estimates. The judgements that have been made and can significantly affect the amounts recognised in the financial statements are discussed below:

Determination of control over an investment fund

The Group invested in certain investment funds with primary objectives for capital appreciation, investment income and selling in the near future for profit. Pursuant to subscription agreement or equivalent documents, the beneficial interests in these investment funds held by the Group are in the form of participating shares or interests which primarily provide the Group with the share of returns from the investment funds.

These investment funds are managed by respective investment manager who has the power and authority to manage the investment funds and make investment decisions. Among those investment funds held by the Group where the Group acted as investment manager, the Group regularly assesses and determines whether:

— the Group is acting as an agent or a principal to these investment funds;

— substantive removal rights held by other parties may remove the Group as investment manager; and

— the investment held together with its remuneration from managing these investment funds create significant exposure to variability of returns in these investment funds.

When the variable returns of these investment funds to the Group are not significant and the Group is primarily acting as an agent and subject to substantive removal rights held by other parties who may remove the Group as an investment manager, the Group did not consolidate these investment funds and classified them as "Financial assets measured at fair value through profit or loss" in accordance with the Group's accounting policies. Further details in respect of those unconsolidated investment funds in which the Group had an interest are disclosed in note 25 to these financial statements.

When the Group assesses that the combination of investments it held together with its remuneration creates exposure to variability of returns from the activities of the investment funds that is of such significance that indicates the Group is a principal, the Group had consolidated these investment funds. Third-party interests in consolidated investment funds are reflected as a liability and included in "Accruals and other payables" since they can be put back to the Group for cash and the realisation of which cannot be predicted with accuracy since these are subject to the actions of these holders. Changes in net assets attributable to other holders of consolidated investment fund are included in "Other operating income and gains" or "Other operating expenses" in the consolidated statement of comprehensive income. Particular of the consolidated investment funds are disclosed in note 46 to these financial statements.

5. REVENUE

	2016 HK$'000	2015 HK$'000
Advertising, banner and events fee income	1,838	2,883
Advisory fee income	54,823	66,374
Asset management and performance fee income	59,311	26,678
Commission and brokerage income on securities, futures and options dealing	321,256	223,964
Financial information service fee income	13,653	13,893
Interest income from margin financing and money lending services	59,812	66,854
Investor relations service fee income	1,268	1,642
Loan arrangement fee income	—	3,090
Placing and underwriting fee income	18,318	13,828
Wealth management service fee income	2,248	4,480
	532,527	423,686

6. OTHER OPERATING INCOME AND GAINS

	2016 HK$'000	2015 HK$'000
Changes in net assets attributable to other holders of a consolidated investment fund	1,897	—
Dividend income from financial assets measured at fair value through other comprehensive income held at the end of the reporting period	924	—
Exchange gains, net	4,119	2,606
Gain from derecognition of financial assets measured at amortised cost	221	—
Interest income from banks and other financial assets measured at amortised cost	5,295	5,723
Reversal of impairment of trade and other receivables	2,500	—
Sundry income	1,992	1,818
	16,948	10,147

Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

7. SEGMENT INFORMATION

The executive directors have identified the Group's five service lines as operating segments. These operating segments are monitored and strategic decisions are made on the basis of adjusted segment operating results.

2016	Brokerage HK$'000	Advisory HK$'000	Asset management HK$'000	Website management HK$'000	Investments HK$'000	Total HK$'000
Revenue						
From external customers	401,634	54,823	59,311	16,759	—	532,527
From other segments	—	4,646	195	4,978	—	9,819
Reportable segment revenue	401,634	59,469	59,506	21,737	—	542,346
Reportable segment result	38,800	(235)	7,788	(100)	(3,283)	42,970
Interest income from margin financing and money lending services	59,812	—	—	—	—	59,812
Interest income from banks and other financial assets measured at amortised cost	5,264	—	1	1	28	5,294
Depreciation and amortisation	6,012	382	223	192	—	6,809
Finance costs	20,334	—	—	—	—	20,334
Impairment of trade receivables	10	1,946	—	—	—	1,956
Reversal of impairment of trade and other receivables	2,500	—	—	—	—	2,500
Share awards expense	359	139	78	36	—	612
Reportable segment assets	3,056,552	17,356	10,953	7,708	90,688	3,183,257
Additions to non-current assets*	9,364	220	59	259	—	9,902
Reportable segment liabilities	2,574,282	4,123	6,276	9,224	30,045	2,623,950

7. SEGMENT INFORMATION (CONTINUED)

2015	Brokerage HK$'000	Advisory HK$'000	Asset management HK$'000	Website management HK$'000	Investments HK$'000	Total HK$'000
Revenue						
From external customers	312,216	66,374	26,678	18,418	—	423,686
From other segments	—	—	—	5,056	—	5,056
Reportable segment revenue	312,216	66,374	26,678	23,474	—	428,742
Reportable segment result	31,715	11,272	2,173	(1,548)	287	43,899
Interest income from margin financing and money lending services	66,854	—	—	—	—	66,854
Interest income from banks and other financial assets measured at amortised cost	5,720	—	1	1	—	5,722
Depreciation and amortisation	5,820	339	216	200	—	6,575
Finance costs	25,131	—	—	—	—	25,131
Impairment of trade receivables	12	1,914	—	15	—	1,941
Share awards expense	214	89	31	14	—	348
Reportable segment assets	3,393,838	31,048	15,498	3,391	35,818	3,479,593
Additions to non-current assets*	5,344	166	28	203	—	5,741
Reportable segment liabilities	3,066,027	12,631	6,870	7,842	—	3,093,370

Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

7. SEGMENT INFORMATION (CONTINUED)

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

	2016 HK$'000	2015 HK$'000
Reportable segment revenue	542,346	428,742
Elimination of inter-segment revenue	(9,819)	(5,056)
Consolidated revenue	532,527	423,686
Reportable segment result	42,970	43,899
Other operating income and gains	1,575	703
Loss on disposal of an associate	—	(177)
Share of results of joint ventures	1,156	(2,946)
Unallocated corporate expenses**	(8,973)	(1,140)
Consolidated profit before income tax	36,728	40,339
Reportable segment assets	3,183,257	3,479,593
Interests in joint ventures	42,200	42,447
Unallocated corporate assets	21,699	7,547
Consolidated assets	3,247,156	3,529,587
Reportable segment liabilities	2,623,950	3,093,370
Unallocated corporate liabilities	15,165	9,359
Consolidated liabilities	2,639,115	3,102,729

	Reportable segment total		Unallocated		Consolidated	
	2016 HK$'000	2015 HK$'000	2016 HK$'000	2015 HK$'000	2016 HK$'000	2015 HK$'000
Other material items						
Interest income from banks and other financial assets measured at amortised cost	5,294	5,722	1	1	5,295	5,723
Depreciation and amortisation	6,809	6,575	323	392	7,132	6,967
Share awards expense	612	348	72	29	684	377
Additions to non-current assets	9,902	5,741	115	141	10,017	5,882

** included in unallocated corporate expenses are HK$7,363,000 (2015: Nil) incurred in connection with the agreements entered into with CMBC International Holdings Limited

7. SEGMENT INFORMATION (CONTINUED)

The following table sets out information about the geographical location of the Group's revenue from external customers and the Group's non-current assets*. The geographical location of customers is based on the location at which services were provided. The geographical location of non-current assets* is based on the physical location of the asset, in the case of property, plant and equipment, the location of the operation to which they are allocated, in the case of goodwill, development costs, other intangible assets and deposits for intangible assets, and the location of the operations, in the case of interests in joint ventures.

	Revenue from external customers		Non-current assets*	
	2016	2015	**2016**	2015
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong (domicile)#	**512,374**	397,008	**37,570**	34,604
Mainland China	**—**	—	**42,447**	42,790
Others	**20,153**	26,678	**—**	—
	532,527	423,686	**80,017**	77,394

* Non-current assets exclude financial assets measured at fair value through other comprehensive income, other financial assets measured at amortised cost, other assets and deferred tax assets.

\# The Company is an investment holding company incorporated in Bermuda where the Group does not have any activities. The Group has the majority of its operations in Hong Kong, and therefore, Hong Kong is considered as the Group's place of domicile for the purpose of disclosures as required by HKFRS 8 "Operating Segments".

8. FINANCE COSTS

	2016	2015
	HK$'000	HK$'000
Finance charges on finance lease payables	**13**	52
Interest on bank loans and other borrowings for margin financing and money lending services	**20,321**	25,079
Interest expense on financial liabilities not at fair value through profit or loss	**20,334**	25,131

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9. STAFF COSTS

	2016 HK$'000	2015 HK$'000
Directors' emoluments (note 14)		
— Fees, salaries, allowances, bonuses and benefits in kind	**18,895**	18,296
— Retirement benefits scheme contributions	**54**	54
	18,949	18,350
Other staff		
— Salaries, allowances and bonuses	**127,022**	109,915
— Share awards expense (note 35)	**684**	377
— Retirement benefits scheme contributions	**3,972**	3,661
— Other staff benefits	**2,503**	2,343
	134,181	116,296
Total staff costs	**153,130**	134,646
Less: Amount capitalised into development costs	**(1,717)**	(500)
Amount recognised in profit or loss	**151,413**	134,146

10. PROFIT BEFORE INCOME TAX

	2016 HK$'000	2015 HK$'000
Profit before income tax is arrived at after charging:		
Auditors' remuneration	**1,697**	1,509
Amortisation of development costs and other intangible assets	**1,288**	1,333
Depreciation of property, plant and equipment	**5,844**	5,634
	7,132	6,967
Impairment of trade receivables	**1,956**	1,941
Minimum lease payments under operating leases in respect of land and buildings	**27,686**	25,650
Net losses on disposals of property, plant and equipment	**4**	23

11. INCOME TAX EXPENSE

For the years ended 31 March 2016 and 2015, Hong Kong profits tax was provided at the rate of 16.5% on the estimated assessable profits for the years.

Tax on profits assessable elsewhere have been calculated at the applicable rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	2016	2015
	HK$'000	HK$'000
Current tax — Hong Kong profits tax		
— Current year	**4,410**	5,020
— Under/(Over) provision in prior year	**7,630**	(237)
	12,040	4,783
Deferred tax (note 31)		
— Origination and reversal of temporary differences	**—**	(376)
— Deductible temporary differences previously not recognised	**—**	(105)
	—	(481)
Total income tax expense	**12,040**	4,302

Reconciliation between income tax expense and accounting profit at applicable tax rate is as follows:

	2016	2015
	HK$'000	HK$'000
Profit before income tax	**36,728**	40,339
Notional tax at Hong Kong profits tax rate of 16.5% (2015: 16.5%)	**6,060**	6,656
Effect of different tax rates of subsidiaries operating in other jurisdictions	**66**	38
Tax effect of non-deductible expenses	**2,254**	5,091
Tax effect of non-taxable revenue	**(1,579)**	(3,802)
Tax effect of unused tax losses not recognised as deferred tax asset	**331**	114
Tax effect of prior years' unrecognised tax losses utilised this year	**(2,978)**	(3,493)
Tax effect of deductible temporary differences not recognised	**256**	40
Tax effect of deductible temporary differences previously not recognised as deferred tax assets	**—**	(105)
Under/(Over) provision in prior year	**7,630**	(237)
Income tax expense	**12,040**	4,302

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11. INCOME TAX EXPENSE (CONTINUED)

The IRD issued a notice to the Group to commence a group tax audit and in January 2013, management together with its tax advisors had a meeting with IRD to provide an overview of the Group's affairs and understand the possible scope of enquiries. On 14 March 2013, the IRD issued a specific enquiry letter to the Group pertaining to several operating entities and their scope of review which includes mainly the affairs of the asset management operation and the operations of website management.

As the IRD's enquiries may date back to earlier tax periods, the IRD has issued protective assessments on certain group entities for the years of assessment 2005/06 to 2009/10 and the Group has lodged objections to these assessments. Holdovers of the tax claimed for these assessments were agreed by the IRD and the Group purchased tax reserve certificates of HK$3,000,000 in the prior years, HK$250,000 during the year and HK$786,000 subsequent to the year end.

For the year ended 31 March 2015, the IRD's enquiries were still at the fact-finding stage, which were subject to further submission of information by the Group and IRD had not yet expressed any formal opinion on the potential tax liability, if any. Management also believed that the profits tax computations relating to the prior years were properly calculated and the tax liability was properly accrued and recorded. Accordingly, management concluded that no additional tax provision and/or tax charge was required for the year ended 31 March 2015.

Further to the latest discussion with its tax advisors and having taken their advice, management has revised the estimated assessable profits of those entities and, based on such estimates, the Group has recognised a provision for additional tax of approximately HK$7.6 million for the year ended 31 March 2016. The Group has also submitted to the IRD a settlement proposal on an entirely without prejudice basis in May 2016 in order to expedite the settlement of the tax position in respect of prior years' assessments.

Up to the date of approving these financial statements, the IRD is still in the process of reviewing the settlement proposal and therefore the final settlement amount in respect of those tax assessments were not yet concluded. As such, the amount of income tax provision maybe different, however, the directors of the Company are of the view that a necessary tax provision based on the best estimated possible outcome to the tax audit has been made in the financial statements.

As a related matter, the IRD is reviewing the salaries tax positions of the executive directors and some senior management of the Group and has indicated that it may impose a penalty on the Group for any incorrect filing of Employer's Returns after their review. Since the salaries tax positions are under review by the IRD, the total penalty exposure for the Group on any incorrect filing of the Employer's Returns cannot be ascertained at this stage.

12. DIVIDENDS

Dividends payable to owners of the Company attributable to the year:

	2016 **HK$'000**	2015 HK$'000
Interim dividend declared and paid of HK1.0 cent (2015: HK0.5 cent) per ordinary share	**15,110**	5,972
Proposed final dividend of HK0.5 cent (2015: HK0.5 cent) per ordinary share	**7,557**	6,027
	22,667	11,999

During the period from 1 October 2015 to 17 November 2015 (i.e. the record date for interim dividend), new shares had been issued and allotted. The actual interim dividend paid in respect of the year ended 31 March 2016 was HK$15,110,000 as compared to HK$15,106,000 that was disclosed as "proposed interim dividend" in the interim financial statements for the six months ended 30 September 2015.

The final dividend proposed after the end of each reporting period has not been recognised as a liability at the end of the respective reporting period.

Dividend payable to owners of the Company attributable to the previous financial year:

	2016 **HK$'000**	2015 HK$'000
Final dividend declared, approved and paid of HK0.5 cent (2015: HK0.5 cent) per ordinary share	**7,551**	5,972

During the period from 1 April 2015 to 17 August 2015 (i.e. the record date for final dividend), new shares had been issued and allotted. The actual final dividend paid in respect of the year ended 31 March 2015 was HK$7,551,000 as compared to HK$6,027,000 that was disclosed as "proposed final dividend" in the consolidated financial statements for the year ended 31 March 2015.

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13. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share for the year ended 31 March 2016 is based on profit attributable to owners of the Company for the year of approximately HK$24,688,000 (2015: HK$36,037,000) and on the weighted average number of ordinary shares in issue less shares held for Share Award Scheme during the year of 1,477,502,458 (2015, restated: 1,235,630,853).

(b) Diluted earnings per share

The calculation of diluted earnings per share for the year ended 31 March 2016 is based on profit attributable to owners of the Company for the year of approximately HK$24,688,000 (2015: HK$36,037,000) and on the weighted average number of 1,518,586,167 (2015, restated: 1,239,308,360) ordinary shares outstanding during the year, after adjusting for the effects of all dilutive potential shares, calculated as follows:

	Weighted average number of ordinary shares	
	2016	2015 *(Restated)*
For purpose of basic earnings per share	**1,477,502,458**	1,235,630,853
Effect of share awards	**4,841,942**	2,040,827
Effect of share options	**3,120,367**	1,636,680
Effect of Warrants	**33,121,400**	—
For the purpose of diluted earnings per share	**1,518,586,167**	1,239,308,360

The Company has outstanding share options during the years ended 31 March 2016 and 2015, which were granted on 9 June 2006, 29 February 2008 and 6 June 2008 with exercise price of HK$0.1296, HK$0.8340 and HK$0.7623 respectively. The Company also has outstanding Warrants during the years ended 31 March 2016 and 2015, which were issued on 4 April 2014. The calculation of diluted earnings per share for the year ended 31 March 2015 does not assume an exercise of those share options granted on 29 February 2008 and 6 June 2008 and Warrants because their exercise price was higher than the average market price for shares for that year.

Note: The basic and diluted earnings per share for the years ended 31 March 2016 and 2015 have been adjusted to reflect the bonus element in the placing of shares of the Company during the year.

14. EMOLUMENTS OF DIRECTORS, FIVE HIGHEST PAID INDIVIDUALS AND SENIOR MANAGEMENT

Directors' emoluments

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

	Fees	Salaries, allowances and benefits in kind	Discretionary bonuses*	Retirement benefits scheme contributions	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
2016					
Executive Directors					
Mr. Bernard POULIOT	—	3,562	1,272	18	4,852
Mr. Kenneth LAM Kin Hing	—	4,556	4,000	18	8,574
Mr. Richard David WINTER	—	3,413	1,550	18	4,981
Independent Non-Executive Directors					
Mr. Kenneth YOUNG Chun Man	196	—	—	—	196
Mr. Robert CHAN Tze Leung	174	—	—	—	174
Mr. Robert Stephen TAIT	172	—	—	—	172
	542	11,531	6,822	54	18,949
2015					
Executive Directors					
Mr. Bernard POULIOT	—	2,818	2,100	18	4,936
Mr. Kenneth LAM Kin Hing	—	3,914	3,300	18	7,232
Mr. Richard David WINTER	—	2,935	2,700	18	5,653
Independent Non-Executive Directors					
Mr. Kenneth YOUNG Chun Man	184	—	—	—	184
Mr. Robert CHAN Tze Leung	175	—	—	—	175
Mr. Robert Stephen TAIT	170	—	—	—	170
	529	9,667	8,100	54	18,350

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

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

* Discretionary bonus is based on certain parameters, including the financial results of the Group

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14. EMOLUMENTS OF DIRECTORS, FIVE HIGHEST PAID INDIVIDUALS AND SENIOR MANAGEMENT (CONTINUED)

Emoluments of five highest paid individuals

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

	2016 HK$'000	2015 HK$'000
Salaries and allowances	**14,901**	11,064
Discretionary bonuses	**4,900**	3,000
Share awards expense	**6**	22
Retirement benefits scheme contributions	**53**	35
	19,860	14,121

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

	Number of individuals	
	2016	2015
HK$4,000,001–HK$4,500,000	**—**	1
HK$6,000,001–HK$6,500,000	**2**	—
HK$7,000,001–HK$7,500,000	**1**	—
HK$9,500,001–HK$10,000,000	**—**	1
	3	2

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

Emoluments of senior management

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

	Number of individuals	
	2016	2015
Below HK$1,000,000	**3**	2
HK$1,000,001–HK$1,500,000	**1**	1
HK$1,500,001–HK$2,000,000	**3**	3
HK$2,000,001–HK$2,500,000	**2**	2
HK$2,500,001–HK$3,000,000	**1**	1
HK$3,000,001–HK$3,500,000	**—**	3
HK$4,000,001–HK$4,500,000	**1**	—
	11	12

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land HK$'000	Buildings HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Total HK$'000
At 1 April 2014					
Cost	2,228	627	12,503	44,647	60,005
Accumulated depreciation	(12)	(58)	(6,291)	(35,941)	(42,302)
Net carrying amount	2,216	569	6,212	8,706	17,703
Year ended 31 March 2015					
Opening net carrying amount	2,216	569	6,212	8,706	17,703
Additions	—	—	987	4,095	5,082
Disposals	—	—	—	(23)	(23)
Depreciation	(3)	(13)	(2,032)	(3,586)	(5,634)
Translation differences	—	—	—	(2)	(2)
Closing net carrying amount	2,213	556	5,167	9,190	17,126
At 31 March 2015					
Cost	2,228	627	13,488	48,116	64,459
Accumulated depreciation	(15)	(71)	(8,321)	(38,926)	(47,333)
Net carrying amount	2,213	556	5,167	9,190	17,126
Year ended 31 March 2016					
Opening net carrying amount	**2,213**	**556**	**5,167**	**9,190**	**17,126**
Additions	**—**	**—**	**66**	**5,912**	**5,978**
Disposals	**—**	**—**	**—**	**(4)**	**(4)**
Depreciation	**(3)**	**(13)**	**(1,894)**	**(3,934)**	**(5,844)**
Translation differences	**—**	**—**	**—**	**(11)**	**(11)**
Closing net carrying amount	**2,210**	**543**	**3,339**	**11,153**	**17,245**
At 31 March 2016					
Cost	**2,228**	**627**	**12,373**	**53,914**	**69,142**
Accumulated depreciation	**(18)**	**(84)**	**(9,034)**	**(42,761)**	**(51,897)**
Net carrying amount	**2,210**	**543**	**3,339**	**11,153**	**17,245**

None of the property, plant and equipment is held under finance leases (2015: net carrying amount of HK$681,000).

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16. GOODWILL

	2016 HK$'000	2015 HK$'000
At the beginning and the end of the year		
Gross carrying amount	**14,738**	14,738
Accumulated impairment	**(43)**	(43)
Net carrying amount	**14,695**	14,695

The net carrying amount of goodwill of HK$14,695,000 (2015: HK$14,695,000) relates to the CGU which is engaged in the dealing services for securities, futures and options contracts and the securities placing and underwriting services. For the purpose of the annual impairment testing, the recoverable amount was determined based on a value in use calculation, covering a detailed five-year budget plan with a discount rate of 22% (2015: 15%).

The key assumptions used in the budget plan are:

(a) revenue will grow by 10% per annum up to financial year 2021; and

(b) gross margin will be maintained at its current level throughout the five-year budget plan.

The Group management's key assumptions have been determined based on past performance and its expectations for the market's development. The discount rate used is pre-tax and reflect specific risks relating to the relevant businesses. Based on the above key assumptions and detailed five-year budget plan, the Group's management concluded there was no impairment to goodwill as the carrying amount of the CGU did not exceed its recoverable amount.

The Group's management is currently not aware of any reasonably possible change in the above key assumptions on which the recoverable amount is based would cause the carrying amount of the CGU to exceed its recoverable amount.

17. DEVELOPMENT COSTS AND OTHER INTANGIBLE ASSETS

	Development costs	Other intangible assets: Trading rights	Other intangible assets: Mobile phone applications	Other intangible assets: Subtotal	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 April 2014					
Cost	5,039	12,400	—	12,400	17,439
Accumulated amortisation	(1,420)	(12,360)	—	(12,360)	(13,780)
Net carrying amount	3,619	40	—	40	3,659
Year ended 31 March 2015					
Opening net carrying amount	3,619	40	—	40	3,659
Additions	—	—	300	300	300
Capitalised during the year	500	—	—	—	500
Amortisation	(1,265)	(40)	(28)	(68)	(1,333)
Closing net carrying amount	2,854	—	272	272	3,126
At 31 March 2015					
Cost	5,539	12,400	300	12,700	18,239
Accumulated amortisation	(2,685)	(12,400)	(28)	(12,428)	(15,113)
Net carrying amount	2,854	—	272	272	3,126
Year ended 31 March 2016					
Opening net carrying amount	**2,854**	**—**	**272**	**272**	**3,126**
Capitalised during the year	**2,219**	**—**	**—**	**—**	**2,219**
Amortisation	**(1,228)**	**—**	**(60)**	**(60)**	**(1,288)**
Closing net carrying amount	**3,845**	**—**	**212**	**212**	**4,057**
At 31 March 2016					
Cost	**7,758**	**12,400**	**300**	**12,700**	**20,458**
Accumulated amortisation	**(3,913)**	**(12,400)**	**(88)**	**(12,488)**	**(16,401)**
Net carrying amount	**3,845**	**—**	**212**	**212**	**4,057**

Development costs represent the in-house developed securities and futures settlement systems; options settlement system and an online trading platform which are under development. Trading rights represent the eligibility rights acquired to trade on or through the Stock Exchange and Hong Kong Futures Exchange Limited. Mobile phone applications represent the chat apps (a customer service platform) purchased from an independent mobile application solution provider. All amortisation is included in "depreciation and amortisation expenses" in the consolidated statement of comprehensive income.

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18. FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	McMillen Advantage Capital Limited ("MAC") (note (a))		Capital Partners Securities Co., Ltd. ("CPS")		Other		Total	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
At the beginning of the year	**2,100**	2,100	**24,659**	18,609	**—**	—	**26,759**	20,709
Fair value changes recognised in other comprehensive income	**(437)**	—	**(10,942)**	6,050	**—**	—	**(11,379)**	6,050
At the end of the year	**1,663**	2,100	**13,717**	24,659	**—**	—	**15,380**	26,759

Notes:

(a) MAC is a limited liability company incorporated in Hong Kong in which the Group held 22.69% of its ordinary shares. The Group had not accounted for MAC as an associate despite its 22.69% ownership interest because the Group does not have any power to participate in its financial and operating policy decisions nor any right to appoint a director of MAC.

(b) The above investments are unlisted equity securities which are not held for trading. Instead, they are held for medium or long-term strategic purpose. The Group has designated these investments in equity securities as at fair value through other comprehensive income as the directors believe that this provides a more meaningful presentation for medium or long-term strategic investments, than reflecting changes in fair value immediately in profit or loss.

(c) Fair value of the unlisted equity securities has been determined by using the discounted cash flow valuation technique. The valuation involves assumptions and estimates, including discount rate of 16% (2015: 17%) and the expected future cash flows from the unlisted equity securities. The directors believe that the estimated fair value resulting from the valuation technique, which is recorded in the consolidated statement of financial position and the related changes in fair value, which is recorded in the consolidated statement of comprehensive income, is reasonable, and that is the most appropriate value at the reporting date.

19. OTHER FINANCIAL ASSETS MEASURED AT AMORTISED COST

	2016	2015
	HK$'000	HK$'000
Listed senior notes	**16,145**	24,144

The Group has an objective to hold senior notes in order to collect contractual cash flows and had measured them at their amortised cost. During the year, the Group disposed of those notes that carried interest at 8.750% per annum and would be mature in October 2018 as a result of the declining credit quality of the counterparty and resulted in a gain from derecognition of HK$221,000 (2015: Nil). The remaining senior notes carry interest at 8.875% (2015: ranging from 8.750% to 8.875%) per annum, will mature in April 2017 and the counterparty of which have a minimum B credit rating. None of these assets had been past due or impaired at the end of the reporting period.

20. INTERESTS IN JOINT VENTURES

	2016 HK$'000	2015 HK$'000
Share of net assets	**42,200**	42,447

Particulars of the joint ventures as at 31 March 2016 are as follows:

Name	Country of incorporation and operation	Particulars of paid-up capital	Percentage of interest held by the Group*	Principal activity
Suzhou Gaohua Venture Investment Management Ltd. ("SGVIM")	PRC	Renminbi ("RMB") 7,000,000	73	Financial advisory consultancy
Suzhou QUAM-SND Venture Capital Enterprise ("SQVCE")	PRC	RMB71,000,000	73	Financial advisory consultancy

SGVIM and SQVCE were established by the Group with another investor in a prior year to expand the Group in RMB-dedicated private equity ventures. Both entities are unlisted corporate entity whose quoted market price is not available. These entities were classified as joint ventures of the Group because the Group does not have control over the significant financial and operating policies of the above entities despite its 73%* ownership interest, as unanimous consent with the minority equity holders is required for any major financial and operating decisions.

The following table illustrates the financial information of the Group's joint ventures, extracted from their unaudited management accounts and reconciliation to the carrying amount recognised in the consolidated statement of financial position and the Group's share of results in joint ventures recognised in the consolidated statement of comprehensive income:

	SGVIM		SQVCE	
	2016 HK$'000	2015 HK$'000	**2016 HK$'000**	2015 HK$'000
Cash and cash equivalents	**701**	243	**51,343**	51,140
Other current assets	**16**	895	**5,877**	6,281
Current assets	**717**	1,138	**57,220**	57,421
Non-current assets	**729**	478	**—**	—
Current liabilities	**(32)**	(34)	**(218)**	(227)
Non-current liabilities	**—**	—	**(499)**	(520)
Net assets	**1,414**	1,582	**56,503**	56,674
Percentage of interests held by the Group*	**73%**	73%	**73%**	73%
Carrying amount recognised in the consolidated statement of financial position	**1,032**	1,153	**41,168**	41,294

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20. INTERESTS IN JOINT VENTURES (CONTINUED)

	SGVIM		SQVCE	
	2016	2015	**2016**	2015
	HK$'000	HK$'000	**HK$'000**	HK$'000
Revenue, excluding interest income	**35**	84	**—**	—
Interest income	**1**	5	**5**	93
Other gains	**351**	—	**2,445**	—
Depreciation and amortisation	**(2)**	(8)	**—**	—
Other expenses	**(1,014)**	(1,092)	**(232)**	(59)
(Loss)/Profit from continuing operations and total comprehensive income for the year	**(629)**	(1,011)	**2,218**	34
Percentage of interests held by the Group*	**73%**	73%	**73%**	73%
Group's share of results in joint ventures for the year	**(459)**	(737)	**1,615**	24
Add: Group's share of prior year's unrecognised losses recognised in the year	**—**	—	**—**	(2,233)
Group's share of results in joint ventures recognised in the consolidated statement of comprehensive income	**(459)**	(737)	**1,615**	(2,209)

No dividend was received from the joint ventures during the years ended 31 March 2016 and 2015. The above joint ventures also did not have any financial liabilities other than trade and other payables as at 31 March 2016 and 2015 and did not incur any interest and income tax expense for the years.

* rounded to the nearest one percent

21. OTHER ASSETS

Other assets mainly comprise deposits with the Stock Exchange and clearing houses.

22. TRADE RECEIVABLES

	2016 HK$'000	2015 HK$'000
Accounts receivable from dealings in securities, futures and options contracts		
— Brokers and clearing houses	**906,834**	756,044
— Cash clients	**9,748**	14,819
— Margin clients	**711,328**	865,285
— Clients for subscription of securities	**1,473**	480,274
Accounts receivable from asset management, advisory and other services		
— Clients	**15,329**	38,240
	1,644,712	2,154,662
Less: Provision for impairment	**(22,511)**	(22,758)
	1,622,201	2,131,904

Notes:

(a) Amounts due from cash clients, brokers and clearing house for the dealings in securities are required to be settled on the settlement dates of their respective transactions (normally two or three business days after the respective trade dates) and the amounts due from clients for subscription of securities are required to be settled upon the allotment of the securities subscribed. Amounts due from brokers and clearing houses for the dealings in futures and options contracts are repayable on demand except for the required margin deposits for the trading of futures and options contracts. There are no credit terms granted to clients for its asset management, advisory and other services. The amounts due from cash clients after the settlement dates bear interest at commercial rates (normally at Hong Kong Dollar Prime Rate plus a spread) and the amounts due from clients for subscription of securities bear interest at a fixed rate of 2.1% (2015: 1.7%) per annum.

(b) Margin clients are required to pledge securities collateral to the Group in order to obtain the credit facilities for securities trading. The amount of credit facilities granted to them is determined based on a discount on the market value of securities accepted by the Group. Any excess in the lending ratio will trigger a margin call which the clients have to make good the shortfall. As at 31 March 2016, the market value of securities pledged by margin clients to the Group as collateral was HK$3,876,538,000 (2015: HK$4,790,009,000) and the Group is permitted to sell these collaterals if the client defaults in payments. The amounts due from margin clients are repayable on demand and bear interest at commercial rates (normally at Hong Kong Dollar Prime Rate plus a spread).

(c) Included in the cash and margin client receivables as at 31 March 2016 were amount due from a director of the Company of HK$2,494,000 (2015: HK$6,896,000), further details of which are set out in note 37 to the financial statements.

(d) Included in amounts due from brokers and clearing houses was HK$3,907,000 (2015: HK$3,907,000) due from MF Global Hong Kong Limited ("MF Global HK"), which was a broker utilised by the Group for dealings in futures contracts and was placed in provisional liquidation in October 2011. Based on the current information issued by the liquidators, a provision for impairment of HK$2,201,000 that was recognised in the prior years was fully reversed.

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22. TRADE RECEIVABLES (CONTINUED)

Notes: (Continued)

(e) The movement in the provision for impairment of trade receivables is as follows:

	2016 HK$'000	2015 HK$'000
At the beginning of the year	22,758	22,828
Amount written off	(2)	(2,011)
Impairment losses recognised	1,956	1,941
Impairment losses reversed	(2,201)	—
At the end of the year	22,511	22,758

At each of the reporting date, the Group reviews trade receivables for evidence of impairment on both an individual and collective basis. The above provision relates to individually impaired trade receivables with gross carrying amount of HK$32,693,000 (2015: HK$47,536,000). The individually impaired trade receivables relate to clients that were in default or delinquency in payments and management assessed that only a portion of the receivables is expected to be recovered.

(f) The ageing analysis of the trade receivables based on due date and net of provision is as follows:

	2016 HK$'000	2015 HK$'000
Repayable on demand	697,691	851,552
0–30 days	913,708	1,258,524
31–60 days	930	3,261
61–90 days	1,056	2,198
91–180 days	1,594	13,492
181–360 days	3,106	711
Over 360 days	4,116	2,166
	1,622,201	2,131,904

22. TRADE RECEIVABLES (CONTINUED)

Notes: (Continued)

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

	2016	2015
	HK$'000	HK$'000
Neither past due nor impaired	**688,268**	829,430
0–30 days past due	**913,710**	1,258,524
31–60 days past due	**930**	3,261
61–90 days past due	**1,055**	2,198
91–180 days past due	**1,594**	13,492
181–360 days past due	**2,555**	221
Over 360 days	**3,907**	—
	1,612,019	2,107,126

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

Trade receivables that were past due but not impaired related to a large number of diversified clients that had a good track record with the Group as well as brokers and clearing houses. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

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For the year ended 31 March 2016

23. LOAN RECEIVABLES

	Notes	2016 HK$'000	2015 HK$'000
Loan receivables from money lending services	(a)	**43**	349
Less: Provision for impairment	(b)	**(43)**	(43)
		—	306

Notes:

(a) The loan receivables are unsecured, bear interest at fixed rate of 5% (2015: 5%) per annum and repayable on demand.

(b) There was no movement in the provision for impairment of loan receivables for the years ended 31 March 2016 and 2015.

At each of the reporting date, the Group reviews loan receivables for evidence of impairment on both an individual and collective basis. The above provision relates to individually impaired loan receivables with gross carrying amount of HK$43,000 (2015: HK$43,000). The individually impaired loan receivables relate to borrowers that were in default or delinquency in payments.

(c) The ageing analysis of the loan receivables that are neither individually nor collectively considered to be impaired is as follows:

	2016 HK$'000	2015 HK$'000
Neither past due nor impaired	**—**	306

24. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Other receivables are neither past due nor impaired except for balance due from MF Global HK of HK$419,000 (2015: HK$419,000), which is past due for more than 360 days. Due to the circumstances described in note 22(d) to the financial statements, a provision for impairment of HK$299,000 that has been recognised in the prior years was fully reversed.

25. FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

	2016	2015
	HK$'000	HK$'000
Listed debt securities	**5,168**	—
Listed equity securities	**51,860**	19
Unlisted investment funds	**7,803**	9,040
	64,831	9,059

Pursuant to the subscription agreements, the Group's interests in the above investment funds are in the form of redeemable shares, which are puttable at the holder's option and entitle the Group to a proportionate stake in the respective funds' net assets. These investment funds are managed by the respective investment managers who are empowered to manage their daily operations and apply various investment strategies to accomplish their respective investment objectives.

The Group served as an investment manager for these investment funds and generated management and performance fee income from managing assets on behalf of investors. As the variable returns the Group exposed are not significant, the Group did not consolidate the above investment funds in which it holds an interest.

The total net asset value of the above investment funds of which the Group is the investment manager as at 31 March 2016 is HK$633,270,000 (2015: HK$692,297,000). The Group's maximum exposure to loss from its interests in these investment funds is limited to the carrying amount presented above. Change in fair value of these investment funds is included in the consolidated statement of comprehensive income in "Fair value (loss)/gain of financial assets measured at fair value through profit or loss" and the amount attributable to these investment funds of which the Group is the investment manager amounted to HK$2,381,000 (2015: HK$153,000).

26. TRUST TIME DEPOSITS AND TRUST BANK BALANCES HELD ON BEHALF OF CLIENTS

From the Group's ordinary business of securities, futures and options dealing, it receives and holds money deposited by clients in the course of conducting its regulated activities. These client's monies are maintained in one or more segregated bank accounts and bank time deposits. The Group has recognised the corresponding trade payables to respective clients.

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27. CASH AND CASH EQUIVALENTS

	2016 **HK$'000**	2015 HK$'000
Demand deposits and cash on hand	**83,382**	67,102

Notes:

(a) Demand deposits earn interest at floating rates based on daily bank deposit rates.

(b) Included in cash and cash equivalents of the Group is RMB of HK$6,232,000 (2015: HK$4,583,000) placed with banks in Mainland China. RMB is not a freely convertible currency. Under the Mainland China's Foreign Exchange Control Regulations and Administration of Settlement and Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks that are authorised to conduct foreign exchange business.

28. TRADE PAYABLES

	2016 **HK$'000**	2015 HK$'000
Accounts payable from dealings in securities, futures and options contracts		
— Brokers and clearing house	**6,509**	5,298
— Cash clients	**802,160**	715,932
— Margin clients	**1,361,517**	1,161,475
Accounts payable from financial information and other services		
— Clients	**1,612**	1,650
	2,171,798	1,884,355

Notes:

(a) Accounts payable to cash clients, brokers and clearing house are repayable on demand up to the settlement dates of their respective transactions (normally two or three business days after the respective trade dates).

(b) Accounts payable to margin clients are repayable on demand except for the required margin deposits received from clients for their trading of futures and options contracts.

(c) Included in the cash and margin client payables as at 31 March 2016 were amounts due to two directors of the Company of HK$3,808,000 (2015: HK$2,790,000). The balances as at 31 March 2016 also included amounts due to close family members of two directors of the Company of HK$1,947,000 (2015: HK$1,454,000).

(d) No ageing analysis in respect of accounts payable from dealing in securities, futures and options contracts is disclosed as, in the opinion of the directors, the ageing analysis does not give additional value in view of the business nature. The ageing analysis of the accounts payable from financial information and other services is as follows:

	2016 **HK$'000**	2015 HK$'000
Within 180 days	**1,555**	1,593
Over 180 days	**57**	57
	1,612	1,650

29. BORROWINGS

	2016 HK$'000	2015 HK$'000
Bank loans (note (a))		
— Secured	**263,948**	526,127
— Unsecured	**—**	495,200
Note payables (note (b))		
— Unsecured	**98,564**	95,612
Other loans (note (c))		
— Unsecured	**—**	28,876
	362,512	1,145,815
Less: Portion due within one year included under current liabilities	**(263,948)**	(1,050,203)
Non-current portion included under non-current liabilities	**98,564**	95,612

At the reporting date, the borrowings were repayable as follows:

	Bank loans		Note payables		Other loans	
	2016 HK$'000	2015 HK$'000	**2016 HK$'000**	2015 HK$'000	**2016 HK$'000**	2015 HK$'000
On demand or within 1 year	**263,948**	1,021,327	**—**	—	**—**	28,876
Between 1 to 2 years	**—**	—	**98,564**	—	**—**	—
Between 2 to 5 years	**—**	—	**—**	95,612	**—**	—
	263,948	1,021,327	**98,564**	95,612	**—**	28,876

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29. BORROWINGS (CONTINUED)

Notes:

(a) Bank loans of the Group of HK$263,948,000 (2015: HK$526,127,000) were secured by corporate guarantees issued by the Company and/or securities collateral pledged to the Group by margin clients with total market value of HK$785,291,000 (2015: HK$1,142,682,000). Specific written authorisations have been obtained by the Group from the margin clients for such use over the clients' securities. The bank loans bear interest at floating rates ranging from 1.93% to 2.35% (2015: 1.91% to 2.74%) per annum.

(b) On 20 February 2014, the Board announced that the Company shall carry out the proposed open offer of the non-listed 6.5% coupon straight notes due 2017 ("Notes") to be offered to qualifying shareholders of the Company for subscription at the subscription price of HK$840 per each unit of the Notes ("Open Offer"). Unlisted warrants on the basis of 1,600 warrants for every unit of Notes taken up ("Warrants") will be issued (for no additional payment) to the first registered holders of the Notes.

As at 31 March 2014, valid acceptance and excess applications had been received for a total of 120,820 units of Notes with aggregate gross proceeds of HK$101,489,000. Upon completion of the Open Offer on 4 April 2014, 119,320 units of Notes with an aggregate principal amount of HK$100,229,000 and 190,912,000 Warrants were issued. The remaining 1,500 units of Notes over-subscribed of HK$1,260,000 were refunded to the respective shareholders. Net proceeds of approximately HK$96,363,000 were derived after deduction of the related transaction costs of HK$3,866,000.

The Notes are denominated in HK$ with interest being accrued daily on 360 days basis and payable semi-annually in arrears (i.e. on 30 June and 31 December). The Notes will mature on the date immediately following three years after issuance which is 3 April 2017. On maturity date, the Company shall redeem each outstanding Notes at 100% of the principal amount of such Notes, together with the payment of interest accrued thereon up to the maturity date.

The Warrants are detachable from the Notes and the Warrants and the Notes can be transferred individually or separately. The holders of the Warrants may subscribe for new shares at an initial exercise price of HK$0.50 per new share (subject to adjustment) during the exercisable period of 1,100 days commencing from the date of issue of the Warrants.

The Notes and Warrants are separate instruments and are classified into financial liability and equity instrument on initial recognition in accordance with the substance of the contractual arrangements. On initial recognition, note payables were derived by allocating the net proceeds of HK$96,363,000 with reference to the relative fair value of the Notes and Warrants on initial recognition of HK$98,451,000 and HK$5,429,000, respectively. The fair value of the Notes was derived from the present value of the contractually determinable stream of future cash flows discounted at the prevailing market interest rate at that time applicable to instrument of comparable credit status and providing substantially the same cash flows, on the same terms of 7%; whilst the fair value of the Warrants was determined by an independently third party valuer using the binomial model.

The following are the inputs used for calculating the fair value of the Warrants on initial recognition:

Share price	HK$0.260
Exercise price	HK$0.500
Expected volatility	48.135%
Expected life of the Warrants	3.063 years
Risk-free rate	0.614%
Expected dividend yield	3.846%

(c) Other loans as at 31 March 2015 bore interest at a fixed rate of 6.1% per annum, the maturity of which was rolled on a month to month basis up to 30 June 2015. The lenders had the right to request for early repayment of the outstanding balance with written notice of 7 business days. These loans were fully repaid during the year.

30. FINANCE LEASE PAYABLES

	2016 HK$'000	2015 HK$'000
Total minimum lease payments due within one year	—	468
Future finance charges on finance leases	—	(13)
Present value of finance lease payables due within one year	—	455

Notes:

(a) The finance lease arrangement was in respect of furniture, fixtures and equipment entered into by the Group in a prior year which was expired during the year.

(b) As at 31 March 2015, finance lease of the Group had remaining lease term of 1 year. Interest rate charged under the lease was fixed at 6.8% per annum. The lease did not contain any contingent rental provisions but had option to renewal or purchase the equipment for a nominal amount at the end of the lease.

(c) Finance lease payables were effectively secured by the underlying assets as the rights to the leased assets would revert to the lessors in event of default in repayment by the Group.

31. DEFERRED TAX

(a) Deferred tax assets and (liabilities) recognised

	Accelerated tax depreciation allowances HK$'000	Impairment of receivables HK$'000	Total HK$'000
At 1 April 2014	(36)	—	(36)
Credited to profit or loss (note 11)	64	417	481
At 31 March 2015 and 1 April 2015	28	417	445
Credited to profit or loss (note 11)	—	—	—
At 31 March 2016	**28**	**417**	**445**

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31. DEFERRED TAX (CONTINUED)

(b) Deferred tax assets not recognised

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

	2016 HK$'000	2015 HK$'000
Tax losses	**98,296**	114,338
Deductible temporary differences	**3,619**	2,068
	101,915	116,406

Deferred tax assets are recognised for tax losses carried forward and deductible temporary differences to the extent that realisation of the related tax benefit through future taxable profits is probable. No deferred tax asset has been recognised for these tax losses and deductible temporary differences due to the uncertainty of future profit streams against which these assets can be utilised. Under the current tax legislation, the tax losses can be carried forward indefinitely.

(c) Deferred tax liabilities not recognised

As at 31 March 2016, temporary differences relating to the undistributed profits of subsidiaries amounted to HK$281,000 (2015: HK$448,000). Deferred tax liabilities have not been recognised in respect of the tax that would be payable on distribution of these retained profits as the Company controls the dividend policy of these subsidiaries and it has been determined that these profits will not be distributed in the foreseeable future.

32. PROVISION

	Professional service fee HK$'000
At 1 April 2015	—
Additions	3,100
At 31 March 2016	**3,100**

The Group had engaged a professional firm to give advice over the tax audit initiated by the IRD whose service charge is on a contingency basis and is subject to the final result of the tax audit. The amount of the provision for the professional service fee is estimated based on the estimated final settlement amount with the IRD, which was not yet concluded up to the date of approving these financial statements. However, the directors of the Company are of the view that the settlement would be reached with the IRD and the service fee is expected to be settled within 12 months from the reporting date.

33. SHARE CAPITAL

	Number of ordinary shares of HK one third of one cent each	HK$'000
Authorised		
At 1 April 2014, 31 March 2015 and 31 March 2016	30,000,000,000	100,000
Issued and fully paid		
At 1 April 2014	1,193,207,086	3,977
Exercise of Warrants (note (a))	12,137,200	40
At 31 March 2015 and 1 April 2015	1,205,344,286	4,017
Issue of new shares (note (b))	150,000,000	500
Exercise of share options (note (c))	21,402,073	72
Exercise of Warrants (note (d))	134,584,800	449
At 31 March 2016	**1,511,331,159**	**5,038**

Notes:

(a) Holders of the Warrants had exercised their rights to convert 12,137,200 Warrants at the exercise price of HK$0.50 each into 12,137,200 ordinary shares of HK one third of one cent each of the Company during the year ended 31 March 2015.

(b) On 28 April 2015, the Company issued 150,000,000 ordinary shares of HK one third of one cent each of the Company under a "top-up placing and subscription" at a price of HK$0.75 per placing share. All shares issued rank pari passu with the existing shares of the Company in all respects.

(c) Holders of the share options had exercised their rights to convert 2,337,925 share options at the exercise price of HK$0.1296 each, 300,000 share options at the exercise price of HK$0.8340 each and 18,764,148 share options at the exercise price of HK$0.7623 each into an aggregate of 21,402,073 ordinary shares of HK one third of one cent each of the Company during the year ended 31 March 2016.

(d) Holders of the Warrants had exercised their rights to convert 134,584,800 Warrants at the exercise price of HK$0.50 each into 134,584,800 ordinary shares of HK one third of one cent each of the Company during the year ended 31 March 2016.

All issued shares rank pari passu in all respects including all rights as to dividends, voting and return of capital.

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34. SHARE OPTION SCHEME

On 30 September 2002, the Company adopted a share option scheme ("Scheme") which has an option life of 10 years. The purpose of the Scheme is to provide incentives and rewards to eligible participants who contribute to the success of the Group's operations. Pursuant to the annual general meeting of shareholders on 30 September 2002, the directors of the Company were authorised to grant share options not exceeding 10% of the shares in issue as at the date of that meeting. Eligible participants of the Scheme include the directors of the Company, other employees of the Group, suppliers of goods or services to the Group, customers of the Group, a person or entity that provides research, development or technological support or other services to the Group or any invested entity and any shareholder or any member of the Group.

The maximum number of shares which can be granted under the Scheme may not exceed 10% of the issued share capital of the Company from time to time. As at 31 March 2016, the number of shares issuable under outstanding share options granted under the Scheme was 3,026,248 (2015: 24,428,321), which represents approximately 0.2% (2015: 2.0%) of the Company's shares in issue as at that date. Under the Scheme, the maximum number of shares issuable under share options to each eligible participant within any 12-month period, is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of the grant) in excess of HK$5,000,000, within any 12-month period, are subject to prior shareholders' approval in a general meeting.

The offer of a grant of share options may be accepted within 28 days from the date of the offer, with HK$10 consideration being payable by the grantee upon acceptance. The exercise period of the share options granted is determinable by the directors, and commences after a certain vesting period and ends on a date which is not later than 10 years from the date of the offer of the share options.

The exercise price of the share options is determinable by the directors, but may not be less than the higher of (i) the closing price of the Company's shares as quoted on the Stock Exchange on the date of the offer of the share options; (ii) the average closing price of the Company's shares as quoted on the Stock Exchange for the five trading days immediately preceding the date of the offer, and (iii) the nominal value of the Company's share.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

34. SHARE OPTION SCHEME (CONTINUED)

The number of share options and weighted average exercise price are as follows for the reporting periods presented:

	Number of share options		Weighted average exercise price	
	2016	2015	**2016**	2015
			HK$	HK$
At the beginning of the year	**24,428,321**	25,627,254	**0.7035**	0.7062
Exercised	**(21,402,073)**	—	**0.6942**	N/A
Forfeited	**—**	(1,198,933)	**N/A**	0.7623
At the end of the year	**3,026,248**	24,428,321	**0.7694**	0.7035
Exercisable at 31 March	**3,026,248**	24,428,321	**0.7694**	0.7035

The exercise prices of share options of the Company outstanding at the reporting date are as follows:

	Number of share options		Exercise price	
	2016	2015	**2016**	2015
			HK$	HK$
Exercise period:				
09/06/07–08/06/16	**—**	359,681	**0.1296**	0.1296
09/06/08–08/06/16	**—**	359,681	**0.1296**	0.1296
09/06/09–08/06/16	**—**	1,618,563	**0.1296**	0.1296
01/03/09–28/02/18	**—**	199,822	**0.8340**	0.8340
01/03/10–28/02/18	**99,644**	199,822	**0.8340**	0.8340
01/03/11–28/02/18	**199,824**	199,824	**0.8340**	0.8340
06/06/09–05/06/18	**589,474**	7,163,631	**0.7623**	0.7623
06/06/10–05/06/18	**928,374**	7,163,631	**0.7623**	0.7623
06/06/11–05/06/18	**1,208,932**	7,163,666	**0.7623**	0.7623
	3,026,248	24,428,321		

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34. SHARE OPTION SCHEME (CONTINUED)

The weighted average closing price of the Company's share at the dates on which the share options were exercised is HK$1.47 (2015: not applicable). The weighted average remaining contractual life of share options outstanding as at 31 March 2016 is 2.15 years (2015: 2.99 years). The exercise in full of the outstanding share options as at 31 March 2016, would, under the present capital structure of the Company, result in the issue of 3,026,248 (2015: 24,428,321) additional ordinary shares of the Company and additional share capital and share premium of approximately HK$10,000 (2015: HK$81,000) and HK$2,318,000 (2015: HK$17,104,000), respectively.

For the years ended 31 March 2016 and 2015, no share options expense was recognised as all the outstanding share options were vested at the beginning of the respective years. No liabilities were recognised as these were all equity-settled share-based payment transactions.

35. SHARE AWARD SCHEME

A restricted share award scheme ("Share Award Scheme") was adopted by the Company on 19 August 2010. The purpose of the Share Award Scheme is to recognise and motivate the contribution of certain employees and/or consultants and to provide incentives and help the Group in retaining its existing employees or consultants and recruiting additional employees or consultants and to provide them with a direct economic interest in attaining the long-term business objectives of the Company.

Pursuant to the rules of Share Award Scheme, the Board may, from time to time, at its absolute discretion select the employees and consultants as they deem appropriate for participation in the Share Award Scheme and determines the number of awarded shares to be granted. Existing shares would be purchased by the trustee from the market out of cash contributed by the Group and be held in trust for the relevant selected participants. The awarded shares of the Company will be vested only after satisfactory completion of time-based targets or time-and-performance-based targets.

The Share Award Scheme is subject to the administration of the Board in accordance with the rules of Share Award Scheme. The aggregate number of awarded shares granted by the Board throughout the duration of the Share Award Scheme should not in excess of 10% of the issued share capital of the Company as at the date of its adoption. The maximum number of awarded shares which may be granted to a selected participant under the Share Award Scheme shall not exceed 1% of the issued share capital of the Company as at the date of its adoption. Any grant of the awarded shares to any directors or senior management of the Company must first be approved by the remuneration committee of the Company.

Unless terminated earlier by the Board, the Share Award Scheme shall be valid and effective for a term of 10 years from the date of its adoption. However, the Board has the right to renew the Share Award Scheme up to three times and each time for another 5-year terms.

35. SHARE AWARD SCHEME (CONTINUED)

The movements in the number of shares held for Share Award Scheme and the awarded shares of the Company are as follows:

	Number of shares held for Share Award Scheme		Number of awarded shares	
	2016	2015	**2016**	2015
At the beginning of the year	**6,462,514**	6,462,514	**5,892,514**	—
Granted (note (a))	**—**	—	**—**	6,332,514
Forfeited (note (b))	**—**	—	**(1,275,334)**	(440,000)
Vested	**(1,700,159)**	—	**(1,700,159)**	—
At the end of the year	**4,762,355**	6,462,514	**2,917,021**	5,892,514

Notes:

(a) On 2 December 2014, the Board approved the grants of 6,332,514 shares of the Company to be awarded to designated employees under the Share Award Scheme, which would be transferred to the employees by the trustee at nil consideration upon vesting between 2 December 2015 and 4 December 2017. The fair value of awarded shares granted during the year ended 31 March 2015 was determined by Censere (Far East) Limited, an independent third party valuer, using the Asian Put Option Model. The fair value of the awarded shares granted at grant date was HK$1,997,000. The following table lists the inputs to the Asian Put Option Model used:

Share price on grant date	HK$0.415
Expected volatility	60.91–76.37%
Expected life	1–3 years
Risk-free rate	0.09–0.63%
Expected dividend yield	1.20–2.41%

(b) As at 31 March 2016, 1,845,334 (2015: 570,000) forfeited shares were held by the trustee under the Share Award Scheme and would be re-granted to eligible employees in future.

The remaining vesting periods of the awarded shares outstanding are as follows:

	Number of awarded shares	
	2016	2015
Remaining vesting period:		
0.68 year	**—**	1,964,158
1.68 years	**1,458,493**	1,964,158
2.68 years	**1,458,528**	1,964,198
	2,917,021	5,892,514

In the current year, share awards expense of HK$684,000 (2015: HK$377,000) has been recognised by the Group as staff costs in profit or loss and the corresponding amount has been credited to the awarded share reserve. No liabilities were recognised as these were all equity-settled share-based payment transactions.

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36. CONTRIBUTED SURPLUS

The Group's contributed surplus as at 31 March 2016 comprises:

(a) an amount of HK$2,225,000 representing the difference between the nominal value of the shares of the subsidiaries acquired pursuant to the Group's reorganisation prior to the listing of the Company's shares over the nominal value of the Company's shares issued in exchange thereof;

(b) an aggregate amount of HK$81,998,000 transferred from the share capital account on capital reduction of the Company;

(c) an amount of HK$120,000,000 and HK$374,349,000 transferred from the share premium account pursuant to shareholders' special resolutions passed on 3 October 2002 and 13 September 2004 respectively for the set-off against accumulated losses of the Company;

(d) an amount of HK$512,864,000 transferred to accumulated losses on 13 September 2004 to eliminate the entire accumulated losses of the Company as at 31 March 2004;

(e) an amount of HK$25,000,000 transferred to retained profits on 30 September 2006 in accordance with the Bye-Laws of the Company;

(f) an amount of HK$10,000,000 transferred to retained profits on 31 March 2007 in accordance with the Bye-Laws of the Company;

(g) an amount of HK$10,000,000 transferred to retained profits on 30 September 2007 in accordance with the Bye-Laws of the Company;

(h) an amount of HK$10,000,000 transferred to retained profits on 31 March 2011 in accordance with the Bye-Laws of the Company;

(i) an amount of HK$5,966,000 distributed as interim dividend on 22 January 2014 in accordance with the Bye-Laws of the Company;

(j) an amount of HK$120,000,000 transferred from the share premium account pursuant to shareholders' special resolution passed on 7 August 2014;

(k) an amount of HK$5,972,000 distributed as final dividend on 28 August 2014 in accordance with the Bye-Laws of the Company;

(l) an amount of HK$5,972,000 distributed as interim dividend on 31 December 2014 in accordance with the Bye-Laws of the Company;

(m) an amount of HK$7,551,000 distributed as final dividend on 7 September 2015 in accordance with the Bye-Laws of the Company; and

(n) an amount of HK$15,110,000 distributed as interim dividend on 1 December 2015 in accordance with the Bye-Laws of the Company.

37. LOANS TO DIRECTORS

Name/Relationship with directors	Notes	At 31 March 2016 Debit/ (Credit) HK$'000	Maximum outstanding during the year HK$'000	At 1 April 2015 Debit/ (Credit) HK$'000	Margin finance facilities approved HK$'000	Securities held
Mr. Bernard POULIOT	(a)	2,494	13,622	6,896	15,002	Marketable securities
Mr. Kenneth LAM Kin Hing	(a), (b)	(3,795)	1,024	(1,297)	10,000	Marketable securities
Mr. Stefan Andre POULIOT, son of Mr. Bernard POULIOT	(a), (b)	(98)	36	(118)	500	Marketable securities
Ms. Elizabeth CHAN Wai Yin, spouse of Mr. Bernard POULIOT	(a), (b)	(1,412)	1,750	(327)	500	Marketable securities
Mrs. CHAN CHAN Yeuk Lan, mother-in-law of Mr. Bernard POULIOT	(b), (c)	(377)	126	(1,002)	—	None
Mr. Krial LAM Jing Yu, son of Mr. Kenneth LAM Kin Hing	(b), (c)	(2)	19	(1)	—	None
Mr. Kyle LAM Jing Wei, son of Mr. Kenneth LAM Kin Hing	(b), (c)	(23)	40	—	—	None

Notes:

(a) The loans granted under margin finance facilities to two directors of the Company, and a son and the spouse of a director of the Company are secured by the marketable securities collateral, bear interest at Hong Kong Dollar Prime Rate plus a spread and repayable on demand.

(b) The amounts due to a director of the Company, a son, the spouse and mother-in-law of a director of the Company and two sons of another director of the Company are unsecured, interest-free and repayable on demand.

(c) The amounts due from mother-in-law of a director of the Company and two sons of another director of the Company are required to be settled on the settlement dates and interest bearing at Hong Kong Dollar Prime Rate plus a spread after the settlement date.

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38. COMMITMENTS

Operating lease commitments

At the reporting date, the total future minimum lease payments under non-cancellable operating leases, in respect of land and buildings, are payable as follows:

	2016 **HK$'000**	2015 HK$'000
Within one year	**21,922**	24,449
In the second to fifth years, inclusive	**23,223**	40,946
	45,145	65,395

The Group leases a number of properties under operating leases. The leases run for an initial period of one to three years (2015: one to three years), with an option to renew the leases and renegotiate the terms at the expiry dates or at dates as mutually agreed between the Group and respective lessors. None of the leases include contingent rentals.

Capital commitments

At the reporting date, the Group had capital commitment in respect of intangible assets of HK$622,000 (2015: Nil).

39. RELATED PARTY TRANSACTIONS AND DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

In addition to the transactions and balances detailed elsewhere in these financial statements, the Group had the following material transactions with the directors, close family members of the directors and related companies, in which certain directors of the Company have direct/indirect material equity interests, during the year:

	2016 **HK$'000**	2015 HK$'000
Related company		
Newer Challenge Holdings Limited, a company in which Mr. Bernard POULIOT has 100% interests		
— Commission and brokerage income on securities and futures dealing	**41**	5

39. RELATED PARTY TRANSACTIONS AND DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS (CONTINUED)

	2016 HK$'000	2015 HK$'000
Directors		
Mr. Bernard POULIOT		
— Commission and brokerage income on securities and futures dealing	**350**	74
— Interest income from margin financing	**548**	215
— Underwriting commission (note (a))	**—**	(842)
— Interest paid/payable (note (b))	**(641)**	(641)
Mr. Kenneth LAM Kin Hing		
— Commission and brokerage income on securities and futures dealing	**298**	29
— Interest income from margin financing	**1**	27
— Motor vehicle expense	**(252)**	(252)
— Underwriting commission (note (a))	**—**	(1,002)
— Interest paid/payable (note (b))	**(2,885)**	(2,885)
Mr. Richard David WINTER		
— Commission and brokerage income on securities and futures dealing	**1**	3
— Underwriting commission (note (a))	**—**	(160)
Close family members of the directors		
Ms. Elizabeth CHAN Wai Yin, spouse of Mr. Bernard POULIOT		
— Commission and brokerage income on securities and futures dealing	**12**	10
— Interest income from margin financing	**1**	—
Mr. Nicolas POULIOT, son of Mr. Bernard POULIOT		
— Commission and brokerage income on securities and futures dealing	**—**	1
Mr. Stefan Andre POULIOT, son of Mr. Bernard POULIOT		
— Commission and brokerage income on securities dealing	**1**	—
— Interest income from margin financing	**1**	—
Mrs. CHAN CHAN Yeuk Lan, mother-in-law of Mr. Bernard POULIOT		
— Commission and brokerage income on securities and futures dealing	**41**	65
— Interest income from margin financing	**1**	—
— Interest paid (note (c))	**(415)**	—

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39. RELATED PARTY TRANSACTIONS AND DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS (CONTINUED)

	2016 **HK$'000**	2015 HK$'000
Close family members of the directors — Continued		
Ms. Mona KWOK Ka Wai, spouse of Mr. Kenneth LAM Kin Hing		
— Commission and brokerage income on securities and futures dealing	**1**	1
Mr. Krial LAM Jing Yu, son of Mr. Kenneth LAM Kin Hing		
— Commission and brokerage income on securities and futures dealing	**1**	—
— Interest income from margin financing	**1**	—
Mr. Kyle LAM Jing Wei, son of Mr. Kenneth LAM Kin Hing		
— Commission and brokerage income on securities and futures dealing	**3**	—
— Interest income from margin financing	**1**	—

Notes:

(a) Underwriting commission of HK$842,000, HK$1,002,000 and HK$160,000 paid to Mr. Bernard POULIOT, Mr. Kenneth LAM King Hing and Mr. Richard David WINTER respectively in the previous year was in consideration of the underwriting obligations under the underwriting agreement entered into with the Company in connection with the Open Offer.

(b) Interest of HK$641,000 (2015: HK$641,000) and HK$2,885,000 (2015: HK$2,885,000) paid/payable to Mr. Bernard POULIOT and Mr. Kenneth LAM Kin Hing respectively was in connection with Notes held by them during the year. The principal amount of Notes held by Mr. Bernard POULIOT and Mr. Kenneth LAM Kin Hing as at 31 March 2016 amounted to HK$9,869,000 (2015: HK$9,869,000) and HK$44,391,000 (2015: HK$44,391,000), respectively, the balance of which is included in "Note payables" (note 29).

(c) Interest of HK$415,000 (2015: Nil) paid to Mrs. CHAN CHAN Yeuk Lan was arising from the loans advanced from her during the year of HK$30,000,000 (2015: Nil), which has been fully repaid during the year.

Except as disclosed in notes (a) to (c) above, no transactions, arrangements or contracts of significance in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, were entered into or subsisted at any time during financial year.

Compensation of key management personnel

Included in staff costs (note 9) are key management personnel compensation and comprises the following categories:

	2016 **HK$'000**	2015 HK$'000
Short-term employee benefits	**18,895**	18,296
Post-employment benefits	**54**	54
	18,949	18,350

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

Market risk

(a) *Foreign currency risk*

Foreign currency risk is the risk of losses due to adverse changes in foreign exchange rates mainly relating to receivables from or payables to clients and foreign brokers and foreign currency deposits with banks. To mitigate the foreign currency risk, treasury and settlement divisions work closely to manage and monitor the foreign exchange exposure arising from broking in foreign shares and commodities. The policies to manage foreign currency risk have been followed by the Group since prior years and are considered to be effective.

The following table summarises the Group's major financial assets and liabilities denominated in currencies other than the functional currency of the entities to which they relate, as at 31 March 2016 and 2015.

	Expressed in HK$'000							
	Thai Baht ("THB")	**United States dollars** ("US$")	**Japanese Yen** ("JPY")	**Singapore dollars** ("SG$")	**Renminbi** ("RMB")	**British Pound** ("GBP")	**Euros** ("EUR")	**Others**
At 31 March 2016								
Financial assets measured at fair value through other comprehensive income	—	1,663	13,717	—	—	—	—	—
Other financial assets measured at amortised cost	—	16,415	—	—	—	—	—	—
Other assets	—	—	—	—	332	—	—	—
Financial assets measured at fair value through profit or loss	—	15,226	—	—	—	—	—	2
Trade receivables	—	495,738	20,922	1,351	1,907	32,653	37,603	56
Other receivables	—	760	—	—	27	—	—	—
Trust time deposits and trust bank balances held on behalf of clients	6,432	280,436	57	154	12,769	2,408	261	1,422
Cash and cash equivalents	213	17,210	15	92	2,335	106	19	329
Trade payables	(6,585)	(744,249)	(20,995)	(1,406)	(14,673)	(35,097)	(37,642)	(1,519)
Accruals and other payables	—	(1,288)	—	—	(144)	—	—	(18)
Borrowings	—	(47,302)	—	—	—	—	—	—
Overall net exposure	60	34,339	13,716	191	2,553	70	241	272

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40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Market risk (Continued)

(a) Foreign currency risk (Continued)

	Expressed in HK$'000							
	Thai Baht ("THB")	United States dollars ("US$")	Japanese Yen ("JPY")	Singapore dollars ("SG$")	Renminbi ("RMB")	British Pound ("GBP")	Euros ("EUR")	Others
At 31 March 2015								
Financial assets measured at fair value through other comprehensive income	—	2,100	24,659	—	—	—	—	—
Other financial assets measured at amortised cost	—	24,144	—	—	—	—	—	—
Other assets	—	—	—	—	758	—	—	—
Financial assets measured at fair value through profit or loss	—	9,040	—	—	—	—	—	8
Trade receivables	—	383,937	3,551	—	4,006	324	—	2,064
Other receivables	—	128	—	—	28	—	—	8
Trust time deposits and trust bank balances held on behalf of clients	16,484	200,419	43	631	9,694	2,245	2,583	5,680
Cash and cash equivalents	145	24,353	5	23	5,603	119	33	408
Trade payables	(16,651)	(545,410)	(3,631)	(631)	(13,765)	(2,559)	(2,406)	(8,325)
Accruals and other payables	—	(901)	—	—	(144)	—	—	(19)
Borrowings	—	(47,302)	—	—	—	—	—	—
Overall net exposure	(22)	50,508	24,627	23	6,180	129	210	(176)

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

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Market risk (Continued)

(a) Foreign currency risk (Continued)

	Increase in foreign exchange rates		Increase/(Decrease) in profit for the year		Increase in equity	
	2016	2015	**2016**	2015	**2016**	2015
	%	%	**HK$'000**	HK$'000	**HK$'000**	HK$'000
THB	**20**	20	**229**	545	**229**	545
JPY	**5**	5	**1**	(1)	**687**	1,232
SG$	**5**	5	**10**	6	**10**	6
RMB	**5**	5	**233**	390	**233**	390
GBP	**5**	5	**24**	25	**24**	25
EUR	**5**	5	**12**	11	**12**	11

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

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

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

(b) Price risk

The Group is exposed to equity price risk through its investments in listed equity securities which are classified as financial assets measured at fair value through profit or loss. The Board manages this risk exposure by maintaining a portfolio of investments with different risk and return profiles and will consider hedging the risk exposure should the need arise. The policies to manage price risk have been followed by the Group since prior years and are considered to be effective. The Group is not exposed to commodity price risk.

As at 31 March 2016, if equity prices had increased/(decreased) by 10% (2015: 10%) and all other variables were held constant, profit for the year would increase/(decrease) by approximately HK$5,703,000 (2015: HK$2,000) and the equity other than retained profits would remain unchanged (2015: unchanged).

The sensitivity analysis has been determined by assuming that the price change had occurred at the reporting date and has been applied to the Group's investments at that date. In the management's opinion, the sensitivity analysis is unrepresentative of the inherent price risk as the exposure at the end of the reporting period does not reflect the exposure during the year.

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40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Market risk (Continued)

(c) Interest rate risk

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

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

	2016	2015
	HK$'000	HK$'000
If interest rates were 1% (2015: 1%) higher		
Increase in profit or loss for the year	**12,124**	6,264
If interest rates were 1% (2015: 1%) lower		
Decrease in profit or loss for the year	**(12,124)**	(6,264)

Credit risk

In the course of margin trading in securities and futures and options products, clients are required to maintain a margin in order to hold positions and meet margin calls when there are changes in value of the underlying interest. In the situations where there are sudden volatile market movement (e.g. market gap opening) affecting the client's positions, the Group would be exposed to credit risk. The Group's credit risk also arises when the debtors, including brokers, fail to perform their obligations as at the reporting date.

In order to minimise the credit risk, margins for futures and options products to be maintained are based on the requirements set by the exchanges and counter party brokers, while margin ratios for securities margin loans are based on a combination of factors, including indicative acceptable lending rates from the bankers, the quality of the company represented by the securities, the liquidity of the securities, and the concentration level of securities held. The Group's credit committee, which is appointed by the Executive Committee of the Company and ultimately reporting to the Board, approves individual stocks acceptable for margin lending and revised the stock list as and when deemed necessary. The credit committee meets regularly and prescribes from time to time the lending limits on individual stocks and/or the credit limits for each individual client, taking into account the loan and stock concentration exposures. The credit control department monitors and making margin calls to clients when limits have been exceeded and when concentration risks posed a strategic risk. It also runs stress tests on loan portfolios to determine the impact on the Group's financial position and exposure. In this regard, the Board considers that the Group's credit risk is effectively controlled and significantly reduced.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk (Continued)

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each counterparties and clients rather than the geographical area or industry in which these parties operate and therefore significant concentrations of credit risk arise primarily when the Group has significant exposure to individual counterparties or clients. The Group's credit risk exposure is spread over a number of counterparties and clients. Hence, the Group has no significant concentration of credit risk by a single debtor.

The Group does not hold any collateral or other credit enhancement to cover its credit risk associated with its financial assets except for margin client receivables. Further quantitative data in respect of the collaterals and the Group's exposure to credit risk arising from trade and loan receivables are disclosed in notes 22 and 23 to the financial statements, respectively.

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

Liquidity risk

As part of ordinary broking activities, the Group is exposed to liquidity risk arising from the timing differences between settlement with clearing houses or brokers and clients. The Group's operating units are also subject to various liquidity requirements as prescribed by the authorities and financial market regulators. The Group has put in place monitoring systems to ensure it maintains adequate liquid capital to fund its business commitments and to comply with the relevant rules including the Securities and Futures (Financial Resources) Rules. As a further safeguard, the Group has maintained banking facilities to meet contingencies in its operations. The Company will also consider raising fund to meet the business operations growth which require intensive capital buffer.

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

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40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk (Continued)

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

	Carrying amount	Total contractual undiscounted cash flow	On demand or within 1 year	More than 1 year but less than 5 years
	HK$'000	HK$'000	HK$'000	HK$'000
At 31 March 2016				
Trade payables	**2,171,798**	**2,171,798**	**2,171,798**	**—**
Borrowings	**362,512**	**372,352**	**270,463**	**101,889**
Accruals and other payables	**93,825**	**93,825**	**93,825**	**—**
	2,628,135	**2,637,975**	**2,536,086**	**101,889**
At 31 March 2015				
Trade payables	1,884,355	1,884,355	1,884,355	—
Borrowings	1,145,815	1,165,562	1,057,158	108,404
Accruals and other payables	70,942	70,942	70,942	—
Finance lease payables	455	468	468	—
	3,101,567	3,121,327	3,012,923	108,404

41. FAIR VALUE MEASUREMENT

The hierarchy groups financial instruments into three levels based on the relative reliability of significant inputs used in measuring the fair value of these financial instruments. The fair value hierarchy has the following levels:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The levels in the fair value hierarchy within which the financial instruments are categorised in its entirety are based on the lowest level of input that is significant to the fair value measurement.

(a) Fair value of financial instruments measured at fair value

The following table presents financial instruments measured at fair value on a recurring basis in the consolidated statement of financial position according to the fair value hierarchy:

	Level 1 HK$'000 (note (i))	Level 2 HK$'000 (note (ii))	Level 3 HK$'000 (note (iii))	Total HK$'000
At 31 March 2016				
Financial assets measured at fair value through profit or loss				
— Listed debt securities	5,168	—	—	5,168
— Listed equity securities	51,860	—	—	51,860
— Unlisted equity securities	—	7,803	—	7,803
Financial assets measured at fair value through other comprehensive income				
— Unlisted equity securities	—	—	15,380	15,380
	57,028	7,803	15,380	80,211

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41. FAIR VALUE MEASUREMENT (CONTINUED)

(a) Fair value of financial instruments measured at fair value (Continued)

	Level 1 HK$'000 (note (i))	Level 2 HK$'000 (note (ii))	Level 3 HK$'000 (note (iii))	Total HK$'000
At 31 March 2015				
Financial assets measured at fair value through profit or loss				
— Listed equity securities	19	—	—	19
— Unlisted equity securities	—	9,040	—	9,040
Financial assets measured at fair value through other comprehensive income				
— Unlisted equity securities	—	—	26,759	26,759
	19	9,040	26,759	35,818

There have been no transfers between levels 1, 2 or transfers into or out of level 3 in the reporting period (2015: Nil). The Group's policy is to recognise transfers between levels of fair value hierarchy at the date of the event or change in circumstances that caused the transfer.

Notes:

(i) The fair value of the listed equity securities has been determined by reference to their quoted bid prices at the reporting date and has been translated using the spot foreign currency rates at the end of the reporting period where appropriate.

(ii) The Group's unlisted equity securities classified under financial assets measured at fair value through profit or loss represent the Group's investments in investment funds. The fair value of these investments is determined with reference to the fair value of the underlying assets and liabilities of investment funds at the reporting date.

(iii) The fair value of the unlisted equity securities classified under financial assets measured at fair value through other comprehensive income has been determined by independent qualified valuers or the finance manager using the discounted cash flow valuation technique. Valuation is prepared at each interim and annual reporting date, and is reviewed and approved by the chief financial officer. Discussion of the results with the chief financial officer and the audit committee is held twice a year, to coincide with the reporting dates. The discounted cash flow valuations are based on the following significant unobservable inputs:

Significant unobservable inputs	**2016**	2015
Discount for lack of marketability	**33%**	33%
Weighted average cost of capital	**16%**	17%
Long-term revenue growth rate	**3%**	3%

41. FAIR VALUE MEASUREMENT (CONTINUED)

(a) Fair value of financial instruments measured at fair value (Continued)

Notes: (Continued)

Generally, a change in the discount for lack of marketability and weighted average cost of capital is accompanied by a directionally opposite change to the fair value measurement whilst a change in the long-term revenue growth rate is accompanied by a directionally similar change to the fair value measurement. The following table illustrates the sensitivity of the carrying amount of the unlisted equity securities classified under financial assets measured at fair value through other comprehensive income and investment revaluation reserve as at the reporting date to a change in the above significant unobservable inputs by 1% higher/lower while all other variables were held constant.

	2016		2015	
	If 1% higher HK$'000	**If 1% lower HK$'000**	If 1% higher HK$'000	If 1% lower HK$'000
Discount for lack of marketability	**(95)**	**95**	(247)	247
Weighted average cost of capital	**(489)**	**570**	(1,172)	1,351
Long-term revenue growth rate	**351**	**(301)**	808	(701)

(b) Fair value of financial instruments measured at amortised cost

The carrying amounts of the financial assets and financial liabilities measured at amortised cost as disclosed under current assets and current liabilities, respectively, approximate their fair value as they are all short term in nature.

The carrying amount of the financial instruments measured at amortised cost under non-current assets and non-current liabilities, other than those whose carrying amount reasonably be approximate to their fair value, and their fair value are as follows:

	Carrying amount		**Fair value**	
	2016 HK$'000	2015 HK$'000	**2016 HK$'000**	2015 HK$'000
Financial assets				
— Senior notes (note (i))	**16,145**	24,144	**15,620**	22,287
Financial liabilities				
— Note payables (note (ii))	**(98,564)**	(95,612)	**(101,636)**	(101,146)

Notes:

(i) The fair value of the senior notes has been determined by reference to their quoted bid prices at the reporting date and has been translated using the spot foreign currency rates at the end of the reporting period where appropriate and are within level 1 of the fair value hierarchy.

(ii) The fair value of the note payables have been calculated by discounting the expected future cash flows using rate currently available for instruments with similar terms, credit risk and remaining maturities and are within level 2 of fair value hierarchy.

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42. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

In addition, under the agreements signed between the Group and the clients for its dealing in securities, money obligations receivables and payables with the same client are settled on the net basis. The Group therefore has a legally enforceable right to set off the trade receivable and payable and the Group intended to settle these balances on a net basis.

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

	Amounts due from clients and HKSCC	
	2016	2015
	HK$'000	HK$'000
Gross amount of recognised financial assets (net of impairment)	**916,185**	1,395,795
Gross amount of recognised financial liabilities offset in the consolidated statement of financial position	**(189,516)**	(466,798)
Net amounts of financial assets included in the consolidated statement of financial position	**726,669**	928,997
Related amount not set off in the consolidated statement of financial position		
— financial instruments	**—**	—
— financial collaterals	**(703,172)**	(861,403)
Net amounts	**23,497**	67,594

42. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

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

	Amounts to clients and HKSCC	
	2016	2015
	HK$'000	HK$'000
Gross amount of recognised financial liabilities	**1,141,690**	1,315,944
Gross amount of recognised financial assets offset in the consolidated statement of financial position	**(189,516)**	(466,798)
Net amounts of financial liabilities included in the consolidated statement of financial position	**952,174**	849,146
Related amount not set off in the consolidated statement of financial position		
— financial instruments	**—**	—
— financial collaterals	**—**	—
Net amounts	**952,174**	849,146

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

	2016	2015
	HK$'000	HK$'000
Trade receivables		
Net amounts of financial assets included in the consolidated statement of financial position	**726,669**	928,997
Trade receivables not within the scope of offsetting disclosure	**895,532**	1,202,907
Trade receivables presented in the consolidated statement of financial position	**1,622,201**	2,131,904
Trade payables		
Net amounts of financial liabilities included in the consolidated statement of financial position	**952,174**	849,146
Trade payables not within the scope of offsetting disclosure	**1,219,624**	1,035,209
Trade payables presented in the consolidated statement of financial position	**2,171,798**	1,884,355

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43. SUMMARY OF FINANCIAL ASSETS AND LIABILITIES BY CATEGORY

The carrying amounts of the Group's financial assets and liabilities as recognised at the reporting date may be categorised as follows. See notes 2.13 and 2.19 to the financial statements for explanations about how the category of financial instruments affects their subsequent measurement.

	2016	2015
	HK$'000	HK$'000
Financial assets		
Financial assets measured at fair value through other comprehensive income	**15,380**	26,759
Financial assets measured at fair value through profit or loss	**64,831**	9,059
Financial assets measured at amortised cost		
— Other financial assets measured at amortised cost	**16,145**	24,144
— Other assets	**7,684**	17,790
— Trade receivables	**1,622,201**	2,131,904
— Loan receivables	**—**	306
— Other receivables	**1,683**	1,279
— Trust time deposits held on behalf of clients	**513,740**	345,956
— Trust bank balances held on behalf of clients	**824,408**	811,316
— Cash and cash equivalents	**83,382**	67,102
	3,069,243	3,399,797
	3,149,454	3,435,615
Financial liabilities		
Financial liabilities measured at amortised cost		
— Trade payables	**2,171,798**	1,884,355
— Borrowings	**362,512**	1,145,815
— Accruals and other payables	**93,825**	70,942
— Finance lease payables	**—**	455
	2,628,135	3,101,567

44. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and make adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 March 2016 and 2015.

Certain subsidiaries of the Company are regulated by the Securities and Futures Commission and Professional Insurance Brokers Association Limited. These subsidiaries are required to maintain certain minimum liquid capital; and net asset value and paid-up capital according to the Securities and Futures Ordinance and the Insurance Companies Ordinance, respectively. Management monitors these subsidiaries' liquid capital or net asset value and paid-up capital to ensure they meet the minimum requirement in accordance with the Securities and Futures (Financial Resources) Rules and the Insurance Companies Ordinance. These externally imposed capital requirements have been complied with by the relevant group entities for the years ended 31 March 2016 and 2015.

The Group monitors its capital using a gearing ratio, which is total debts divided by total equity. For this purpose, total debts includes borrowings and finance lease payables as shown in the consolidated statement of financial position. The Group aims to maintain the gearing ratio at a reasonable level. The gearing ratio as at the reporting date is as follows:

	2016	2015
	HK$'000	HK$'000
Borrowings	**362,512**	1,145,815
Finance lease payables	**—**	455
Total debt	**369,512**	1,146,270
Total equity	**608,041**	426,858
Gearing ratio	**60%**	269%

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For the year ended 31 March 2016

45. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2016 HK$'000	2015 HK$'000
ASSETS AND LIABILITIES		
Non-current assets		
Property, plant and equipment	726	850
Investments in subsidiaries	124,351	123,739
Financial assets measured at fair value through other comprehensive income	15,380	26,759
Amount due from a subsidiary	—	100,000
	140,457	251,348
Current assets		
Prepayments	574	1,172
Amounts due from subsidiaries	337,490	120,827
Cash and cash equivalents	15,533	1,801
	353,597	123,800
Current liabilities		
Borrowings	—	43,876
Accruals and other payables	5,119	5,666
Amounts due to subsidiaries	28,329	18,743
	33,448	68,285
Net current assets	320,149	55,515
Total assets less current liabilities	460,606	306,863
Non-current liabilities		
Borrowings	98,564	95,612
	98,564	95,612
Net assets	362,042	211,251
EQUITY		
Share capital	5,038	4,017
Reserves (note)	357,004	207,234
Total equity	362,042	211,251

For and on behalf of the Board

Bernard POULIOT
Director

Kenneth LAM Kin Hing
Director

45. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Note:

	Share premium HK$'000	Awarded share reserve HK$'000	Capital redemption reserve HK$'000	Contributed surplus HK$'000	Investment revaluation reserve HK$'000	Shares held for Share Award Scheme HK$'000	Share option reserve HK$'000	Warrant reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 April 2014	185,024	—	936	53,855	(5,223)	(2,703)	6,995	—	(36,200)	202,684
Dividend approved	—	—	—	(11,944)	—	—	—	—	—	(11,944)
Issue of Warrants	—	—	—	—	—	—	—	5,036	—	5,036
Exercise of Warrants	6,349	—	—	—	—	—	—	(320)	—	6,029
Share Award Scheme arrangements	—	377	—	—	—	—	—	—	—	377
Transactions with owners	6,349	377	—	(11,944)	—	—	—	4,716	—	(502)
Loss for the year	—	—	—	—	—	—	—	—	(998)	(998)
Other comprehensive income — Changes in fair value of financial assets measured at fair value through other comprehensive income	—	—	—	—	6,050	—	—	—	—	6,050
Total comprehensive income for the year	—	—	—	—	6,050	—	—	—	(998)	5,052
Transfer from share premium account	(120,000)	—	—	120,000	—	—	—	—	—	—
Forfeiture of awarded shares	—	—	—	—	—	—	(333)	—	333	—
At 31 March 2015	71,373	377	936	161,911	827	(2,703)	6,662	4,716	(36,865)	207,234
At 1 April 2015	**71,373**	**377**	**936**	**161,911**	**827**	**(2,703)**	**6,662**	**4,716**	**(36,865)**	**207,234**
Dividend approved	—	—	—	**(22,661)**	—	—	—	—	—	**(22,661)**
Exercise of share options	**20,542**	—	—	—	—	—	**(5,757)**	—	—	**14,785**
Exercise of Warrants	**70,393**	—	—	—	—	—	—	**(3,550)**	—	**66,843**
Issue of new shares	**112,000**	—	—	—	—	—	—	—	—	**112,000**
Transaction costs attributable to the issue of new shares	**(3,401)**	—	—	—	—	—	—	—	—	**(3,401)**
Share Award Scheme arrangements	—	**684**	—	—	—	—	—	—	—	**684**
Transactions with owners	**199,534**	**684**	—	**(22,661)**	—	—	**(5,757)**	**(3,550)**	—	**168,250**
Loss for the year	—	—	—	—	—	—	—	—	**(7,101)**	**(7,101)**
Other comprehensive income — Changes in fair value of financial assets measured at fair value through other comprehensive income	—	—	—	—	**(11,379)**	—	—	—	—	**(11,379)**
Total comprehensive income for the year	—	—	—	—	**(11,379)**	—	—	—	**(7,101)**	**(18,480)**
Vesting of awarded shares	—	**(565)**	—	—	—	**710**	—	—	**145**	—
At 31 March 2016	**270,907**	**496**	**936**	**139,250**	**(10,552)**	**(1,993)**	**905**	**1,166**	**(44,111)**	**357,004**

Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

46. PARTICULARS OF THE SUBSIDIARIES OF THE COMPANY

Particulars of the principal subsidiaries as at 31 March 2016 are as follows:

Name	Place of incorporation	Particulars of issued capital	Percentage of interests		Principal activities and place of operations
			Held by the Company	Held by the subsidiaries	
Quam Asset Management Limited	Hong Kong	Ordinary shares of HK$1,000,000	100	—	Investment adviser and asset management/ Hong Kong
Quam Asset Management (BVI) Ltd.	British Virgin Islands	5,000 ordinary shares of US$1 each	—	100	Provision of fund management services/ Hong Kong
Quam Capital (Holdings) Limited	Hong Kong	Ordinary shares of HK$78,260,002	100	—	Investment holding and import/export trading liaison/Hong Kong
Quam Capital Limited	Hong Kong	Ordinary shares of HK$15,000,000	—	100	Corporate finance and investment adviser/ Hong Kong
Quam Finance Limited	Hong Kong	Ordinary shares of HK$54,200,000	—	100	Finance and money lending/Hong Kong
Quam Financial Management Limited	Hong Kong	Ordinary shares of HK$1,800,000	—	100	Provision of insurance broking and wealth management services/ Hong Kong
Quam Greater China UCITS Fund (note)	Luxembourg	N/A	—	55*	Investments in securities/ Hong Kong
Quam Private Equity Limited	Hong Kong	Ordinary shares of HK$1,500,000	100	—	Investment holding/Hong Kong
Quam Securities Company Limited	Hong Kong	Ordinary shares of HK$300,000,000 (2015: HK$167,000,000)	—	100	Securities dealing and futures and options broking/Hong Kong
Quam Ventures (BVI) Limited	British Virgins Islands	1 ordinary share of US$1	—	100	Fund investments/Hong Kong
Quam.net Limited	Hong Kong	Ordinary shares of HK$76,520,664	100	—	Investment holding/Hong Kong
Quam (H.K.) Limited	Hong Kong	Ordinary shares of HK$6,000,000	—	100	Website management and other related services/Hong Kong

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally contribute the results for the year or hold a substantial portion of assets or liabilities of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Note:

In late 2015, the Group incorporated Quam Funds SICAV (the "SICAV"), an investment company organised under the laws of the Grand Duchy of Luxembourg. The first Europe fund launched under SICAV is Quam Greater China UCITS Fund ("UCITS Fund") in December 2015 and the Group seeded investment of approximately HK$38,786,000 (US$5,000,000 equivalents) when it was launched. As UCITS Fund allows weekly subscription and redemption, the Group's percentage ownership in UCITS Fund can fluctuate from day-to-day depending on the subscriptions and redemptions by the Group and other holders.

As at 31 March 2016, the percentage of interests held by the Group in UCITS Fund is 55%*, net asset value at that date and the changes in net asset value during the year attributable to the Group was HK$37,046,000 (2015: not applicable) and HK$1,746,000 (2015: not applicable), respectively.

46. PARTICULARS OF THE SUBSIDIARIES OF THE COMPANY (CONTINUED)

Note: (Continued)

Because the Group acted as the investment manager of UCITS Fund and the combination of the interests it held together with its remuneration creates exposure to variability of returns from the activities of such investment funds is of significance that indicates the Group is a principal, the Group had to consolidate the UCITS Fund for the year in accordance to HKFRSs.

The following table illustrates the financial information of the UCITS Fund, extracted from its unaudited management accounts, which was consolidated in the Group's financial statements and reconciliation to the net assets attributable to other holders of UCITS Fund included in "Accruals and other payables" and changes in net assets attributable to other holders of UCITS Fund included in "Other operating income and gains":

	2016 HK$'000
Financial assets measured at fair value through profit or loss	57,011
Other current assets	695
Cash and cash equivalents	9,441
Current liabilities	(298)
Net assets	66,849
Percentage of interests held by other holders*	45%
Net assets attributable to other holders	29,803
Net assets attributable to the Group	37,046

	2016 HK$'000
Fair value loss on financial assets measured at fair value through profit or loss	(2,841)
Other operating income and gains	31
Other operating expenses	(833)
Loss and total comprehensive income for the year	(3,643)

	2016 HK$'000
Net assets attributable to other holders at the beginning of the year	—
Proceeds from issue of shares to other holders	31,700
Net assets attributable to other holders at the end of the year	(29,803)
Changes in net asset attributable to other holders	1,897

* Rounded to the nearest one percent

Five-Year Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years, as extracted from the published audited financial statements, and reclassified as appropriate, is set out below.

	Year ended 31 March				
	2016	2015	2014	2013	2012
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
RESULTS					
Revenue	**532,527**	423,686	406,327	330,390	358,332
	532,527	423,686	406,327	330,390	358,332
Fair value (loss)/gain on financial assets measured at fair value through profit or loss	**(5,302)**	1,086	(283)	(982)	(7,571)
Other operating income and gains	**16,948**	10,147	9,807	10,585	8,584
Cost of services provided	**(244,155)**	(167,248)	(172,998)	(144,074)	(154,244)
Staff costs	**(151,413)**	(134,146)	(125,819)	(111,502)	(129,093)
Depreciation and amortisation expenses	**(7,132)**	(6,967)	(6,113)	(7,283)	(6,289)
Other operating expenses	**(85,567)**	(57,965)	(62,237)	(65,927)	(72,513)
Finance costs	**(20,334)**	(25,131)	(11,411)	(8,346)	(7,115)
Provision for impairment of interest in an associate	**—**	—	—	—	(11,803)
Loss on disposal of an associate	**—**	(177)	—	—	—
Share of results of associates	**—**	—	12	165	(3,616)
Share of results of joint ventures	**1,156**	(2,946)	(1,249)	(21,447)	1,952
Profit/(loss) before income tax	**36,728**	40,339	36,036	(18,421)	(23,376)
Income tax expense	**(12,040)**	(4,302)	(4,434)	(506)	(1,147)
Profit/(loss) for the year attributable to the owners of the Company	**24,688**	36,037	31,602	(18,927)	(24,523)

	As at 31 March				
	2016	2015	2014	2013	2012
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
ASSETS AND LIABILITIES					
Total assets	**3,247,156**	3,529,587	2,638,671	1,974,181	1,577,094
Total liabilities	**(2,639,115)**	(3,102,729)	(2,254,932)	(1,611,981)	(1,197,169)
	608,041	426,858	383,739	362,200	379,925

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