

OS AA01

Statement of details of parent law and other
information for an overseas company



Companies House

000007/2 8106357120

FRIDAY



☒ **What this form is for**
You may use this form to
accompany your accounts
disclosed under parent law.

☒ **What this form is NOT for**
You cannot use this form to register
an alteration of manner of company
with accounting requirements.

A09 *A9K5HZ1T* 18/12/2020 #239
COMPANIES HOUSE
A12 *A85DUUU9* 13/05/2019 #13
COMPANIES HOUSE

Part 1 Corporate company name

Corporate name of overseas company ① FP MARINE RISKS LIMITED
FC025194
UK establishment number B R 0 0 7 5 7 0

→ **Filling in this form**
Please complete in typescript or in
bold black capitals.
All fields are mandatory unless
specified or indicated by *
① This is the name of the company in
its home state.

Part 2 Statement of details of parent law and other information for an overseas company

A1 Legislation

Please give the legislation under which the accounts have been prepared and,
if applicable, the legislation under which the accounts have been audited.
Legislation ② Hong Kong Companies Ordinance

② This means the relevant rules or
legislation which regulates the
preparation and, if applicable, the
audit of accounts.

A2 Accounting principles

Accounts Have the accounts been prepared in accordance with a set of generally accepted
accounting principles?
Please tick the appropriate box.
☐ **No.** Go to **Section A3.**
☒ **Yes.** Please enter the name of the organisation or other
body which issued those principles below, and then go to **Section A3.**

① Please insert the name of the
appropriate accounting organisation
or body.

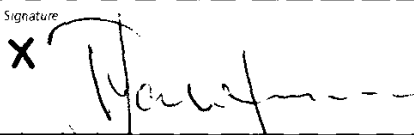
Name of organisation or body ③ Hong Kong Institute of Certified Public Accountants

A3 Accounts

Accounts Have the accounts been audited? Please tick the appropriate box.
☐ **No.** Go to **Section A5.**
☒ **Yes.** Go to **Section A4.**

OS AA01

Statement of details of parent law and other information for an overseas company

A4 Audited accounts		
Audited accounts	Have the accounts been audited in accordance with a set of generally accepted auditing standards? Please tick the appropriate box. <input type="checkbox"/> No. Go to Part 3 'Signature'. <input checked="" type="checkbox"/> Yes. Please enter the name of the organisation or other body which issued those standards below, and then go to Part 3 'Signature'.	① Please insert the name of the appropriate accounting organisation or body.
Name of organisation or body ①	Hong Kong Institute of Certified Public Accountants	
A5 Unaudited accounts		
Unaudited accounts	Is the company required to have its accounts audited? Please tick the appropriate box. <input type="checkbox"/> No. <input type="checkbox"/> Yes.	
Part 3 Signature		
I am signing this form on behalf of the overseas company.		
Signature	<div>Signature</div> <div>X  X</div> <div>This form may be signed by: Director, Secretary, Permanent representative.</div>	

OS AA01

Statement of details of parent law and other information for an overseas company



Presenter information

You do not have to give any contact information, but if you do it will help Companies House if there is a query on the form. The contact information you give will be visible to searchers of the public record.

Contact name

Company name

Address

Post town

County/Region

Postcode

Country

DX

Telephone



Checklist

We may return forms completed incorrectly or with information missing.

Please make sure you have remembered the following:

- ☐ The company name and, if appropriate, the registered number, match the information held on the public Register.
- ☐ You have completed all sections of the form, if appropriate.
- ☐ You have signed the form.



Important information

Please note that all this information will appear on the public record.



Where to send

You may return this form to any Companies House address:

England and Wales:

The Registrar of Companies, Companies House,
Crown Way, Cardiff, Wales, CF14 3UZ.
DX 33050 Cardiff.

Scotland:

The Registrar of Companies, Companies House,
Fourth floor, Edinburgh Quay 2,
139 Fountainbridge, Edinburgh, Scotland, EH3 9FF.
DX ED235 Edinburgh 1
or LP - 4 Edinburgh 2 (Legal Post).

Northern Ireland:

The Registrar of Companies, Companies House,
Second Floor, The Linenhall, 32-38 Linenhall Street,
Belfast, Northern Ireland, BT2 8BG.
DX 481 N.R. Belfast 1.



Further information

For further information, please see the guidance notes on the website at www.companieshouse.gov.uk or email enquiries@companieshouse.gov.uk

This form is available in an alternative format. Please visit the forms page on the website at www.companieshouse.gov.uk

FP MARINE RISKS LIMITED

領航海上保險顧問有限公司

Reports and Financial Statements

For the year ended 30 September 2016



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13/05/2019
COMPANIES HOUSE

#12

FP MARINE RISKS LIMITED

領航海上保險顧問有限公司

REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2016

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FP MARINE RISKS LIMITED

領航海上保險顧問有限公司

REPORT OF THE DIRECTORS

The directors have pleasure in submitting their annual report together with the audited financial statements for the year ended 30 September 2016.

PRINCIPAL PLACE OF BUSINESS

FP Marine Risks Limited (the "Company") is a limited liability company incorporated and domiciled in Hong Kong. The address of its registered office is 27/F, Alexandra House, 18 Chater Road, Central, Hong Kong. Its principal place of business is 26/F, The Centrium, 60 Wyndham Street, Central, Hong Kong.

PRINCIPAL ACTIVITY

The principal activity of the Company is that of an insurance broker.

RESULTS AND APPROPRIATIONS

The loss of the Company for the year ended 30 September 2016 and the financial position of the Company as at that date are set out in the financial statements on pages 6 to 49.

The directors do not recommend any payment of dividend in respect of the year ended 30 September 2016.

SHARE CAPITAL

Details of the share capital of the Company are set out in note 22 to the financial statements. There were no movements during the year.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Company are set out in note 9 to the financial statements.

FP MARINE RISKS LIMITED

領航海上保險顧問有限公司

DIRECTORS

The directors of the Company during the year and up to the date of these financial statements are as follows:

David Howden	(resigned on 5 December 2016)
Tang Siu Hon	
Wang Wei	
Ken Littlejohn	
Andrew Glover	(resigned on 30 December 2016)
Richard Walker*	
Barnaby Rugge-Price	(appointed on 22 December 2016)
Philip Bond	(appointed on 22 December 2016)
Goh Chye Huat	(appointed on 22 December 2016)
Philip Bilney	(resigned on 3 November 2016)

* Chairman of the Company

There being no provision in the Company's articles of association to the contrary, all remaining directors continue in office.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contract of significance to which the Company or any of its holding companies or fellow subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the year was the Company or any of its holding companies or fellow 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.

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.

PERMITTED INDEMNITY PROVISION

At no time during the financial period and up to the date of this directors' report, there was, or is, any permitted indemnity provision being in force for the benefit of any of the directors or any associated company.

FP MARINE RISKS LIMITED

領航海上保險顧問有限公司

AUDITOR

A resolution will be submitted to the annual general meeting to re-appoint the auditor, Messrs. Deloitte Touche Tohmatsu.

On behalf of the Board

A handwritten signature in black ink, consisting of a series of loops and a long horizontal stroke ending in a sharp point.

DIRECTOR

RICHARD WALKER

Hong Kong

27 January 2017

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF FP MARINE RISKS LIMITED

領航海上保險顧問有限公司

(incorporated in Hong Kong with limited liability)

We have audited the financial statements of FP Marine Risks Limited (the "Company") set out on pages 6 to 49, which comprise the statement of financial position as at 30 September 2016 and the statement of profit or loss, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Financial Statements

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

Auditor's Responsibility

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, 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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

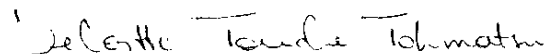
TO THE MEMBERS OF FP MARINE RISKS LIMITED - continued

領航海上保險顧問有限公司

(incorporated in Hong Kong with limited liability)

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 30 September 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 Hong Kong Companies Ordinance.



Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
27 January 2017

FP MARINE RISKS LIMITED

領航海上保險顧問有限公司

STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 30 SEPTEMBER 2016

	<u>NOTES</u>	<u>2016</u> HK\$	<u>2015</u> HK\$
Revenue	5	113,900,861	139,049,199
Direct expenses		(42,358,605)	(46,589,882)
		<u>71,542,256</u>	<u>92,459,317</u>
Other operating income	6	3,333,429	5,916,325
Impairment loss on goodwill	11	(5,594,183)	-
Impairment loss on intangible assets	10	(1,503,071)	(100,000)
Impairment loss on investment in a subsidiary	12	(4,933,352)	-
Administrative expenses		(71,459,559)	(109,267,165)
		<u>(8,614,480)</u>	<u>(10,991,523)</u>
Loss from operations		(8,614,480)	(10,991,523)
Finance costs		(2,193,784)	(1,924,779)
Share of profit of an associate		890,546	510,567
		<u>(9,917,718)</u>	<u>(12,405,735)</u>
Loss before tax	7	(9,917,718)	(12,405,735)
Income tax (expense) credit	8	(723,998)	444,515
		<u>(10,641,716)</u>	<u>(11,961,220)</u>
Loss for the year		<u>(10,641,716)</u>	<u>(11,961,220)</u>

FP MARINE RISKS LIMITED

領航海上保險顧問有限公司

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 SEPTEMBER 2016

	<u>2016</u> HK\$	<u>2015</u> HK\$
Loss for the year	<u>(10,641,716)</u>	<u>(11,961,220)</u>
Other comprehensive income		
<i>Items that will not be reclassified to profit or loss</i>		
Club debentures changes in fair value recognised during the year	<u>(107,000)</u>	<u>68,000</u>
Other comprehensive (expense) income for the year, net of tax	<u>(107,000)</u>	<u>68,000</u>
Total comprehensive expense for the year	<u><u>(10,748,716)</u></u>	<u><u>(11,893,220)</u></u>

FP MARINE RISKS LIMITED

領航海上保險顧問有限公司

STATEMENT OF FINANCIAL POSITION

AT 30 SEPTEMBER 2016

	NOTES	2016 HK\$	2015 HK\$
Non-current assets			
Property, plant and equipment	9	729,621	2,226,292
Intangible assets	10	21,800,892	23,739,529
Goodwill	11	-	5,594,183
Investment in a subsidiary	12	3,290,051	8,223,403
Interest in an associate	13	2,023,346	1,132,800
Other receivables	14	2,854,688	3,878,071
Deferred tax assets	21	211,439	224,052
		<u>30,910,037</u>	<u>45,018,330</u>
Current assets			
Trade and other receivables	14	41,594,848	60,766,380
Amount due from intermediate holding company	15	3,109,997	2,920,225
Amounts due from fellow subsidiaries	15	4,690,593	2,913,875
Cash and bank balances	16	154,178,654	140,684,070
		<u>203,574,092</u>	<u>207,284,550</u>
Current liabilities			
Trade and other payables	17	150,977,618	156,342,815
Bank loans and overdrafts	18	11,495,653	7,256,163
Loans from shareholders of a fellow subsidiary	19	900,000	900,000
Obligations under finance lease	20	-	60,050
Amount due to ultimate holding company	15	32,582,210	37,151,126
Amount due to a fellow subsidiary	15	290,077	-
Amount due to a subsidiary	15	841,530	353,060
Tax liabilities		123,000	158,483
		<u>197,210,088</u>	<u>202,221,697</u>
Net current assets		<u>6,364,004</u>	<u>5,062,853</u>
Total assets less current liabilities		<u>37,274,041</u>	<u>50,081,183</u>
Non-current liabilities			
Other payables	17	7,170,312	6,358,778
Bank loans	18	4,573,520	8,443,480
Loans from shareholders of a fellow subsidiary	19	1,973,768	2,873,768
Amount due to ultimate holding company	15	4,000,000	2,100,000
		<u>17,717,600</u>	<u>19,776,026</u>
Net assets		<u>19,556,441</u>	<u>30,305,157</u>

FP MARINE RISKS LIMITED

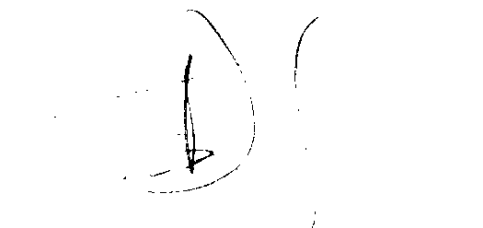
領航海上保險顧問有限公司

	<u>NOTE</u>	<u>2016</u> <u>HK\$</u>	<u>2015</u> <u>HK\$</u>
Capital and reserves			
Share capital	22	2,051,740	2,051,740
Reserves		17,504,701	28,253,417
Total equity		<u>19,556,441</u>	<u>30,305,157</u>

The financial statements on pages 6 to 49 were approved and authorised for issue by the board of directors on 27 January 2017 and are signed on its behalf by:



DIRECTOR
RICHARD WALKER



DIRECTOR
TANG SIU HON

FP MARINE RISKS LIMITED

領航海上保險顧問有限公司

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER 2016

	Share capital HK\$	Fair value reserve of intangible assets HK\$	Retained profits HK\$	Total HK\$
At 1 October 2014	2,051,740	3,586,400	36,560,237	42,198,377
Loss for the year	-	-	(11,961,220)	(11,961,220)
Other comprehensive income for the year	-	68,000	-	68,000
At 30 September 2015	<u>2,051,740</u>	<u>3,654,400</u>	<u>24,599,017</u>	<u>30,305,157</u>
At 1 October 2015	2,051,740	3,654,400	24,599,017	30,305,157
Loss for the year	-	-	(10,641,716)	(10,641,716)
Other comprehensive expense for the year	-	(107,000)	-	(107,000)
At 30 September 2016	<u>2,051,740</u>	<u>3,547,400</u>	<u>13,957,301</u>	<u>19,556,441</u>

FP MARINE RISKS LIMITED

領航海上保險顧問有限公司

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

	<u>NOTE</u>	<u>2016</u> HK\$	<u>2015</u> HK\$
Cash flows from operating activities			
Loss before taxation		(9,917,718)	(12,405,735)
Adjustments for:			
Interest income		(10,723)	(55,304)
Interest expense		2,192,920	1,917,656
Change in deferred consideration		811,532	103,450
Finance lease charges		864	7,123
Depreciation		1,315,835	1,960,559
Amortisation and impairment loss of intangible assets		1,831,637	5,340,737
Impairment loss on goodwill		5,594,183	-
Impairment loss of investment in a subsidiary		4,933,352	-
Bad debt written off other receivables		230,560	-
Allowance for doubtful debts		2,504,255	38,392
Share of profit of an associate		(890,546)	(510,567)
Loss on disposal of property, plant and equipment		326,783	251,848
Operating profit (loss) before working capital changes		8,922,934	(3,351,841)
Decrease (increase) in trade and other receivables		17,460,100	(9,331,303)
(Increase) decrease in cash at banks - client accounts		(7,440,013)	31,035,626
Increase (decrease) in trade and other payables		2,009,745	(29,726,238)
(Decrease) increase in amount due to ultimate holding company		(568,916)	3,645,121
Increase in amount due from intermediate holding company		(189,772)	(290,701)
(Increase) decrease in amounts due from fellow subsidiaries		(1,776,718)	1,572,814
Increase in amount due to a fellow subsidiary		290,077	-
Increase (decrease) in amount due to a subsidiary		488,470	(1,517,231)
Cash generated from (used in) operations		19,195,907	(7,963,753)
Income tax (paid) refund		(746,868)	99,550
Net cash generated from (used in) operating activities		18,449,039	(7,864,203)
Cash flows from investing activities			
Interest received		10,723	55,304
(Purchase) redemption of time deposits with original maturity of more than three months when acquired		(50,461)	134,586
Payment for purchase of property, plant and equipment	9	(189,148)	(925,795)
Proceeds from sale of property, plant and equipment		43,201	325,523
Payment of deferred consideration		(7,500,000)	(7,500,000)
Net cash used in investing activities		(7,685,685)	(7,910,382)

FP MARINE RISKS LIMITED

領航海上保險顧問有限公司

	<u>NOTE</u>	<u>2016</u> HK\$	<u>2015</u> HK\$
Cash flows from financing activities			
Capital element of finance lease rentals paid		(60,050)	(181,978)
Interest element of finance lease rentals paid		(864)	(7,123)
Interest paid		(2,067,860)	(1,917,656)
Proceeds from a new bank loan		5,000,000	-
Repayment of loans from shareholders of a fellow subsidiary		(900,000)	-
(Decrease) increase in amount due to ultimate holding company		(2,100,000)	21,700,000
Repayment of bank loans		(3,519,960)	(4,330,151)
Net cash (used in) from financing activities		<u>(3,648,734)</u>	<u>15,263,092</u>
Net increase (decrease) in cash and cash equivalents		7,114,620	(511,493)
Cash and cash equivalents at 1 October 2015		<u>67,143</u>	<u>578,636</u>
Cash and cash equivalents at 30 September 2016	16	<u><u>7,181,763</u></u>	<u><u>67,143</u></u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2016

1. GENERAL

The Company is a private limited company incorporated in Hong Kong. Its immediate holding company is FP International Holdings Limited, incorporated in the British Virgin Islands and its ultimate holding company is Hyperion Insurance Group Limited, incorporated in England and Wales. The address of its registered office is 27/F, Alexandra House, 18 Chater Road, Hong Kong. Its principal place of business is 26/F, The Centrium, 60 Wyndham Street, Central, Hong Kong. During the period, the principal activity of the Company consisted of insurance broking.

The financial statements are presented in Hong Kong dollars ("HK\$"), which is also the Company's functional currency.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The Company, which is partially owned by its immediate holding company, is exempt from the preparation of consolidated financial statements as Hyperion Insurance Group Limited, the ultimate parent of the Company, produces consolidated financial statements in accordance with International Financial Reporting Standards (which is equivalent to HKFRSs in all material respects) which are available for public use and all members of the Company agree not to present the consolidated financial statements. Accordingly, the results for the year and the assets and liabilities at the end of the year of the subsidiary of the Company have not been consolidated into these financial statements of the Company. Hyperion Insurance Group Limited is incorporated in England and Wales and copies of the financial statements can be obtained from The Group Finance Department, 16 Eastcheap, London, EC3M 1BD.

The measurement basis used in the preparation of the financial statements is the historical cost basis.

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These financial statements 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"), and the requirements of the Hong Kong Companies Ordinance. A summary of the significant accounting policies adopted by the Company is set out below.

Application of new and revised HKFRSs

In the current year, the Company has applied a number of revised HKFRSs and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are mandatorily effective for 2016 financial year end.

The application of the revised HKFRSs and amendments to HKFRSs in the current year has had no material impact on the Company's financial performance and positions for the current and prior years and/or on the disclosures set out in these financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

New and revised HKFRSs in issue but not yet effective

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

Amendments to HKFRSs	Annual improvements to HKFRSs 2012 - 2014 cycle ¹
Amendments to HKAS 1	Disclosure initiative ¹
Amendments to HKAS 7	Disclosure initiative ²
Amendments to HKAS 12	Recognition of deferred tax assets for unrealised losses ²
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation ¹
Amendments to HKAS 27	Equity method in separate financial statements ¹
Amendments to HKFRS 2	Classification and measurement of share-based payment transactions ⁴
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture ³
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: Applying the consolidation exception ¹
Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations ¹
Amendments to HKFRS 15	Clarifications to HKFRS 15 Revenue from contracts with customers ⁴
HKFRS 9	Financial instruments ⁴
HKFRS 15	Revenue from contracts with customers ⁴
HKFRS 16	Leases ⁵

¹ Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

² Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.

³ Effective for annual periods beginning on or after to be determined

⁴ Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

⁵ Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted.

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 when it becomes effective.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

HKFRS 15 Revenue from contracts with customers - continued

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

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

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15. 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 Company's financial statements. The directors of the Company have planned to conduct an impact assessment of the new requirements by the time the financial statements for the year ending 30 September 2017 are published.

HKFRS 16 Leases

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

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

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. Furthermore, the classification of cash flows will also be affected as operating lease payments under HKAS 17 are presented as operating cash flows; whereas under the HKFRS 16 model, the lease payments will be split into a principal and an interest portion which will be presented as financing and operating cash flows respectively.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

HKFRS 16 Leases - continued

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

Furthermore, extensive disclosures are required by HKFRS 16. As at 30 September 2016, the Company has non-cancellable operating lease commitments of HK\$21,160,984. HKAS 17 does not require the recognition of any right-of-use asset or liability for future payments for these leases; instead, certain information is disclosed as operating lease commitments in note 25. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Company will recognise a right-of-use asset and a corresponding liability in respect of all these leases. The new requirement to recognise a right-of-use asset and a related lease liability is expected to have a significant impact on the amounts recognised in the Company's financial statements. The directors are currently assessing its potential impact on the financial statements and the capital requirement set out by the regulators. It is not practicable to provide a reasonable estimate of the financial effect until the directors complete the review.

Except for HKFRS 15 and HKFRS 16, the directors anticipate that the application of the new and revised HKFRSs listed above will have no material impact on the financial statements.

Property, plant and equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the stated carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

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

Leasehold improvements	the lower of 10 years and the remaining term of the lease
Furniture and fixtures	4 years
Computer equipment	4 years
Software licence	4 years
Motor vehicles	4 years

Both the useful life of an asset and its residual value, if any, are reviewed annually.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Intangible assets

Club debentures

Club debentures are initially stated at cost. These are subsequently measured at fair value. The fair value is re-measured at the end of the reporting period with the resultant gain or loss being recognised directly in equity. The revaluation reserve is transferred to retained earnings on disposal of the club debentures.

When there is objective evidence that club debentures are impaired, the cumulative loss that has been recognised directly in equity is removed from equity and is recognised in profit or loss. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost and current fair value.

Other intangible assets (other than goodwill)

Other intangible assets (other than goodwill) that are acquired by the Company are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses.

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

Customer relationships	5 - 10 years
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Both the period and method of amortisation are reviewed annually.

Finance leases

Assets that are held by the Company under leases which transfer to the Company substantially all the risks and rewards of ownership are classified as being held under finance leases.

Where the Company acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments of such assets is included in property, plant and equipment and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost of the assets over the term of the relevant lease or, where it is likely the Company will obtain ownership of the asset, the life of the asset. 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.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Operating leases

Leases which do not transfer substantially all the risks and rewards of ownership to the lessee are classified as operating leases.

Where the Company has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

Subsidiary

An investment in a subsidiary is stated at cost less impairment losses.

Associate

An associate is an entity over which the Company is able to exert significant influence but which is neither a subsidiary nor a joint venture. Interest in an associate is stated in the financial statements using the equity method except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with HKFRS 5.

The results and assets and liabilities of the associate are incorporated in these financial statements using the equity method of accounting. The financial statements of the associate used for equity accounting purposes are prepared using uniform accounting policies as those of the Company for like transactions and events in similar circumstances. Under the equity method, an investment in an associate is initially recognised in the statement of financial position at cost and adjusted thereafter to recognise the Company's share of the profit or loss. When the Company's share of losses of an associate exceeds the Company's interest in that associate the Company discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate.

Goodwill

Goodwill represents the difference between the cost of acquisitions and the fair value of the identifiable assets (including tangible and intangible) and liabilities of the businesses acquired at the dates of the transactions. Goodwill arising on the businesses acquired by the Company represents the economic benefit generated from the synergies of the combination of the employees. Goodwill is initially recognised at cost and is subsequently reviewed for impairment annually. Any impairment is recognised immediately in the profit or loss during the year.

The Company has determined that for the purposes of impairment testing, goodwill is allocated to Company's cash generating unit ("CGU"). The individual CGU has been identified separately on the acquired marine insurance brokers in Australia and in Hong Kong and tested for impairment on an annual basis. Recoverable amount for cash generating unit is mainly based on value in use, which is calculated from cash flow projections from the Company's latest internal forecasts. The key factors in the value in use calculations are discount rates and estimates of future cash flows. If the recoverable amount of the unit is less than the carrying amount of the goodwill, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Deferred consideration

The deferred consideration arising from the acquisition of businesses is recognised as liability and re-measured at subsequent reporting dates in accordance with HKAS 37 "Provision, contingent liabilities and contingent assets", with the corresponding gain or loss being recognised in profit or loss.

Impairment of non-financial assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that property, plant and equipment and intangible assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased. If any such indication exists, the asset's recoverable amount is estimated.

The Company tests goodwill annually to assess if an impairment loss needs to be recognised in profit or loss.

Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs to sell and value in use. In assessing the value in use, the estimated future cash inflows that the assets generates are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. When an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the period in which the reversals are recognised.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the financial instrument. Financial assets are derecognised when the contractual rights to the cash flows from the financial assets expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Financial assets and financial liabilities are measured initially at fair value plus transaction costs, except for financial assets and financial liabilities carried at fair value through profit or loss, which are measured initially at fair value. Financial assets and liabilities are measured subsequently as described below.

Financial assets

For the purpose of subsequent measurement, the Company's financial assets are classified as loans and receivables.

The category determines subsequent measurement and whether any resulting income and expense is recognised in profit or loss or in other comprehensive income.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Company's cash and bank balances, trade and other receivables, amount due from intermediate holding company and amounts due from fellow subsidiaries fall into this category of financial instruments.

Impairment of financial assets

All financial assets are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired.

Individual receivables are considered for impairment when they are past the due date of payment or when other objective evidence is identified that a specific counterparty will default. Impairment of trade receivables is presented within administrative expenses.

On the other hand, the trade receivables are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of collective impairment for a group of receivables includes the Company's past experience of collecting those delinquent payments.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - continued

Financial liabilities and equity instruments

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

Financial liabilities

The Company's financial liabilities include trade and other payables, bank loans and overdrafts, loans from shareholders of a fellow subsidiary, obligations under finance leases, amount due to ultimate holding company, amount due to a fellow subsidiary, and amount due to a subsidiary. These are initially measured at fair value and subsequently measured at amortised cost using effective interest method. Discounting is omitted where the effect of discounting is immaterial.

Equity instruments

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

Insurance intermediary assets and liabilities

The Company acts as an agent in placing the insurable risks of their clients with insurers and, as such, generally is not liable as a principal for amounts arising from such transactions. Other than the receivable for fees and commissions earned on the transaction which is recognised within trade receivables, no recognition of the insurance transaction occurs until the Company receives cash in respect of premiums or claims, at which time the amount is recognised in cash at banks - client accounts and a corresponding deposit liability is established in favour of the insurer or the policyholder and recognised on the statement of financial position as a financial liability under the trade payables line item. Fiduciary cash arising from insurance broking deposits is settled over a short term and does not yield an interest for the insurer or the policyholders. Discounting is omitted given the effect of discounting is immaterial. The Company is entitled to retain the interest income on any cash balances arising from these transactions.

Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances (excluding client accounts) that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are also included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Company and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

Commission/brokerage income

Commission/brokerage income received or receivable is recognised as revenue when the Company has completed its intermediation service and there is no obligation to render further services. This time is usually the effective commencement or renewal dates of the related insurance policies.

Interest income

Interest income is recognised as it accrues on the associated financial assets using the effective interest method.

Employee benefits

- (i) Salaries, annual bonuses, paid annual leave, leave passage, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the period in which the associated services are rendered by employees.
- (ii) Contributions to Mandatory Provident Funds and Defined Contribution Plan, as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance and Hong Kong Occupational Retirement Schemes Ordinance, are recognised as an expense in profit or loss as incurred.

Share-based payments

The Company operates a number of share-based compensation schemes for the employees and directors to provide them with the benefits of share ownership in its immediate holding company (see notes 23 and 24).

The cost of employee services received in exchange for the grant of rights under this scheme is measured at the fair value set out in the scheme arrangement and is charged against profit or loss over the vesting period. Until the liabilities are settled, the Company re-measures the fair value of these liabilities at the end of the reporting period with changes in fair value recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Income tax

Income tax expense for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

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

Translation of foreign currencies

Foreign currency transactions during the period are translated into Hong Kong dollars at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into Hong Kong dollars at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated into Hong Kong dollars using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Provisions

Provisions are recognised when the Company has a present obligation as a result of a past event, it is probable that the Company will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

4. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCE OF ESTIMATION
UNCERTAINTY

In the application of the Company's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Functional currency of the Company's foreign operations

The Company operates branch offices in Australia and maintains a representative office in Beijing. The activities of these foreign operations are carried out as an extension of the Company and they are fully controlled and monitored by the management of the Company. In addition, these foreign operations primarily rely on the funding from the Company to support their ordinary business operation. The directors of the Company consider that the functional currency of these foreign operations is the same as that of the Company, which they have determined to be the Hong Kong dollar.

4. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCE OF ESTIMATION
UNCERTAINTY - continued

Identification of an unincorporated business and performance-based compensation to members of that business

In 2012, the Company began the acquisition of a team of marine insurance brokers in Australia for an initial consideration of HK\$2,422,742. A separately identifiable asset of customer relationships with a fair value of HK\$1,166,819 was recognised on the date of acquisition. The goodwill arising from this transaction is HK\$1,255,923 (see Note 11), which is mainly attributable to the skills, experience and relationships of the employees. In making their judgement, the directors of the Company had identified the inputs such as organised workforce with necessary skills and experience and processes applied to those inputs that have the ability to creating outputs to ensure the fulfilment of the business.

In August 2013, as part of the acquisition process that started in 2012, the Company formalised a shareholders' agreement, whereby the employee-shareholder will be paid a sum based on a pre-agreed formula in 2018 which is dependent on performance of the subsidiary of the Company. The directors have judged that this fact indicates that the August 2013 agreement is additional consideration of HK\$5,975,253 for the acquisition of the business. Such amount is included in deferred consideration in note 17.

Key sources of estimation uncertainty

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

Estimated impairment on goodwill and intangible asset of customer relationships arising from the acquisition of a Hong Kong brokerage business

The Company tests annually whether the goodwill and intangible asset suffered any impairment.

The recoverable amount of this CGU identified for the acquired Hong Kong brokerage business is based on discounted cash flow analysis. The key assumptions include the revenue growth rate, discount rates, operating margin and future cash flows. Where the actual revenue growth rate is less than expected, a material impairment loss may arise.

If the recoverable amount of this CGU is less than the carrying amount of the goodwill and intangible asset, the impairment loss is allocated to reduce first the carrying amount of goodwill and then the carrying amount of intangible asset. The impairment loss is charged to profit or loss during the period. If the indicator of impairment previously recognised no longer exists, the impairment loss would be reversed accordingly for intangible asset other than goodwill. Details of the impairment on goodwill and intangible asset arising from the acquisition of the Hong Kong brokerage business are set out in notes 10 and 11 to the financial statements.

4. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCE OF ESTIMATION
UNCERTAINTY - continued

Key sources of estimation uncertainty - continued

Estimated impairment on investment in a subsidiary arising from the acquisition of marine insurance brokers in Australia

The Company tests annually whether the investment in the subsidiary suffered any impairment.

The recoverable amount of this CGU identified for the acquired marine insurance business in Australia is based on discounted cash flow analysis. The key assumptions include the revenue growth rate, discount rates, operating margin and future cash flows. Where the actual growth rate is less than expected, a material impairment loss may arise.

If the recoverable amount of this unit is less than the carrying amount of investment in the subsidiary, the impairment loss is charged to profit or loss during the period. If the indicator of impairment previously recognised no longer exists, the impairment loss would be reversed accordingly. Details of the impairment on investment in the subsidiary are set out in note 12 to the financial statements.

Deferred consideration

The value of deferred consideration payable is contingent upon the results of the acquired businesses and any other specified performance criteria set out in the applicable sale and purchase/shareholders agreements. Budgets and projections for acquired businesses for relevant periods are reviewed each financial year at the end of each reporting period. Details of the deferred consideration payable are set out in notes 11 and 17 to the financial statements.

Impairment of commission receivables

The individual impairment loss is made when the receivables are past the due date of payment or when other objective evidence is identified that a specific counterparty will default. When the estimated future cash flows to be collected from the individual counterparty are less than its carrying amount, impairment loss is charged to profit or loss during the period. On the other hand, the commission receivables are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of collective impairment for a group of receivables includes the Company's past experience of collecting those delinquent payments. The Company has provided for collective impairment at 25% and 75% of the gross carrying amount of its third party commission receivables overdue for 2-3 years and more than 3 years respectively in accordance with its historical loss experience adjusted in response to the current economic environment. Details of the impairment on commission receivables are set out in note 14 to the financial statements.

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5. REVENUE

The principal activity of the Company is that of an insurance broker. Revenue represents brokerage commissions earned and service fees from the provision of insurance system services.

	<u>2016</u> HK\$	<u>2015</u> HK\$
Commission income	113,269,378	137,271,924
System fees	631,483	1,777,275
	<u>113,900,861</u>	<u>139,049,199</u>

Commission income arises from placement of the insurance risks of the Company's clients with the insurance companies that have appointed the Company as their insurance broker. System fees represent the support service rendered by the Company for the insurance system used by its clients to prepare insurance documents.

6. OTHER OPERATING INCOME

	<u>2016</u> HK\$	<u>2015</u> HK\$
Interest income	10,723	55,304
Intercompany rechargeable income	2,540,045	5,246,734
Other income	782,661	614,287
	<u>3,333,429</u>	<u>5,916,325</u>

The intercompany rechargeable income represents the reimbursement of administrative expenses incurred for the Australian business operation of the subsidiary.

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7. LOSS BEFORE TAX

	<u>2016</u> HK\$	<u>2015</u> HK\$
Loss before taxation is arrived at after charging:		
Finance costs		
Interest on the deferred consideration	125,060	389,722
Interest on bank loans, overdrafts and loans from shareholders of a fellow subsidiary	536,784	610,882
Interest on loan from ultimate holding company	1,489,282	899,420
Interest on premium funding	41,794	17,632
Finance charges on obligations under a finance lease	864	7,123
	<u>35,624,835</u>	<u>42,900,450</u>
Staff costs		
Salaries, wages and other benefits	34,824,853	42,432,609
Contributions to defined contribution retirement plan	799,982	467,841
	<u>35,624,835</u>	<u>42,900,450</u>
Other items		
Loss on disposal of property, plant and equipment	326,783	251,848
Auditor's remuneration	727,738	1,320,791
Directors' remuneration		
Fee	-	-
Other emoluments	10,047,893	17,165,320
Allowance for doubtful debts	2,504,255	38,392
Bad debt written off for other receivables	230,560	-
Amortisation and impairment loss of intangible assets	1,831,637	5,340,737
Impairment loss on goodwill	5,594,183	-
Impairment loss of investment in a subsidiary	4,933,352	-
Depreciation	1,315,835	1,960,559
Net foreign exchange (gain) loss	(553,291)	3,800,274
Operating lease charges in respect of office premises	9,456,656	12,585,518
Operating lease charges in respect of staff quarters	1,692,742	2,104,818

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8. INCOME TAX EXPENSE (CREDIT)

	<u>2016</u> HK\$	<u>2015</u> HK\$
Current tax - Overseas		
Provision for the year	584,051	335,630
Under (over) provision in prior year	127,334	(897,775)
Deferred tax (note 21)		
Origination and reversal of temporary differences	<u>12,613</u>	<u>117,630</u>
Total income tax expense (credit)	<u>723,998</u>	<u>(444,515)</u>

No provision for Hong Kong Profits Tax has been made in these financial statements as the assessable profit for the year has been set off against the tax losses brought forward.

Taxation for overseas branches is charged at the appropriate current rates of taxation ruling in the relevant jurisdictions.

Reconciliation between income tax credit and accounting loss at applicable tax rates:

	<u>2016</u> HK\$	<u>2015</u> HK\$
Loss before taxation	<u>(9,917,718)</u>	<u>(12,405,735)</u>
Notional tax on loss before taxation, calculated at the rates applicable to profits in the countries concerned	(1,039,760)	(1,593,685)
Tax effect of non-deductible expenses	2,887,770	1,912,382
Tax effect of non-taxable income	(206,747)	(84,244)
Under (over) provision in prior year	127,334	(897,775)
Tax effect of tax losses not recognised	-	218,807
Utilisation of tax losses not previously recognised	<u>(1,044,599)</u>	<u>-</u>
Income tax expense (credit)	<u>723,998</u>	<u>(444,515)</u>

As at 30 September 2016, the Company has tax losses of approximately HK\$4.4 million (2015: HK\$9.7 million) available for offset against future profits. No deferred tax asset has been recognised in respect of these tax losses due to the unpredictability of future taxable profit streams. The losses may be carried forward indefinitely.

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9. PROPERTY, PLANT AND EQUIPMENT

	<u>Leasehold improvements</u> HK\$	<u>Furniture and fixtures</u> HK\$	<u>Computer equipment</u> HK\$	<u>Software licence</u> HK\$	<u>Motor vehicles</u> HK\$	<u>Total</u> HK\$
COST						
At 1 October 2015	7,144,218	2,268,013	5,179,505	387,545	830,504	15,809,785
Additions	112,020	5,500	71,628	-	-	189,148
Disposals	(2,010,813)	(271,029)	(36,666)	-	(446,747)	(2,765,255)
At 30 September 2016	<u>5,245,425</u>	<u>2,002,484</u>	<u>5,214,467</u>	<u>387,545</u>	<u>383,757</u>	<u>13,233,678</u>
ACCUMULATED DEPRECIATION						
At 1 October 2015	6,157,885	2,003,212	4,301,599	387,545	733,252	13,583,493
Charge for the year	698,985	166,165	353,433	-	97,252	1,315,835
Written off on disposals	(1,669,711)	(245,964)	(32,849)	-	(446,747)	(2,395,271)
At 30 September 2016	<u>5,187,159</u>	<u>1,923,413</u>	<u>4,622,183</u>	<u>387,545</u>	<u>383,757</u>	<u>12,504,057</u>
NET BOOK VALUE						
At 30 September 2016	<u>58,266</u>	<u>79,071</u>	<u>592,284</u>	<u>-</u>	<u>-</u>	<u>729,621</u>

	<u>Leasehold improvements</u> HK\$	<u>Furniture and fixtures</u> HK\$	<u>Computer equipment</u> HK\$	<u>Software licence</u> HK\$	<u>Motor vehicles</u> HK\$	<u>Total</u> HK\$
COST						
At 1 October 2014	7,948,254	4,003,753	5,413,520	387,545	830,504	18,583,576
Additions	177,500	18,000	730,295	-	-	925,795
Disposals	(981,536)	(1,753,740)	(964,310)	-	-	(3,699,586)
At 30 September 2015	<u>7,144,218</u>	<u>2,268,013</u>	<u>5,179,505</u>	<u>387,545</u>	<u>830,504</u>	<u>15,809,785</u>
ACCUMULATED DEPRECIATION						
At 1 October 2014	6,085,257	3,172,983	4,581,812	379,471	525,626	14,745,149
Charge for the year	786,423	416,159	542,277	8,074	207,626	1,960,559
Written off on disposals	(713,795)	(1,585,930)	(822,490)	-	-	(3,122,215)
At 30 September 2015	<u>6,157,885</u>	<u>2,003,212</u>	<u>4,301,599</u>	<u>387,545</u>	<u>733,252</u>	<u>13,583,493</u>
NET BOOK VALUE						
At 30 September 2015	<u>986,333</u>	<u>264,801</u>	<u>877,906</u>	<u>-</u>	<u>97,252</u>	<u>2,226,292</u>

As the end of the reporting period, the net book value of motor vehicles held under finance leases was HK\$nil (2015: HK\$97,252).

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10. INTANGIBLE ASSETS

	<u>Club debentures HK\$</u>	<u>Customer relationships HK\$</u>	<u>Total HK\$</u>
COST			
At 1 October 2015 and 30 September 2016	<u>2,114,000</u>	<u>27,846,498</u>	<u>29,960,498</u>
ACCUMULATED AMORTISATION AND FAIR VALUE MOVEMENT			
At 1 October 2015	2,954,400	(9,175,369)	(6,220,969)
Loss on revaluation	(107,000)	-	(107,000)
Amortisation charge for the year	-	(328,566)	(328,566)
Impairment loss (note 11)	(67,500)	(1,435,571)	(1,503,071)
At 30 September 2016	<u>2,779,900</u>	<u>(10,939,506)</u>	<u>(8,159,606)</u>
NET BOOK VALUE			
At 30 September 2016	<u>4,893,900</u>	<u>16,906,992</u>	<u>21,800,892</u>
	<u>Club debentures HK\$</u>	<u>Customer relationships HK\$</u>	<u>Total HK\$</u>
COST			
At 1 October 2014 and 30 September 2015	<u>2,114,000</u>	<u>27,846,498</u>	<u>29,960,498</u>
ACCUMULATED AMORTISATION AND FAIR VALUE MOVEMENT			
At 1 October 2014	2,986,400	(3,934,632)	(948,232)
Surplus on revaluation	68,000	-	68,000
Amortisation charge for the year	-	(5,240,737)	(5,240,737)
Impairment loss	(100,000)	-	(100,000)
At 30 September 2015	<u>2,954,400</u>	<u>(9,175,369)</u>	<u>(6,220,969)</u>
NET BOOK VALUE			
At 30 September 2015	<u>5,068,400</u>	<u>18,671,129</u>	<u>23,739,529</u>

As at 30 September 2016, the cost of customer relationships included the amount of HK\$24,560,834 arising from the acquisition of a Hong Kong brokerage business on 1 August 2014 as set out in note 11 and amount of HK\$3,285,664 arising from the acquisition of another insurance brokerage business in 2011.

11. GOODWILL

	<u>HK\$</u>
COST	
At 1 October 2014, 30 September, 2015 and 30 September 2016	<u>5,594,183</u>
IMPAIRMENT	
At 1 October 2014, 30 September 2015	-
Impairment loss	(5,594,183)
At 30 September 2016	<u>(5,594,183)</u>
NET BOOK VALUE	
At 30 September 2016	-
At 30 September 2015	<u>5,594,183</u>

11. GOODWILL - continued

In 2012, the Company began the acquisition of a team of marine insurance brokers in Australia for an initial consideration of HK\$2,422,742. A separately identifiable asset of customer relationships with a fair value of HK\$1,166,819 was recognised on the date of acquisition (see Note 10). The goodwill arising from this transaction is HK\$1,255,923, which is mainly attributable to the skills, experience and relationships of the employees. In making their judgement, the directors of the Company had identified the inputs such as organised workforce with necessary skills and experience and processes applied to those inputs that have the ability to creating outputs to ensure the fulfilment of the business.

As an extension of the marine broking business acquisition project in Australia in prior year, a deferred consideration agreement was entered into on 6 August 2013, followed by a subscription and shareholders' agreement on 18 August 2014, which resulted in the business being transferred to a new subsidiary of the Company established in Australia. This subsidiary is the business platform for integrating the acquired customer relations and the processes and system introduced by the acquired workforce. The agreed consideration entered in 2013 was restructured into a purchase agreement for the Company to purchase the 40% minority interest in the subsidiary in 5 years' time at a consideration based on the financial performance of the subsidiary during the period. The fair value of the deferred consideration gave rise to a goodwill of HK\$5,975,253. The deferred consideration in relation to acquisition of the Australian business as at 30 September 2016 was HK\$7,170,312 (2015: HK\$5,975,253) based on management best estimation.

Both the goodwill of HK\$7,231,176 and the customer relationship of HK\$991,796 (net of accumulated amortisation of HK\$175,023) were deemed to be transferred to the new subsidiary as contribution-in-kind (see Note 12).

On 1 April 2014, the Company acquired 100% of all policies with customers and existing employees from a Hong Kong brokerage business for consideration of HK\$30,155,017, including deferred payment of HK\$15,155,017. The goodwill arising from this transaction is HK\$5,594,183, which is mainly attributable to the skills and experience of the employees. An intangible asset of customer relationships of HK\$24,560,834 was recognised on the date of acquisition during the period. During the year, the Company paid HK\$7,500,000 to partially settle the deferred payment (2015: HK\$7,500,000). The deferred consideration in relation to the acquisition of this Hong Kong brokerage business as at 30 September 2016 was HK\$nil (2015: HK\$7,758,467).

During the year ended 30 September 2016, the Company recognised an impairment loss on customer relationships and goodwill arising from the acquisition of the Hong Kong brokerage business of HK\$1,435,571 (2015: Nil) and HK\$5,594,183 (2015: Nil) respectively. The recoverable amount of this business has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering remaining period of the amortisation years of 10 years from acquisition, with EBITDA margin and discount rate as determined by the management of the Company. The cash flows beyond the 1-year period are extrapolated using a steady 5% growth rate, which is based on historical experience and market intelligence. Operating margin is based on historical experience and known cost optimisation initiatives.

The above assumptions have been reviewed by the management who exercised the rigorous consideration to adopt the above assumptions and agreed with the Hyperion group.

12. INVESTMENT IN A SUBSIDIARY

	2016 HK\$	2015 HK\$
Unlisted shares, at cost	431	431
Contribution in-kind	8,222,972	8,222,972
Less: impairment loss	(4,933,352)	-
	<u>3,290,051</u>	<u>8,223,403</u>

The marine broking business acquisition project in Australia that secured the organised workforce and customer relationships during prior year was completed on 6 August 2013 with the agreement to compensate the workforce with a deferred payment of consideration that will vest on 1 April 2018. The fair value of this additional consideration gave rise to additional goodwill on the Australian business of HK\$5,975,253.

As noted in note 11, subsequent to the completion of the acquisition of the Australian business, a subscription and shareholders' agreement was entered into on 18 August 2014, whereby the business was transferred from the Company to a new subsidiary which has now employed the workforce and will benefit from the customer relationships acquired. The new subsidiary in Australia operates as the business platform for integrating the acquired customer relationships and the process and system introduced by the acquired workforce.

The assets transferred to the new subsidiary represent goodwill of HK\$7,231,176 and customer relationships of HK\$991,796 (net of accumulated amortisation of HK\$175,023).

During the year ended 30 September 2016, the Company recognised an impairment loss of HK\$4,933,352 (2015: Nil) on the investment in subsidiary. The recoverable amount of this business has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering remaining period of the amortisation years of 10 years from acquisition, with EBITDA margin and discount rate as determined by the management of the Company. The cash flows beyond the 1-year period are extrapolated using a steady 5% growth rate, which is based on historical experience and market intelligence. Operating margin is based on historical experience and known cost optimisation initiatives.

The above assumptions have been reviewed by the management who exercised the rigorous consideration to adopt the above assumptions and agreed with the Hyperion group.

The particulars of the subsidiary are as follows:

Name of subsidiary	Place of incorporation	Particulars of issued/ registered share capital	Proportion of nominal value of issued/ registered capital directly held by the Company		Proportion of voting power held by the Company		Principal activity
			2016	2015	2016	2015	
FP Marine Australia Pty Ltd.	Australia	60%	60%	60%	60%	60%	Insurance broker

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13. INTEREST IN AN ASSOCIATE

	<u>2016</u> HK\$	<u>2015</u> HK\$
Unlisted shares, at cost	504,235	504,235
Share of post-acquisition profits and other comprehensive income	1,519,111	628,565
	<u>2,023,346</u>	<u>1,132,800</u>

The particulars of the associate are as follows:

<u>Name of associate</u>	<u>Place of incorporation</u>	<u>Particulars of issued/registered share capital</u>	<u>Proportion of nominal value of issued/registered capital directly held by the Company</u>		<u>Proportion of voting power held by the Company</u>		<u>Principal activity</u>
			<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	
HY Insurance Broker Broking Limited	People's Republic of China	24%	24%	24%	33%	33%	Insurance broker

14. TRADE AND OTHER RECEIVABLES

	<u>2016</u> HK\$	<u>2015</u> HK\$
Commission receivables	38,581,451	54,848,368
Less: allowance for impaired debts	(4,745,353)	(2,241,098)
	<u>33,836,098</u>	<u>52,607,270</u>
Deposits, prepayments and other receivables	10,613,438	12,037,181
	<u>44,449,536</u>	<u>64,644,451</u>
Current	41,594,848	60,766,380
Non-current	2,854,688	3,878,071
	<u>44,449,536</u>	<u>64,644,451</u>

14. TRADE AND OTHER RECEIVABLES - continued

Impairment of insurance broking receivables

Impairment losses in respect of insurance broking receivables are recorded using an allowance account unless the Company is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade debtors directly.

The movement in the allowance for impaired debts during the year is as follows:

	<u>Collective impairment</u> HK\$	<u>Individual impairment</u> HK\$	<u>Total</u> HK\$
At 1 October 2014	-	2,202,706	2,202,706
Increase during the year	-	38,392	38,392
At 30 September 2015		2,241,098	2,241,098
Increase during the year	643,119	1,861,136	2,504,255
At 30 September 2016	643,119	4,102,234	4,745,353

At end of the reporting period, the Company's commission receivables of HK\$4,102,234 (2015: HK\$2,241,098) were individually determined to be impaired. The individually impaired receivables related to brokerage commission and management assessed that the receivables are not expected to be recovered. In addition, the Company has recognised a collective impairment allowance of HK\$643,119 (2015: Nil), comprising 25% (2015: Nil) against the remaining commission receivables outstanding for 2-3 years and 75% (2015: Nil) against the remaining commission receivables outstanding for more than 3 years. Consequently, impairment allowances for impaired debts of HK\$2,504,255 (2015: HK\$38,392) were recognised during the year.

Insurance broking receivables net of allowance for impaired debts

The aging analysis of commission receivables before allowance for impaired debts is as follows:

	<u>2016</u> HK\$	<u>2015</u> HK\$
Neither past due nor impaired	13,315,433	19,384,054
Within six months past due	13,504,060	23,531,539
Six months to one year	3,343,815	5,280,929
One year to two years	3,328,562	2,034,249
Two years to three years	932,621	907,930
More than three years	4,156,960	3,709,667
	<u>38,581,451</u>	<u>54,848,368</u>

Receivables that were neither past due nor impaired relate to a wide range of counterparties for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of counterparties that have a good track record with the Company.

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15. AMOUNTS DUE FROM/TO ULTIMATE HOLDING COMPANY/INTERMEDIATE HOLDING COMPANY/FELLOW SUBSIDIARIES/SUBSIDIARY

The amount due to ultimate holding company is unsecured and includes HK\$2,100,000 (2015: HK\$4,200,000) which is repayable from October 2016 to March 2017 (2015: repayable from April 2015 to March 2017) and carries interest at the rate of HIBOR + 3% per annum, HK\$4,000,000 (2015: Nil) which is repayable from April 2018 and carries interest at the rate of HIBOR +3% per annum, and HK\$26,191,780 (2015: HK\$27,490,642), which is repayable on demand and carries interest at the rate of 5% per annum. The remaining balance with ultimate holding company is unsecured, interest free and repayable on demand.

The other balances with intermediate holding company/fellow subsidiaries/subsidiary are unsecured, interest free and repayable on demand.

16. CASH AND BANK BALANCES

	<u>2016</u> HK\$	<u>2015</u> HK\$
Cash at banks		
- General accounts	9,491,210	3,517,035
- Client accounts	143,768,289	136,328,276
- Fixed time deposits with original maturity within three months when acquired	310,400	281,574
Cash in hand	5,846	4,737
Cash and cash equivalents	153,575,745	140,131,622
Fixed time deposits with original maturity more than three months when acquired	602,909	552,448
Cash and bank balances	<u>154,178,654</u>	<u>140,684,070</u>
Cash and cash equivalents in the statement of cash flows including bank overdrafts HK\$2,625,693 (2015: HK\$3,736,203) (note 18) and excluding client accounts	<u>7,181,763</u>	<u>67,143</u>

Cash at banks earns interest at floating rates based on daily bank deposit rates.

17. TRADE AND OTHER PAYABLES

	<u>2016</u> HK\$	<u>2015</u> HK\$
Insurance broking payables - premiums and claims	143,476,841	136,268,874
Accruals and other payables	7,500,777	12,698,999
Deferred consideration (note 11)	7,170,312	13,733,720
	<u>158,147,930</u>	<u>162,701,593</u>

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17. TRADE AND OTHER PAYABLES - continued

	<u>2016</u> HK\$	<u>2015</u> HK\$
Current	150,977,618	156,342,815
Non-current	7,170,312	6,358,778
	<u>158,147,930</u>	<u>162,701,593</u>

18. BANK LOANS AND OVERDRAFTS

At the end of the reporting period, the bank loans and overdrafts were as follows:

	<u>2016</u> HK\$	<u>2015</u> HK\$
Unsecured bank overdrafts	2,625,693	3,736,203
Unsecured bank loans	13,443,480	11,963,440
Total bank loans and overdrafts	<u>16,069,173</u>	<u>15,699,643</u>
Repayable within 1 year or on demand	11,495,653	7,256,163
Repayable after 1 year but within 5 years	4,573,520	8,443,480
	<u>16,069,173</u>	<u>15,699,643</u>

The interest rates of banks loans and overdrafts range from 3.03% to 5.0% per annum (2015: 3.03% to 5.0%).

19. LOANS FROM SHAREHOLDERS OF A FELLOW SUBSIDIARY

The loans from shareholders of a fellow subsidiary include HK\$900,000 (2015: HK\$1,800,000) which carries interest at the rate of HIBOR +3% per annum and HK\$1,973,768 (2015: HK\$1,973,768) which is interest free.

	<u>2016</u> HK\$	<u>2015</u> HK\$
Current	900,000	900,000
Non-current	1,973,768	2,873,768
	<u>2,873,768</u>	<u>3,773,768</u>

20. OBLIGATIONS UNDER FINANCE LEASE

At the end of the reporting period, the Company had obligations under finance lease repayable as follows:

	<u>2016</u>		<u>2015</u>	
	Present value of the minimum lease payments HK\$	Total minimum lease payments HK\$	Present value of the minimum lease payments HK\$	Total minimum lease payments HK\$
Within 1 year	-	-	60,050	60,914
After 1 year but within 5 years	-	-	-	-
	<u>-</u>	<u>-</u>	<u>60,050</u>	<u>-</u>
Less: total future interest expenses		-		(864)
Present value of lease obligations		<u>-</u>		<u>60,050</u>
			<u>2016</u> HK\$	<u>2015</u> HK\$
Current			-	60,050
Non-current			-	-
			<u>-</u>	<u>60,050</u>

21. DEFERRED TAXATION

The components of deferred tax assets (liabilities) recognised at the end of the reporting period and the movements during the year on the statement of financial position are as follows:

	Share-based payments HK\$	Depreciation allowances in excess of the related depreciation HK\$	Undistributed profits of an associate HK\$	Total HK\$
At 1 April 2014	107,239	234,608	(165)	341,682
Charged to profit or loss	(107,239)	40,666	(51,057)	(117,630)
At 30 September 2015	-	275,274	(51,222)	224,052
Charged to profit or loss	-	67,365	(79,978)	(12,613)
At 30 September 2016	<u>-</u>	<u>342,639</u>	<u>(131,200)</u>	<u>211,439</u>

22. SHARE CAPITAL

	<u>Number of shares</u>	<u>Amount HK\$</u>
At 1 October 2014, 30 September 2015 and 30 September 2016		
Ordinary shares with no par value	<u>879,434</u>	<u>2,051,740</u>

23. EQUITY PARTICIPATION PROGRAMME

The Equity Participation Programme ("EPP") is designed to retain and motivate employees within the Company by issuing the shares of FP International Holdings Limited ("FPIH"), its immediate holding company, to the employees. The EPP works in a very similar manner to the previous Incentive Share Award Program ("ISAP") of the Company with the issue price being valued by an agreed formula based on the financial performance for the preceding financial year. The redemption value is calculated based on the formula defined in the EPP program. However, these shares of FPIH vest one year after the issue date and the staff have the right to demand the Company to redeem their shares issued at any time.

The outstanding redeemable shares issued under the EPP at the end of the reporting period represent a liability to the Company. The fair value of this liability is based on the calculation set out in the EPP agreement which the directors believe is a reasonable assessment of the fair value of the shares. Movements in the fair value of the liability are recognised in profit or loss in the year in which these arise.

Movements in shares granted under the EPP are as follows:

	<u>2016</u>	<u>Weighted average grant date fair value HK\$</u>	<u>2015</u>	<u>Weighted average grant date fair value HK\$</u>
	<u>Number of shares</u>		<u>Number of shares</u>	
Unvested at the beginning of the year	2,055	218	5,849	227
Shares awarded during the year	-	-	-	-
Vested during the year	(1,762)	221	(2,691)	216
Forfeited during the year	(100)	179	(1,103)	220
Unvested at the end of the year	<u>193</u>	<u>240</u>	<u>2,055</u>	<u>218</u>

The Company recognised income of HK\$126,634 (2015: HK\$65,938) for the year in respect of redeemable shares issued under the EPP. The Company also recognised a financial liability in respect of the EPP of HK\$Nil at the end of the reporting period (2015: HK\$12,251).

24. SHARE OPTION PLAN

FPIH has granted share options on 1 November 2008, 1 January 2010, 1 January 2013 and 1 January 2013 whereby the directors of FPIH are authorised, at their discretion, to invite employees of FPIH and its related companies, including directors of any related companies, to take up options at nil consideration to subscribe for redeemable shares of FPIH. The options vest after 3 years from the date of grant and are then exercisable within a period of 7 years.

Where it is not possible to estimate reliably the grant date fair value of the share options granted, the share options are measured at their intrinsic values, initially at the date the employees render their service and subsequently at end of the reporting period until the final settlement of the share-based payment arrangement, with the effect of the remeasurement recognised in profit or loss. Intrinsic value represents the difference between the exercise price of the share options granted and the fair value of redeemable shares measured at end of the reporting period based on a formula set out in the share option agreements which the directors believe is a reasonable assessment of the fair value of the shares. For each grant of share options, the share-based payment arrangement is finally settled when the options are exercised, forfeited or lapsed.

The Company accounts for those services as they are rendered by employees during the vesting period, with a corresponding increase in liability. The amount recognised for services received during the vesting period is based on the number of share options expected to vest. The Company revises this estimate, if necessary, if subsequent information indicates that the number of share options expected to vest differs from previous estimates.

On the vesting date, the Company revises the estimate to equal the number of share options that ultimately vested. After vesting date, the Company reverses the amount recognised for services received if the share options are later forfeited or lapse at the end of the share option's life.

(a) The terms and conditions of the grants are as follows:

	<u>Number of instruments</u>	<u>Vesting conditions</u>	<u>Contractual life of options</u>
Options granted to directors:			
On 1 November 2008	8,000	3 years from the date of grant	7 years
On 1 January 2010	23,500	3 years from the date of grant	7 years
On 1 January 2013	20,000	3 years from the date of grant	7 years
On 1 January 2013	1,000	3 years from the date of grant	7 years
Total share options granted	<u>52,500</u>		

24. SHARE OPTION PLAN - continued

(b) The number and weighted average exercise prices of share options are as follows:

	<u>2016</u>		<u>2015</u>	
	Weighted average exercise price HK\$	Number of options	Weighted average exercise price HK\$	Number of options
Outstanding at the beginning of the year	129.69	20,500	129.69	20,500
Outstanding at the end of the year	129.69	20,500	129.69	20,500
Exercisable at the end of the year	129.69	20,500	125.32	19,500

No share options were exercised during the current year and the prior year.

The options outstanding at 30 September 2016 had an exercise price of HK\$79.46, HK\$103.30, HK\$151 or HK\$215 (2015: HK\$79.46, HK\$103.30, HK\$151 or HK\$215) and a weighted average remaining contractual life of 5 years (2015: 6 years).

25. OPERATING LEASE COMMITMENTS

At the end of the reporting period, the total future minimum lease payments under non-cancellable operating leases, in respect of office premises and staff quarters, are payable as follows:

	<u>2016</u> HK\$	<u>2015</u> HK\$
Within 1 year	11,068,978	11,409,224
After 1 year but within 5 years	10,092,006	1,956,086
	<u>21,160,984</u>	<u>13,365,310</u>

The Company leases a number of properties under operating leases. The leases run for an initial period of one to five years, with an option to renew the lease terms at the expiry date or at dates as mutually agreed between the Company and the respective landlords. None of the leases includes contingent rentals.

26. RELATED PARTY TRANSACTIONS

The Company had the following transactions with related parties during the year.

	Associate		Shareholders of a fellow subsidiary		Ultimate holding company		Intermediate holding company		Fellow subsidiaries		Subsidiary		Director	
	2016 HK\$	2015 HK\$	2016 HK\$	2015 HK\$	2016 HK\$	2015 HK\$	2016 HK\$	2015 HK\$	2016 HK\$	2015 HK\$	2016 HK\$	2015 HK\$	2016 HK\$	2015 HK\$
Amounts due from	-	-	(2,873,768)	(3,323,768)	(36,582,210)	(39,251,126)	3,109,997	2,920,225	4,690,593	2,913,875	(841,530)	(353,060)	-	-
Amount due to	-	-	-	-	-	-	-	-	290,077	-	-	-	-	-
Commission receivables	333,262	167,182	-	-	-	-	-	-	1,639,274	2,935,719	-	-	-	-
Other receivables	-	-	-	-	-	-	-	-	-	-	-	-	1,427,343	1,939,034
Commission income	192,268	214,762	-	-	-	-	-	-	1,682,401	2,544,647	-	-	-	-
Commission expense	110,379	142,415	-	-	-	-	-	-	3,606,625	1,116,699	17,992,454	17,126,656	-	-
Interest expense	-	-	44,308	28,911	1,489,282	899,420	-	-	-	-	-	-	-	-
Intercompany recharge	-	-	-	-	-	-	-	-	742,582	827,500	1,797,462	4,419,234	-	-

The terms of the amounts due from (to) related parties are set out in notes 15 and 19.

As at 30 September 2016, the other receivables due from Andrew Glover, the director of the Company, in total of HK\$1,427,343 (2015: HK\$ 1,939,034) are unsecured, repayable on demand and non-interest bearing.

Compensation to key management personnel

The remuneration of directors who are also the key management personnel during the year was as follows:

	2016 HK\$	2015 HK\$
Short-term benefits	10,047,893	17,165,320

27. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2016 HK\$	2015 HK\$
Financial assets		
Loans and receivables (including cash and cash equivalents)	203,699,890	207,883,039
Financial liabilities		
At amortised cost	202,157,404	199,770,527

28. FINANCIAL RISK MANAGEMENT

The Company is exposed to a variety of financial risks which result from both its operating and investing activities. The Company's risk management is based on close monitoring by the board of directors, and focuses on actively securing the Company's short to medium term cash flows by minimising the exposure to financial markets. The most significant financial risks to which the Company is exposed are described below.

Credit risk

The Company's credit risk is primarily attributable to cash and bank balances and the share of commissions earned which are being included as part of the trade and other receivables. Cash and cash and bank balances are placed with major financial institutions with good credit ratings. As a result, management does not consider the credit risk arising from such balances significant.

Management has a credit policy in place and the exposures of commission receivables to credit risks are monitored on an ongoing basis. The Company has the obligation to collect the cash from its clients on behalf of the insurers for which they have now become policyholders under an insurance contract that the Company successfully brokered. This arrangement allows the Company to act as the agent of the insurer and to receive the payment for the commission receivable by collecting the full premium cash flow from the policyholder and remitting to the insurer, at the agreed due date, the premiums collected less the commission amount.

Foreign currency risk

The Company's functional currency is Hong Kong dollars. The Company operates branch offices in the United Kingdom and Australia and maintains a representative office in Beijing. It also carries on business with customers in various overseas countries and receives commission income denominated in various foreign currencies. The Company manages its foreign currency risk arising from foreign currency transactions by maintaining its net exposure within acceptable limits. For United States dollar transactions, the Company does not consider that significant foreign currency risk arises because the Hong Kong dollar is pegged to the United States dollar.

The Company's net exposure to significant foreign currency risk is as follows:

<u>Net financial assets (liabilities)</u>	<u>2016</u>		<u>2015</u>	
	<u>Original currency</u>	<u>HK\$ equivalent</u>	<u>Original currency</u>	<u>HK\$ equivalent</u>
Euro	(796,293)	(6,935,471)	(365,256)	(3,175,284)
Australian dollars	5,126,585	30,491,392	4,422,377	24,101,515
Pounds sterling	(722,614)	(7,272,458)	(740,775)	(8,718,626)

At 30 September 2016, had the Hong Kong dollar strengthened by 4% (2015: 6%) in relation to the Euro with all other variables held constant, loss for the year before tax would have increased by approximately HK\$277,419 (2015: HK\$187,387).

28. FINANCIAL RISK MANAGEMENT - continued

Foreign currency risk - continued

At 30 September 2016, had the Hong Kong dollar strengthened by 9% (2015: 12%) in relation to the Australian dollar with all other variables held constant, the loss for the year before tax would have decreased by approximately HK\$2,744,225 (2015: HK\$2,909,783).

At 30 September 2016, had the Hong Kong dollar strengthened by 5% (2015: 6%) in relation to the Pound sterling with all other variables held constant, the loss for the year before tax would have increased by approximately HK\$363,623 (2015: HK\$535,756).

Interest rate risk

The Company's interest rate risk arises primarily from finance lease liabilities, bank loans and overdrafts, loans from shareholders of a fellow subsidiary and amount due to holding company. The Company's interest rate profile as monitored by management is set out below.

Interest rate profile

The following table details the interest rate profile of the Company's third party and intercompany financing at the end of the reporting period.

	<u>2016</u>		<u>2015</u>	
	<u>Effective</u>	<u>Amount</u>	<u>Effective</u>	<u>Amount</u>
	<u>interest rate</u>	<u>HK\$</u>	<u>interest rate</u>	<u>Amount</u>
	<u>%</u>	<u>HK\$</u>	<u>%</u>	<u>HK\$</u>
Fixed rate borrowings				
Finance lease liabilities	-	-	1.90	60,050
Amount due to ultimate holding company	5.00	26,191,780	5.00	27,490,642
		<u>26,191,780</u>		<u>27,550,692</u>
Variable rate borrowings				
Bank loans	3.26	13,443,480	3.16	11,963,440
Bank overdrafts	5.00	2,625,693	5.00	3,736,203
Loans from shareholders of a fellow subsidiary	3.28	900,000	3.28	1,800,000
Amount due to ultimate holding company	3.21	6,100,000	3.28	4,200,000
		<u>23,069,173</u>		<u>21,699,643</u>
Total interest-bearing borrowings		<u>49,260,953</u>		<u>49,250,335</u>

At end of the reporting period, it is estimated that an increase/decrease of 100 basis points (2015: 100 basis points) in interest rates, with all other variables held constant, would have increased the loss for the year before tax by approximately HK\$492,610 (loss increased 2015: HK\$492,503).

28. FINANCIAL RISK MANAGEMENT - continued

Liquidity risk

The Company is responsible for its own cash management. The Company's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and long term.

The following table shows the remaining contractual maturities at the end of the reporting period of the Company's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the reporting period) and the earliest date the Company can be required to pay:

	2016				
	Carrying amount HK\$	Total contractual undiscounted cash flows HK\$	Within 1 year or on demand HK\$	More than 1 year HK\$	Fair value HK\$
Trade and other payables	145,790,723	145,790,723	145,790,723	-	145,790,723
Bank loans	13,443,480	14,425,050	9,267,961	5,157,089	14,102,134
Overdrafts	2,625,693	2,625,693	2,625,693	-	2,625,693
Loans from shareholders of a fellow subsidiary	2,873,768	2,885,169	911,401	1,973,768	2,682,198
Amount due to ultimate holding company	36,582,210	41,005,712	34,074,446	6,931,266	40,782,027
Amount due to a subsidiary	841,530	841,530	841,530	-	841,530
	<u>202,157,404</u>	<u>207,573,877</u>	<u>193,511,754</u>	<u>14,062,123</u>	<u>206,824,305</u>
	2015				
	Carrying amount HK\$	Total contractual undiscounted cash flows HK\$	Within 1 year or on demand HK\$	More than 1 year HK\$	Fair value HK\$
Trade and other payables	140,632,880	140,632,880	140,632,880	-	140,632,880
Bank loans	11,963,440	12,565,715	3,848,956	8,716,759	12,040,606
Overdrafts	3,736,203	3,736,203	3,736,203	-	3,736,203
Loans from shareholders of a fellow subsidiary	3,773,768	3,829,477	944,308	2,885,169	3,726,534
Finance lease liabilities	60,050	60,912	60,912	-	60,050
Amount due to ultimate holding company	39,251,126	40,970,284	38,570,202	2,400,082	40,884,650
Amount due to a subsidiary	353,060	353,060	353,060	-	353,060
	<u>199,770,527</u>	<u>202,148,531</u>	<u>188,146,521</u>	<u>14,002,010</u>	<u>201,433,983</u>

28. FINANCIAL RISK MANAGEMENT - continued

Fair value measurements of financial instruments

Except for bank loans, loans from shareholders of a fellow subsidiary, and amount due to ultimate holding company, the directors of the Company considered that the fair values of financial assets and liabilities of the Company are not materially different from their carrying amounts because of the short term maturity of these financial instruments.

The fair value of trade and other payables, bank loans, loans from shareholders of a fellow subsidiary, and amount due to ultimate holding company is determined by discounted cash flow analysis with prevailing market interest.

29. CAPITAL MANAGEMENT

The Company's primary objectives when managing capital are to safeguard the Company's ability to continue as a going concern and to ensure that it will be able to meet the minimum net assets and minimum fully paid up share capital requirements for an insurance broker as set out in the Hong Kong Insurance Companies Ordinance at all times. As the Company is part of a larger group, the Company's sources of additional capital and policies for distribution of excess capital may also be affected by the Group's capital management objectives.

The Company defines capital as including equity, bank loans and the amount due to ultimate holding company. The Company's capital structure is regularly reviewed and managed with due regard to the capital management practices of the group to which the Company belongs. The Company's overall capital management strategy remains unchanged from the prior year. The Company has maintained minimum paid up share capital and minimum net assets of HK\$100,000 as defined by the Hong Kong Insurance Companies Ordinance at all times during the year and the prior period.

As a Lloyd's broker regulated by the Financial Conduct Authority ("FCA") of the United Kingdom, the Company is also subject to the capital resources requirements set out in the FCA's Prudential Sourcebook for Mortgage and Home Finance Firms, and Insurance Intermediaries ("MIPRU"). The Company must have and at all times maintain capital resources of at least the greater of 5% of its audited United Kingdom ("UK") regulated revenues and 50,000 British Pounds, calculated in accordance with MIPRU 4.

Although the operation of the London branch of the Company ceased in April 2015, the Company remains subject to supervision and potential regulatory intervention by the FCA. The Company has been in regular dialogue with the FCA regarding the application of their rules, most particularly the appropriate level of the regulated income to report given that the Company has closed its UK operations. Detailed review by the Company identified a possible deficit of British Pounds 42,331 against FCA MIPRU capital requirements as at 30 September 2015, which following the year end, the Company reported to the FCA as having been remediated.

30. PLEDGED ASSETS

On 18 May 2015, Hyperion Refinance S.a.r.l, a fellow subsidiary, entered into a financing agreement with Morgan Stanley Senior Funding, Inc., Royal Bank of Canada, HSBC Bank plc and Lloyds Bank plc. Under the terms of this agreement, the Company together with a number of other subsidiaries have given guarantees in respect of Hyperion Refinance S.a.r.l's obligations under the terms of the agreement. As at 30 September 2016, the Company's relevant assets amounting to approximately HK\$74 million (2015: HK\$92 million) were pledged to secure this financing arrangement.

31. INSURANCE BROKING DEBTORS AND CREDITORS

The Company is generally not liable as principal for the amounts that its clients owe to the insurer as they enter in an insurance contract with insurer and become its policyholders. Receivables (including premiums or claims receivables) arising from policyholders and corresponding liability for the same amount due by the Company to the insurer are not the assets or liabilities of the Company.

The following additional information on insurance broking debtors and creditors prepared by the management is solely for the purpose of compliance in accordance with disclosure requirements of Guidance Note 11 issued by Hong Kong Confederation of Insurance Brokers on 16 August 2013:

Insurance Broking Debtors

The aging analysis of insurance broking debtors as at 30 September 2016 and 2015 is follows:

	Insurance debtors - premium and claims not recognised <u>as assets</u> HK\$	Commission <u>receivables</u> HK\$	Total insurance debtors <u>HK\$</u>
<u>2016</u>			
Neither past due not impaired	71,435,849	13,315,433	84,751,282
Within six months past due	59,595,903	13,504,060	73,099,963
Six or more than six months past due	34,029,119	11,761,958	45,791,077
	<u>165,060,871</u>	<u>38,581,451</u>	<u>203,642,322</u>

31. INSURANCE BROKING DEBTORS AND CREDITORS - continued

Insurance Broking Debtors - continued

	Insurance debtors - premium and claims not recognised <u>as assets</u> HK\$	Commission <u>receivables</u> HK\$	Total insurance debtors HK\$
<u>2015</u>			
Neither past due not impaired	107,077,959	19,384,054	126,462,013
Within six months past due	88,238,591	23,531,539	111,770,130
Six or more than six months past due	28,007,220	11,932,775	39,939,995
	<u>223,323,770</u>	<u>54,848,368</u>	<u>278,172,138</u>

Insurance Broking Creditors

The aging analysis of insurance broking creditors as at 30 September 2016 and 2015 is follows:

	Insurance creditors - premium and claims not recognised <u>as liabilities</u> HK\$	Insurance creditors - cash received <u>in deposits</u> HK\$	Total insurance creditors HK\$
<u>2016</u>			
Neither past due not impaired	71,435,849	68,272,886	139,708,735
Within six months past due	59,595,903	28,554,645	88,150,548
Six or more than six months past due	34,029,119	46,649,310	80,678,429
	<u>165,060,871</u>	<u>143,476,841</u>	<u>308,537,712</u>

	Insurance creditors - premium and claims not recognised <u>as liabilities</u> HK\$	Insurance creditors - cash received <u>in deposits</u> HK\$	Total insurance creditors HK\$
<u>2015</u>			
Neither past due not impaired	107,077,959	91,307,006	198,384,965
Within six months past due	88,238,591	5,954,106	94,192,697
Six or more than six months past due	28,007,220	39,007,762	67,014,982
	<u>223,323,770</u>	<u>136,268,874</u>	<u>359,592,644</u>

32. SUBSEQUENT EVENT

In November 2016, the litigation brought against the Company by a former director was fully settled through Hyperion Insurance Group Limited with no liability arising for the Company. There is no further contingent liability arising from this litigation as of the issuance date of these financial statements.
