

IIFL Private Wealth Hong Kong Limited

**Directors' report
and
Financial statements**

For the year ended

31 March 2018

Joseph K.H. Ng & Co.
Certified Public Accountants
Hong Kong

IIFL Private Wealth Hong Kong Limited
Directors' report and financial statements
For the year ended 31 March 2018

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IIFL Private Wealth Hong Kong Limited
Directors' report

The directors herewith submit their annual report together with the audited financial statements for the year ended 31 March 2018.

Principal activities

The company's principal activities are advising clients in securities and referring clients to fund managers.

Financial result

The result of the company for the year ended 31 March 2018 and the state of the company's affairs as at that date are set out in the financial statements on pages 8 to 23.

Directors

The directors during the financial year and up to the date of this report are:

SHAH Amit Nitin
ASRANI Rakesh

In accordance with article 100 of the company's articles of association both directors will retire in the forthcoming general meeting and, being eligible, offer themselves for re-election.

Directors' interests in contracts

No contract of significance in relation to the company's business to which the company, any of its holding companies or fellow subsidiaries was a party, and in which a director of the company had a material interest, subsisted at the end of the year or at any time during the year.

Arrangements to acquire shares or debentures

At no time during the year was the company, any of its subsidiaries a party to any arrangement to enable the directors of the company to acquire benefits by means of the acquisition of shares in or debentures of the company or any other body corporate.

Business Review

The Business Review of the Company is set out on page 4.

Auditors

These financial statements have been audited by Messrs. Joseph K. H. Ng & Co., Certified Public Accountants who retire and, being eligible, offer themselves for re-appointment.

By order of the board



ASRANI Rakesh
Chairman

Hong Kong, 25 APR 2018

IIFL Private Wealth Hong Kong Limited Business Review

The directors herewith present the business review of the Company for the year ended 31 March 2018.

The Company was established in 2010 with over 7 years' history. The nature of business of the Company is a) to deal in collective investment securities b) introducing persons to IIFL Wealth Management Ltd in order that they may effect dealing in securities in India. The company shall not conduct businesses other than mentioned in point a) and b). The service is provided only to professional investors. The Company is regulated by the Securities and Futures Commission in Hong Kong.

The Company is wholly owned subsidiary of IIFL Wealth Management Limited (IIFLW), a public limited company incorporated in India, with ultimate holding company being IIFL Holdings Limited (holding company of IIFLW).

In the year of 2018, the revenue of the Company is HK\$2,421,167 representing a 5.18% decrease compared with the year of 2017. The financial position of the Company as on 31st March is as follows:

| Year | 2018 | 2017 |
|-----------------------------|-------------|-------------|
| Referral Fee & Other Income | 2,421,167 | 2,553,496 |
| Operating Expenses | 2,144,653 | 1,842,001 |
| Income Tax Expenses | 49,616 | 109,610 |
| Profit for the Year | 226,898 | 601,885 |

In the year of 2018, the directors of the Company expect that they will continue with their business strategy to provide high standard service to their clients. The Company proposes to make a more in-depth analysis of various investment opportunities across the globe, especially in Indian Securities.

The net profit of the Company has been decreased to HK\$226,898 compared with the previous year of HK\$601,885. The directors expect the market conditions of the fund business will be difficult in the year ahead due to global uncertainty which also impacts the business sentiment in Hong Kong which is a key financial hub, however Indian Economy and Indian Securities markets have shown positive signs of growth and remain one of the best stories across the globe which would necessitate more detailed analysis of Indian Centric products / funds.

During the financial year, the directors opined that the Company was in compliance with all laws, rules and regulations.

Employees of the Company are integral part of the success of the Company and competitive remuneration packages are offered to employees.

The Company does identify and monitor compliance risk, strategic risk, business risk, operational risks and global unforeseen market and political risks.

Looking ahead, the directors expect their business environment to remain challenging due to global factors and industry competition. The directors will continue to be prudent in managing the Company's costs of operations and continue to maintain a health liquidity position.

**Independent auditor's report to the sole shareholder of
IIFL Private Wealth Hong Kong Limited**
(Incorporated in Hong Kong with limited liability)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of IIFL Private Wealth Hong Kong Limited set out on pages 8 to 23, which comprise the statement of financial position as at 31 March 2018, the statement of profit or loss and other comprehensive income, statement of change in equity and statement of cash flow for the year then ended, and a summary of significant accounting policies and other explanatory notes.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 March 2018 and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis of Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") and with reference to Practice Note 820 (Revised), "The Audit of Licensed Corporations and Associated Entities of Intermediaries" issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Information Other than the Financial Statements and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the directors' report and business review, but does not include the financial statements and our auditor's report thereon.

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

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

Responsibilities of Directors and Those Charged with Governance for the Financial Statements

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



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

In addition, the directors are required to ensure that the financial statements are in accordance with the records kept under the Hong Kong Securities and Futures (Keeping of Records) Rules and satisfy the requirements of the Hong Kong Securities and Futures (Accounts and Audit) Rules.

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

Auditor's responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

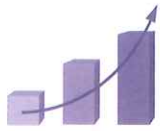
Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance (Cap.622), and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of the report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. In addition, we are required to obtain reasonable assurance about whether the financial statements are in accordance with the records kept under the Hong Kong Securities and Futures (Keeping of Records) Rules and satisfy the requirements of the Hong Kong Securities and Futures (Accounts and Audit) Rules.

As part of an audit in accordance with HKSA's, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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



Joseph K. H. Ng & Co.
吳國豪會計師事務所
Certified Public Accountants

Report on matters under the Hong Kong Securities and Futures (Keeping of Records) Rules and Hong Kong Securities and Futures (Accounts and Audit) Rules of the Hong Kong Securities and Futures Ordinance

In our opinion, the financial statements are in accordance with the records kept under the Hong Kong Securities and Futures (Keeping of Records) Rules and satisfy the requirements of the Hong Kong Securities and Futures (Accounts and Audit) Rules.

Joseph K. H. Ng & Co.
Certified Public Accountants

Hong Kong, 25 APR 2010

**Statement of comprehensive income
for the year ended 31 March 2018**

| | Note | 2018 HK\$ | 2017 HK\$ |
|----------------------------|------|-----------------------|-----------------------|
| Turnover | 3 | 2,400,000 | 2,400,000 |
| Other income | 3 | 21,167 | 153,496 |
| Operating expenses | | (2,144,653) | (1,842,001) |
| Profit before tax | 4 | <u>276,514</u> | <u>711,495</u> |
| Income tax expense | 6 | <u>(49,616)</u> | <u>(109,610)</u> |
| Profit for the year | | <u><u>226,898</u></u> | <u><u>601,885</u></u> |

The notes on pages 12 to 23 are part of these financial statements.

Statement of financial position as at 31 March 2018

| | Notes | 2018 HK\$ | 2017 HK\$ |
|---|-------|------------------|------------------|
| Non-current assets | | | |
| Property, plant and equipment | 7 | - | - |
| Deposits | | 72,800 | 72,800 |
| | | <u>72,800</u> | <u>72,800</u> |
| Current assets | | | |
| Deposits and prepaid expenses | | 24,516 | 126,463 |
| Investments in alternative investment funds | 8 | - | 3,110,078 |
| Tax repayable | | 25,555 | - |
| Cash and cash equivalents | | 7,530,793 | 4,391,043 |
| | | <u>7,580,864</u> | <u>7,627,584</u> |
| Current liabilities | | | |
| Tax payable | | - | 225,729 |
| Accrued charges | | 121,342 | 169,231 |
| | | <u>121,342</u> | <u>394,960</u> |
| Net current assets | | <u>7,459,522</u> | <u>7,232,624</u> |
| NET ASSETS | | <u>7,532,322</u> | <u>7,305,424</u> |
| EQUITY | | | |
| Issued share capital | | | |
| 6,476,324 ordinary shares, fully paid | | 6,476,324 | 6,476,324 |
| Retained earnings | | 1,055,998 | 829,100 |
| TOTAL EQUITY | | <u>7,532,322</u> | <u>7,305,424</u> |

Approved and authorised for issue by the board of directors on

25 APR 2018

SHAH Amit Nitin

ASRANI Rakesh

The notes on pages 12 to 23 are part of these financial statements.

Statement of changes in equity for the year ended 31 March 2018

| | Share capital HK\$ | Retained earnings HK\$ | Total HK\$ |
|---------------------|--------------------------|------------------------------|---------------|
| At 1 April 2016 | 6,476,324 | 227,215 | 6,703,539 |
| Profit for the year | - | 601,885 | 601,885 |
| At 31 March 2017 | 6,476,324 | 829,100 | 7,305,424 |
| Profit for the year | - | 226,898 | 226,898 |
| At 31 March 2018 | 6,476,324 | 1,055,998 | 7,532,322 |

The notes on pages 12 to 23 are part of these financial statements.

Statement of cash flow for the year ended 31 March 2018

| | 2018 | 2017 |
|---|-------------------------|-------------------------|
| | HK\$ | HK\$ |
| Cash flows from operating activities | | |
| Profit before tax | 276,514 | 711,495 |
| Adjustments for: | | |
| - Interest received | (79) | (84) |
| - Depreciation of property, plant and equipment | - | 47 |
| - Loss on disposal of investments | 101,531 | - |
| -Fair value gain on investments | (20,899) | (153,412) |
| Operating profit before working capital changes | <u>357,067</u> | <u>558,046</u> |
| Decrease in due to a director | - | (119,340) |
| Decrease/(increase) in deposits and prepayments | 101,947 | (18,358) |
| Increase/(decrease) in accrued charges | (47,889) | 125,411 |
| Cash generated from operations | 411,125 | 545,759 |
| Income tax paid | (300,900) | - |
| <i>Net cash from operating activities</i> | <u>110,225</u> | <u>545,759</u> |
| Cash flows from investing activities | | |
| Purchase of alternative investment funds | - | (2,956,666) |
| Sales proceed of alternative investment funds | 3,029,446 | - |
| Interest received | 79 | 84 |
| <i>Net cash from/(used in) investing activities</i> | <u>3,029,525</u> | <u>(2,956,582)</u> |
| Net increase/(decrease) in cash and cash equivalents | 3,139,750 | (2,410,823) |
| Cash and cash equivalents at beginning of the year | <u>4,391,043</u> | <u>6,801,866</u> |
| Cash and cash equivalents at end of the year | <u><u>7,530,793</u></u> | <u><u>4,391,043</u></u> |
| Analysis of cash and cash equivalents | | |
| Bank balances | <u><u>7,530,793</u></u> | <u><u>4,391,043</u></u> |

The notes on pages 12 to 23 are part of these financial statements.

Notes to financial statements for the year ended 31 March 2018

1. General information

IIFL Private Wealth Hong Kong Limited is a limited liability company incorporated in Hong Kong. The address of its registered office is located at Suite 921, Level 9, Central Building, 1-3 Pedder Street, Central, Hong Kong. Its principal activities are advising clients in securities and referring clients to fund managers. The functional and presentation currencies of the financial statements are Hong Kong dollars.

2. Basis of preparation and accounting policies

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”), which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Institute and accounting principles generally accepted in Hong Kong. These financial statements have been prepared under the historical cost convention.

The financial statements are in accordance with the records kept under the Hong Kong Securities and Futures (Keeping of Records) Rules and satisfy the requirements of the Hong Kong Securities and Futures (Accounts and Audit) Rules.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the company’s accounting policies. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The Institute has issued certain new/revised HKFRSs after 31 March 2017 and up to the date of approval of the financial statements. The company anticipates that application of the revised HKFRS will have no significant impact on the results and the financial position of the company.

a. Property, plant and equipment

Property, plant and equipment and are stated in the statement of financial position at cost less accumulated depreciation and impairment losses, if any. Cost of an item of property, plant and equipment comprises the purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for them to be capable of operating in the manner intended by management.

2. Basis of preparation and accounting policies(continued)

a. Property, plant and equipment (continued)

Depreciation is charged so as to allocate the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The rate of depreciation is 20% per annum.

If there is an indication that there has been a significant change in the depreciation rate, useful life or residual value of an asset, the depreciation of that asset is revised prospectively to reflect the new expectations. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gain or loss arising from the de-recognition of an item of property, plant and equipment is included in profit or loss when the item is derecognised and is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

b. Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the lessor are accounted for as operating leases. Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease.

c. Financial instruments

Financial assets and financial liabilities are recognized in the statements of financial position when an entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value and transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Investments in alternative investment funds are classified as current assets and valued through profit and loss account. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognized in profit or loss account.

The company's other financial assets, including receivables and cash and bank balances, are subsequently measured at amortized cost using the effective interest method, less identified impairment charges as the assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows and the contractual terms of the financial assets give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

2. Basis of preparation and accounting policies (continued)

c. Financial instruments (continued)

Financial liabilities include payables and other monetary liabilities. All financial liabilities are subsequently measured at amortized cost using the effective interest method.

d. Impairment of financial assets

The company recognizes charges for impaired receivables promptly where there is objective evidence that impairment of a receivable has occurred. The impairment of a receivable carried at amortized cost is measured as the difference between the receivable's carrying amount and the present value of estimated future cash flows discounted at the receivable's original effective interest rate. Impairment charges are assessed individually for significant receivables.

The carrying amount of the receivables is reduced through the use of provision for impairment account. Changes in the carrying amount of the provision for impairment account are recognized in profit or loss. When the receivable is considered uncollectible, it is written off against the provision for impairment account.

If, in a subsequent period, the amount of an impairment charge decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment charge is reversed by reducing the provision for impairment account, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized. The amount of any reversal is recognized in profit or loss.

e. De-recognition of financial assets and liabilities

Financial assets are derecognized when the contractual rights to receive the cash flows of the financial assets expire; or where the company transfers the financial assets and either (i) it has transferred substantially all the risks and rewards of ownership of the financial assets or (ii) it has neither transferred nor retained substantially all the risks and rewards of ownership of the financial assets but has not retained control of the financial assets. Financial liabilities are derecognized when they are extinguished, i.e. when the obligation is discharged, cancelled or expires.

f. Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, and deposits with banks and other financial institutions having a maturity of three months or less at acquisition.

2. Basis of preparation and accounting policies (continued)

g. Income tax

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

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases using in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which those deductible temporary differences can be utilized.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognized in profit or loss, except when it relates to items that are recognized in other comprehensive income or directly in equity, in which case the deferred tax is also recognized in other comprehensive income or directly in equity respectively.

h. Employee benefit obligations

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

2. Basis of preparation and accounting policies (continued)

i. Related parties

A related party is a person or entity that is related to the company.

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

- (a) has control or joint control over the company;
- (b) has significant influence over the company; or
- (c) is a member of the key management personnel of the company or of a parent of the company.

(ii) An entity is related to the company if any of the following conditions applies:

- (a) The entity and the company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (b) 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).
- (c) Both entities are joint ventures of the same third party.
- (d) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (e) The entity is a post-employment benefit plan for the benefit of employees of either the company or an entity related to the company. If the company is itself such a plan, the sponsoring employers are also related to the company.
- (f) The entity is controlled or jointly controlled by a person identified in (i).
- (g) A person identified in (i)(a) 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).

j. Revenue recognition

Revenue is recognized in profit or loss provided it is probable that the economic benefits will flow to the company and revenue can be measured reliably.

i) One-time set up fee income

One-time set up fee income is recognized when set up process is completed and the income is received.

ii) Referral fee income

Referral fee income is recognised when the clients referred to by the company open accounts and start investing in the funds to which such clients are referred by the company.

iii) Interest income

Interest income is recognised using the effective interest method.

k. Foreign currency translation

Items included in the financial statements of the company are measured using the currency of the primary environment in which the company operate respectively (the functional currency).

2. Basis of preparation and accounting policies (continued)

k. Foreign currency translation (continued)

These financial statements are presented in Hong Kong dollars, which is the company's functional and presentation currency.

Foreign currency transactions are translated into the functional currency at the exchange rates ruling at the transaction dates. Monetary items denominated in foreign currencies are translated into the functional currency at the rate of exchange prevailing at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. All exchange differences are recognized in profit or loss.

Foreign exchange gains and losses that relate to cash and cash equivalents are presented in profit or loss within "finance costs". All other foreign exchange gains and losses are presented in profit or loss within "other income" or "other expenses".

3. Revenue

| | 2018 | 2017 |
|----------------------|------------------|------------------|
| | HK\$ | HK\$ |
| Referral fees income | 2,400,000 | 2,400,000 |
| Gain on investments | - | 153,412 |
| Gain on exchange | 21,088 | |
| Bank interest income | 79 | 84 |
| | <u>2,421,167</u> | <u>2,553,496</u> |

4. Profit before tax

Profit before tax is arrived at after charging:

| | 2018 | 2017 |
|---|----------------|----------------|
| | HK\$ | HK\$ |
| Auditors' remuneration | 42,000 | 40,000 |
| Depreciation of property, plant and equipment | - | 47 |
| Loss on disposal of investments | 101,531 | - |
| Office rent | <u>259,200</u> | <u>248,760</u> |

5. Directors' remuneration

Director's remuneration disclosed pursuant to section 383(1) of Companies Ordinance (Cap.622) is as follows:

| | 2018 | 2017 |
|------------------|------------------|------------------|
| | HK\$ | HK\$ |
| Fees | - | - |
| Other emoluments | 1,366,925 | 1,295,698 |
| MPF contribution | 18,000 | 18,000 |
| Benefits in kind | 107,584 | 104,132 |
| | <u>1,492,509</u> | <u>1,417,830</u> |

6. Income tax expense

Hong Kong profits tax is provided at 16.5% on estimated assessable profits derived in Hong Kong during the year and after deducting tax reduction.

7. Property, plant and equipment

Office equipment

| | 2018 | 2017 |
|----------------------------------|------------|------------|
| | HK\$ | HK\$ |
| <i>Cost:</i> | | |
| At beginning and end of the year | <u>948</u> | <u>948</u> |
| <i>Accumulated depreciation:</i> | | |
| At beginning of the year | 948 | 901 |
| Charge for the year | - | 47 |
| At end of the year | <u>948</u> | <u>948</u> |
| <i>Net carrying amount:</i> | | |
| At end of the year | <u>-</u> | <u>-</u> |

8. Investments in alternative investment funds

| | 2018 | 2017 |
|------------------------------|------|-----------|
| | HK\$ | HK\$ |
| Alternative investment funds | - | 3,110,078 |

The funds are unlisted and classified as financial assets at fair value through profit or loss. The funds are sold during the year.

9. Financial instruments by category

| | 2018 | 2017 |
|--|-----------|-----------|
| | HK\$ | HK\$ |
| Financial assets at fair value through profit or loss: | | |
| Investments in alternative investment funds | - | 3,110,078 |
| Financial assets at amortized cost: | | |
| Tax repayable | 25,555 | - |
| Cash and cash equivalents | 7,530,793 | 4,391,043 |
| Financial liabilities at amortized cost: | | |
| Tax payable | - | 225,729 |
| Accrued charges | 121,342 | 169,231 |
| | 121,342 | 394,960 |

Cash and cash equivalents comprise bank balances at savings account and current account.

The maturity profile of financial liabilities based on the contracted undiscounted payment, is as follows:

| | 2018 | 2017 |
|-----------------|---------|---------|
| | HK\$ | HK\$ |
| Within 30 days: | | |
| Accrued charges | 121,342 | 169,231 |
| Within one year | | |
| Tax payable | - | 225,729 |

The carrying amounts of financial instruments at amortized cost at the end of the reporting period approximate their fair values.

10. Financial risk management

Financial instruments mainly consist of investments, receivables, cash and bank balances and payables and accruals. The company carries as little risk from financial instruments as practicable. The company are exposed to various financial risks which are discussed below:

(a) Interest rate risk

The company's exposure to interest rate fluctuations is mainly limited to interest receivable on its savings account. Directors consider the company have limited exposure to interest rate risk relating to the savings accounts as the changes in the interest rate of the savings accounts over the period until the end of the next annual reporting period are expected to be minimal. Any fluctuation in the prevailing levels of market interest rates will have an impact on the interest income alone as the company did not borrow any interest bearing loans. The company manage the interest rate risk by monitoring closely the movements in interest rates in order to limit potential adverse impact on interest income.

(b) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The company have designed their credit policies with an objective to minimize their exposure to credit risk. One-time set up fee income and referral income are derived from immediate holding company and a fellow subsidiary respectively, the directors considered that there is no question of credit risk.

Investments in alternative investments fund are held by trustee of funds which is separate from the investment company. The company's surplus cash has been deposited with a reputable and creditworthy bank. Directors consider there is minimal risk associated with the investments and bank balances.

(c) Liquidity risk

Liquidity risk is defined as the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The company manages liquidity risk by maintaining adequate reserves. The company performs periodically cash flow forecasts to monitor future cash flows. The current financial strength of the company poses no threat of liquidity to the company.

(d) Foreign exchange risk

The company are not exposed to any material foreign currency risk as the majority of the transactions, monetary assets and monetary liabilities are denominated in Hong Kong dollars.

(e) Price risk

The investments in alternative investment funds are classified as financial assets at fair value through profit or loss expose the company to price risk. As the company's policy is to invest in such investments only out of its surplus funds, the exposure may not have significant impact on the company's financial position.

| | 2018 | 2017 |
|--|------|-----------|
| | HK\$ | HK\$ |
| Financial assets at fair value through profit or loss: | | |
| Unlisted alternative investment funds | - | 3,110,078 |

Sensitive analysis

The sensitivity analysis has been prepared with the assumption that the change in fund price had occurred at the end of each reporting period and had been applied to the exposure to fund price risk for the relevant financial instruments in existence at that date. The changes in fund price represent management's assessment of a reasonably possible change in fund price at that date over the period until the end of the next reporting period. The funds are sold during the year, no sensitivity analysis is performed for current year.

(f) Fair value measurement

Investments in alternative investment funds are measured at fair value.

Fair value hierarchy

The following table present fair value of the financial instruments measured at the end of the reporting period on a recurring basis, categorized into three-level fair value hierarchy as defined in HKFRS13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:-

- Level 1 valuations: Fair value measured using Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, not using significant unobservable inputs. Unobservable inputs are input for which market data are not available
- Level 3 valuations: Fair value measured using significant unobservable inputs.

Recurring fair value measurement:

| | 2018 | 2017 |
|--|------|-----------|
| | HK\$ | HK\$ |
| Fair value measurements as at 31 March:- | | |
| Level 2 | | |
| Unlisted alternative investment funds | - | 3,110,078 |

During the year, the company had no transfers into or out of Level 2.

The fair values of the financial assets included in Level 2 have been determined in accordance with generally accepted practise of valuing such investments at the Net Asset value (NAV) declared by the administrator of the fund.

| | 2018 | 2017 |
|--|-------------|-----------|
| | HK\$ | HK\$ |
| Financial assets at fair value through profit or loss classified in Level 2: | | |
| Unlisted alternative investment funds | | |
| Net gain/(loss) recognized in profit or loss | (80,632) | 153,412 |
| Balance at beginning of the year | 3,110,078 | - |
| Purchase during the year | - | 2,956,666 |
| Sale during the year | (3,029,446) | - |
| Net gain recognized in profit or loss | (80,632) | 153,412 |
| Balance at end of the year | - | 3,110,078 |

The key inputs used in determining the fair value of the financial assets within Level 2 is the NAV of the units of the fund in which the investments are made.

There are no financial assets that changing one or more of the inputs to reasonably possible alternative assumptions in their fair value measurements would change their fair value significantly.

11. Capital management

The company's objectives when managing capital are:

- (a) to safeguard the company's ability to continue as a going concern to enable its obligations under the Securities and Futures Ordinance and the Companies Ordinance are fulfilled; and
- (b) to provide capital for the purpose of strengthening the company's operational efficiency.

The company regularly reviews and manages its capital to ensure adequacy for both operational and capital needs. The share capital and reserves are increased and maintained to ensure sufficient

financial resources are available to fulfill the Financial Resources Rules and company's working capital requirement.

12. Related party transactions

In addition to the transactions and balances disclosed elsewhere in these financial statements, the company had the following material related party transactions during the year:

| | 2018 | 2017 |
|---|---------------|---------------|
| | HK\$ | HK\$ |
| Referral fee income from a fellow subsidiary | 2,400,000 | 2,400,000 |
| Manpower support fee payable to a fellow subsidiary | <u>39,136</u> | <u>38,996</u> |

The manpower support fee payable to fellow subsidiary is included in accrued charges. All the transactions with related party were negotiated at arm-length basis and in accordance with common commercial terms in the same manner as other external customers.

13. Ultimate holding company and immediate holding company

The directors regard that IIFL Wealth Management Limited and IIFL Holdings Limited which are incorporated in India are the immediate holding company and ultimate holding company of the company respectively.