SECOND ADDENDUM TO THE BASE LISTING DOCUMENT DATED 2 JULY 2015

Daiwa Capital Markets Hong Kong Limited

Second Addendum to the Base Listing Document relating to

Non-collateralised Structured Products

to be issued by

Daiwa Capital Markets Hong Kong Limited

(incorporated with limited liability in Hong Kong)

Daiwa Capital Markets Hong Kong Limited (**Issuer**) has published this document in respect of warrants on single equities (**single equities warrants**), warrants on a single fund (**fund warrants**), warrants on a single index (**index warrants** and, together with the single equities warrants and the fund warrants, the **warrants**), callable bull/bear contracts on single equities (**equity callable bull/bear contracts**), callable bull/bear contracts on a single fund (**fund callable bull/bear contracts**) and callable bull/bear contracts on a single index (**index callable bull/bear contracts**, and, together with the equity callable bull/bear contracts and the fund callable bull/bear contracts, the **CBBCs**) and any other structured products approved by The Stock Exchange of Hong Kong Limited (**stock exchange**) from time to time (such other structured products, together with the warrants and the CBBCs, being referred to as the **structured products**) to be issued by the Issuer in series (each, a **series**) from time to time and listed on the stock exchange.

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

This document, for which the Issuer accepts full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the **rules**) for the purpose of giving information with regard to the Issuer. You must read this document in conjunction with our base listing document dated 3 July 2014 (as amended, supplemented or updated from time to time, the **base listing document**) and the first addendum to the base listing document dated 22 December 2014 (the **first addendum**). The Issuer, having made all reasonable enquiries, confirms that to the best of its knowledge and belief the information contained in this document is accurate and complete in all material respects and not misleading or deceptive, and there are not other matters the omission of which would make any statement herein or this document misleading.

Additional terms and conditions relating to each series of our structured products will be set out in a supplemental listing document (each, a **supplemental listing document**) which will be supplemental to, and should be read in conjunction with, this document and the base listing document.

The structured products involve derivatives. Investors should not invest in the structured products unless they fully understand and are willing to assume the risks associated with them.

Investors are warned that the price of the structured products may fall in value as rapidly as it may rise and holders may sustain a total loss of their investment. Prospective purchasers should therefore ensure that they understand the nature of the structured products and carefully study the risk factors set out in the base listing document and the relevant supplemental listing document and, where necessary, seek professional advice, before they invest in the structured products.

The structured products constitute general unsecured contractual obligations of the Issuer and are obligations of no other person and will rank equally among themselves with all the other unsecured obligations of the Issuer (save for those obligations preferred by law) upon liquidation. If you purchase the structured products you are relying upon the creditworthiness of the Issuer and have no rights under the structured products against, as applicable, the underlying asset, any company which has issued the underlying asset or any company which sponsors the underlying asset or whose securities are comprised in the underlying asset. If the Issuer becomes insolvent or defaults on its obligations under the structured products, you may not be able to recover all or even part of the amount due under the structured products (if any).

IMPORTANT INFORMATION

If you are in any doubt as to any of the contents of this document, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

What is this document about?

This document contains the updated information in relation to us and the audited financial statements of the Issuer for the year ended 31 March 2015. This document is a supplement to the base listing document.

You should read this document together with the base listing document, the first addendum, and the relevant supplemental listing document (including any addendum to such supplemental listing document to be issued by us from time to time) (together, the **listing documents**) before investing in any structured product.

Where can you inspect the relevant documents?

We undertake during the period in which our structured products are listed on the stock exchange to make available to you for inspection at the office of Daiwa Capital Markets Hong Kong Limited, which is presently at Level 28, One Pacific Place, 88 Queensway, Hong Kong:

(a) a copy of this document, the base listing document and the first addendum, together with any other addendum or successor to the base listing document (both the English version and the Chinese translation);

(b) a copy of the applicable supplemental listing document of any issue of structured products (both the English version and the Chinese translation);

(c) a copy of our latest publicly available annual report and interim report or quarterly financial statements (if any); and

(d) a copy of the consent letter of the auditors from our auditors referred to in this document, the base listing document and any addendum or successor to the base listing document (if any).

我們保證閣下可於結構性產品在聯交所上市的期間在大和資本市場香港有限公司辦事處(目前地址為香港金鐘道88號太古廣場第1期28樓)查閱下列文件：

(a) 本文件、基礎上市文件及第一份增編，連同基礎上市文件之任何其他增編或續編(英文版本及中文譯本)；

(b) 結構性產品的適用補充上市文件(英文版本及中文譯本)；

(c) 我們最近期公開的年報及中期報告或季度財務報表(如有)；及

(d) 本文件、基礎上市文件及基礎上市文件之任何增編或續編(如有)所述我們的核數師的同意書。

Is the Issuer regulated by the Hong Kong Monetary Authority referred to in Rule 15A.13(2) or the Securities and Futures Commission referred to in Rule 15A.13(3)?

The Issuer is regulated by the Securities and Futures Commission for the conduct of the business in dealing in securities in Hong Kong.

What are the Issuer's credit ratings?

As at the date of this document, the Issuer is not rated by any credit rating agency.

Is the Issuer subject to any litigation?

Except as set out in this document, neither the Issuer nor any of the Issuer's group companies are aware of any litigation or claims of material importance in the context of the issue of the Warrants pending or threatened against the Issuer or the Issuer's group companies.

Has our financial position changed since last financial year-end?

Except as set out in this document, there has been no material adverse change in our or our group companies' financial or trading positions since 31 March 2015.

Are there any experts/auditors involved?

Our auditors, KPMG, have given and have not withdrawn their written consent to the reproduction of their auditor's report dated 19 June 2015 on our financial statements for the year ended 31 March 2015 included in this document in the form and context in which it appears in this document. The auditor's report was not prepared for incorporation in this document. Our auditors do not have any shareholding in our company or in any members of our group, nor do they have the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for the securities or securities in any member of our group.

Where can you find out information about us?

You may visit www.hk.daiwacm.com to obtain general corporate information about us, and on the website of the group of companies to which we belong at www.daiwa-grp.jp.

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UPDATED INFORMATION ABOUT US

Board of Directors

As of the date of this addendum, the names, titles and business and service of process addresses of the current members of our Board of Directors are:

Name	*Title*	*Business and service of process address*
Hironori Oka	Chairman, President and Chief Executive Officer	Level 28, One Pacific Place, 88 Queensway, Hong Kong
Shiko Yanagisawa	Senior Deputy President	6 Shenton Way #26-08, DBS Building Tower Two, Singapore 068809
Terence Patrick Mackey	Deputy President and Chief Operating Officer	Level 28, One Pacific Place, 88 Queensway, Hong Kong
Hiroaki Kato	Managing Director	1-9-1, Marunouchi, Chiyoda-ku, Tokyo, 100-6751, Japan
Shinji Shibuya	Managing Director	1-9-1, Marunouchi, Chiyoda-ku, Tokyo, 100-6751, Japan

AUDITED FINANCIAL STATEMENTS OF THE ISSUER FOR THE YEAR ENDED 31 MARCH 2015

The information set out in this section is the reproduction of the audited financial statements of the Issuer for the year ended 31 March 2015 (**2015 financial statements**). Page references in this section refer to page numbers in the 2015 financial statements.

The principal accounting policies adopted in the preparation of the 2015 financial statements are consistent with the Issuer's usual accounting policies and procedures.

Our 2015 financial statements are available for inspection at our offices at Level 28, One Pacific Place, 88 Queensway, Hong Kong. You may also visit our website at www.dcmw.com.hk/en/ to access such report.

KPMG

Daiwa Capital Markets Hong Kong Limited
大和資本市場香港有限公司

31 March 2015

Report of the directors

The directors submit herewith their annual report together with the audited financial statements for the year ended 31 March 2015.

Principal place of business

Daiwa Capital Markets Hong Kong Limited ("the Company") is a company incorporated and domiciled in Hong Kong and has its registered office and principal place of business at Level 28, One Pacific Place, 88 Queensway, Hong Kong.

Principal activities

The principal activities of the Company are securities and futures dealing, provision of corporate finance advisory services and issuance of listed structured products.

The Company is a licensed corporation under the Hong Kong Securities and Futures Ordinance and is a corporate participant on The Stock Exchange of Hong Kong Limited and The Hong Kong Futures Exchange Limited.

Financial statements

The loss of the Company for the year ended 31 March 2015 and the state of the Company's affairs as at that date are set out in the financial statements on pages 6 to 43.

Share capital

Details of share capital of the Company are set out in note 20 to the financial statements.

Directors

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

Hironori Oka	
Terence Patrick Mackey	
Shinji Shibuya	(appointed on 14 May 2014)
Takashi Chiba	(resigned on 13 May 2014)
John Gerard Williams	(resigned on 15 August 2014)
Hiroaki Kato	(appointed on 10 April 2015)
Shiko Yanagisawa	(appointed on 10 April 2015)
Tetsuo Akuzawa	(approved to resign on 30 June 2015)

There being no provision in the Company's articles of association for the annual retirement of directors, all the remaining directors continue in office.

Directors (continued)

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.

Directors' interests in transactions, arrangements or contracts

No transaction, arrangement or 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, subsisted at the end of the year or at any time during the year.

Auditors

KPMG retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of KPMG as auditors of the Company is to be proposed at the forthcoming annual general meeting.

By order of the board

Director

Hong Kong,

1 9 JUN 2015

KPMG

Independent auditor's report to the members of Daiwa Capital Markets Hong Kong Limited

(Incorporated in Hong Kong with limited liability)

Report on the financial statements

We have audited the financial statements of Daiwa Capital Markets Hong Kong Limited ("the Company") set out on pages 6 to 43, which comprise the statement of financial position as at 31 March 2015, the statement of profit or loss and other comprehensive income, statement of changes in equity and cash flow statement 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.

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

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. This report is made 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 and with reference to Practice Note 820 "The Audit of Licensed Corporations and Associated Entities of Intermediaries" 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, and whether the financial statements are in accordance with the records kept under the Hong Kong Securities and Futures (Keeping of Records) Rules and satisfy the requirements of the Hong Kong Securities and Futures (Accounts and Audit) Rules.

KPMG

Independent auditor's report to the members of Daiwa Capital Markets Hong Kong Limited (continued)

(Incorporated in Hong Kong with limited liability)

Report on the financial statements (continued)

Auditor's responsibility (continued)

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 judgement, 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 the 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.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 March 2015 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 accordance with the Hong Kong Companies Ordinance.

KPMG

Independent auditor's report to the members of Daiwa Capital Markets Hong Kong Limited (continued)

(Incorporated in Hong Kong with limited liability)

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

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

Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

19 JUN 2015

Statement of profit or loss and other comprehensive income for the year ended 31 March 2015

(Expressed in United States dollars)

	Note		*2015*		*2014*
Revenue	3	$	85,533,762	$	104,127,697
Other income	4		53,100,164		49,781,408
Staff costs	5		(54,965,150)		(59,096,194)
Depreciation	10		(10,218,046)		(9,862,541)
Other operating expenses			(87,715,316)		(99,277,748)
Loss from operations		$	(14,264,586)	$	(14,327,378)
Finance costs	6(a)		(228,977)		(3,807,420)
Loss before and after taxation for the year	6	$	(14,493,563)	$	(18,134,798)
Other comprehensive income for the year					
Items that may be reclassified to profit or loss:					
Available-for-sale securities:					
- Changes in fair value of available-for-sale securities		$	(149,040)	$	554,006
- Transfer from available-for-sale investment revaluation reserve to profit or loss on disposal of investments			(68,855)		(69,957)
Other comprehensive income for the year, net of tax		$	(217,895)	$	484,049
Total comprehensive income for the year		$	(14,711,458)	$	(17,650,749)

The notes on pages 12 to 43 form part of these financial statements.

Statement of financial position as at 31 March 2015

(Expressed in United States dollars)

	Note	*2015*	*2014*
Non-current assets			
Intangible assets	9	$ 383,731	$ 383,582
Property, plant and equipment	10	15,321,099	20,224,584
Available-for-sale securities	11	2,794,179	3,017,287
Other non-current deposits		4,408,686	5,095,883
		$ 22,907,695	$ 28,721,336
Current assets			
Financial assets at fair value through profit or loss	12	$ 50,907,800	$ 15,676,914
Receivables from reverse repurchase agreements	13	-	38,946,641
Accounts receivable	14, 22	1,272,800,860	1,130,382,620
Other receivables and prepayments	22	35,770,634	20,087,716
Cash and cash equivalents	15	454,861,858	520,007,700
		$ 1,814,341,152	$ 1,725,101,591
Current liabilities			
Financial liabilities at fair value through profit or loss	16	$ 50,727,432	$ 15,676,094
Amount due to a fellow subsidiary	17	-	38,903,001
Accounts payable	18, 22	1,225,549,687	1,130,650,591
Accruals and other payables	22	61,698,683	55,843,731
		$ 1,337,975,802	$ 1,241,073,417
Net current assets		$ 476,365,350	$ 484,028,174
Total assets less current liabilities		$ 499,273,045	$ 512,749,510
Non-current liability			
Accruals and other payables	22	$ 3,573,675	$ 2,338,682
NET ASSETS		$ 495,699,370	$ 510,410,828

Statement of financial position as at 31 March 2015 (continued)

(Expressed in United States dollars)

	Note		*2015*		*2014*
CAPITAL AND RESERVES					
Share capital	20	$	697,860,644	$	697,860,644
General reserve	21(a)		12,008,165		12,008,165
Investment revaluation reserve	21(b)		744,689		962,584
Accumulated losses			(214,914,128)		(200,420,565)
TOTAL EQUITY		$	495,699,370	$	510,410,828

Approved and authorised for issue by the board of directors on 19 JUN 2015

Hironori Oka	)	
	)	
Terence Patrick Mackey	)	Directors
	)	

The notes on pages 12 to 43 form part of these financial statements.

Statement of changes in equity for the year ended 31 March 2015
(Expressed in United States dollars)

	Note	Share capital	General reserve	Investment revaluation reserve	Accumulated losses	Total
At 1 April 2013		$ 557,860,644	$ 12,008,165	$ 478,535	$ (182,285,767)	$ 388,061,577
Issue of capital	20	$ 140,000,000	$ -	$ -	$ -	$ 140,000,000
Loss for the year		$ -	$ -	$ -	$ (18,134,798)	$ (18,134,798)
Other comprehensive income		-	-	484,049	-	484,049
Total comprehensive income for the year		$ -	$ -	$ 484,049	$ (18,134,798)	$ (17,650,749)
At 31 March 2014 and 1 April 2014		$ 697,860,644	$ 12,008,165	$ 962,584	$ (200,420,565)	$ 510,410,828
Loss for the year		$ -	$ -	$ -	$ (14,493,563)	$ (14,493,563)
Other comprehensive income		-	-	(217,895)	-	(217,895)
Total comprehensive income for the year		$ -	$ -	$ (217,895)	$ (14,493,563)	$ (14,711,458)
At 31 March 2015		$ 697,860,644	$ 12,008,165	$ 744,689	$ (214,914,128)	$ 495,699,370

The notes on pages 12 to 43 form part of these financial statements.

Cash flow statement
for the year ended 31 March 2015

(Expressed in United States dollars)

	Note	*2015*	*2014*
Operating activities			
Loss before taxation		$ (14,493,563)	$ (18,134,798)
Adjustments for:			
Depreciation		10,218,046	9,862,541
Loss on disposal of property, plant and equipment		11,887	479,360
Reversal of provision for onerous contracts		-	(479,360)
Gain on disposal of a subsidiary		-	(616,777)
Net gain on sale of available-for-sale securities		(52,273)	(67,302)
Impairment loss recognised for property, plant and equipment		424,770	-
Interest income		(2,644,483)	(2,189,966)
Interest expense		228,977	3,807,420
Exchange differences		(1,226)	(1,586)
Operating loss before changes in working capital		$ (6,307,865)	$ (7,340,468)
Decrease/(increase) in other non-current deposits		687,197	(59,185)
(Increase)/decrease in financial assets at fair value through profit or loss		(35,230,886)	896,998
Decrease/(increase) in receivables from reverse repurchase agreements		38,946,641	(7,604,185)
(Increase)/decrease in accounts receivable		(142,418,240)	357,135,650
(Increase)/decrease in other receivables and prepayments		(15,545,392)	4,931,465
Increase/(decrease) in financial liabilities at fair value through profit or loss		35,051,338	(896,992)
(Decrease)/increase in amount due to a fellow subsidiary		(38,903,001)	7,597,991
Decrease in amount due to a subsidiary		-	(2,898,865)
Increase/(decrease) in accounts payable		94,899,096	(357,897,116)
Increase/(decrease) in accruals and other payables		7,089,945	(20,721,984)
Net cash used in operating activities		$ (61,731,167)	$ (26,856,691)

Cash flow statement
for the year ended 31 March 2015 (continued)
(Expressed in United States dollars)

	Note	2015	2014
Investing activities			
Interest received		$ 2,506,957	$ 2,101,094
Payment for purchase of property, plant and equipment		(5,755,087)	(5,359,190)
Proceeds from disposal of property, plant and equipment		3,869	-
Proceeds from liquidation of a subsidiary		-	2,901,358
Proceeds from disposal of available-for-sale securities		58,563	73,489
Net cash used in investing activities		$ (3,185,698)	$ (283,249)
Financing activities			
Proceeds from issue of shares		$ -	$ 140,000,000
Repayment of subordinated loan		-	(140,000,000)
Interest paid		(228,977)	(4,621,132)
Net cash used in financing activities		$ (228,977)	$ (4,621,132)
Net decrease in cash and cash equivalents		$ (65,145,842)	$ (31,761,072)
Cash and cash equivalents at 1 April		485,007,700	516,768,772
Cash and cash equivalents at 31 March	15	$ 419,861,858	$ 485,007,700

The notes on pages 12 to 43 form part of these financial statements.

Notes to the financial statements

(Expressed in United States dollars unless otherwise indicated)

1 Principal activities

The principal activities of the Company are securities and futures dealing, provision of corporate finance advisory services and issuance of listed structured products.

The Company is a licensed corporation under the Hong Kong Securities and Futures Ordinance and is a corporate participant of The Stock Exchange of Hong Kong Limited and The Hong Kong Futures Exchange Limited.

2 Significant accounting policies

(a) 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 accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. A summary of the significant accounting policies adopted by the Company is set out below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Company. Note 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Company for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The measurement basis used in the preparation of the financial statements is the historical cost basis except that financial instruments classified as held for trading and as available-for-sale securities are stated at their fair value as explained in the accounting policies set out below.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

2 Significant accounting policies (continued)

(b) Basis of preparation of the financial statements (continued)

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

(c) Changes in accounting policies

The HKICPA has issued the following amendments to HKFRSs and one new Interpretation that are first effective for the current accounting period of the Company:

- Amendments to HKFRS 10, HKFRS 12 and HKAS 27, *Investment entities*
- Amendments to HKAS 32, *Offsetting financial assets and financial liabilities*
- Amendments to HKAS 36, *Recoverable amount disclosures for non-financial assets*

None of these developments have had a material effect on how the Company's results and financial position for the current or prior periods have been prepared or presented. The Company has not applied any new standard or interpretation that is not yet effective for the current accounting period.

In addition, the requirements of Part 9, "Accounts and Audit", of the Hong Kong Companies Ordinance (Cap.622) (the "CO") came into operation at the start of the Company's current financial year. The adoption of the requirements has primarily impacted the presentation and disclosure of information in the financial statements. These changes mainly include updating any references to the CO to refer to the current CO and replacing certain terminology no longer used in the CO with terminology used in HKFRS.

(d) Investments in debt and equity securities

The Company's policies for investments in debt and equity securities are as follows:

Investments in securities held for trading are classified as current assets and are initially stated at fair value. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in profit or loss.

2 Significant accounting policies (continued)

(d) Investments in debt and equity securities (continued)

Other investments in securities are classified as available-for-sale securities and are initially recognised at fair value plus transaction costs. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised directly in equity, expect for impairment losses (see note 2(i)) and in the case of monetary items, foreign exchange gains and losses which are recognised directly in profit or loss.

Investments are recognised/derecognised on the date the Company commits to purchase/sell the investments or they expire.

(e) Investments in derivative financial instruments

The Company's policies for investments in derivative financial instruments are as follows:

Trading financial instruments are financial assets or financial liabilities which are acquired or incurred principally for the purpose of trading, or are part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivative financial instruments that do not qualify for hedge accounting are accounted for as trading instruments.

These financial assets and financial liabilities are carried at fair value. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividends on these investments as these are recognised in accordance with the policies set out in note 2(q). Upon disposal or repurchase, the difference between the net sales proceeds or the net payment and the carrying value is included in profit or loss.

Fair value measurement principles

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price, i.e. the fair value of the consideration given or received, unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets. When transaction price provides the best evidence of fair value at initial recognition, the financial instrument is initially measured at the transaction price and any difference between this price and the value initially obtained from a valuation model is subsequently recognised in profit or loss on an appropriate basis over the life of the instrument but not later than when the valuation is supported wholly by observable market data or the transaction is closed out.

Subsequent measurement of the fair value of financial instruments is based on their quoted market prices at the end of the reporting period without any deduction for estimated future selling costs. Financial assets are priced at current bid prices, while financial liabilities are priced at current asking prices.

2 Significant accounting policies (continued)

(e) Investments in derivative financial instruments (continued)

If there is no publicly available latest traded price nor a quoted market price on a recognised stock exchange or a price from a broker/dealer for non-exchange-traded financial instruments, or if the market for it is not active, the fair value of the instrument is estimated using valuation techniques that provide a reliable estimate of prices which could be obtained in actual market transactions.

Investments are recognised/derecognised on the date the Company commits to purchase/sell the investments or they expire.

(f) Repurchase transactions

Securities sold subject to a simultaneous agreement to repurchase these securities at a certain later date at a fixed price (repurchase agreements) are retained in the financial statements and measured in accordance with their original measurement principles. The proceeds from the sale are reported as liabilities and are carried at amortised cost.

Securities purchased subject to a simultaneous agreement to resell these securities at a certain later date at a fixed price (reverse repurchase agreements) are not recognised in the financial statements. The payments for the purchase are reported as receivables and are carried at amortised cost.

Interest incurred on repurchase agreements and reverse repurchase agreements are recognised as interest expense/interest income over the life of each agreement using the effective interest rate method.

(g) Property, plant and equipment

Property, plant and equipment are stated in the statement of financial position at cost less accumulated depreciation and impairment losses (see note 2(i)). Depreciation is calculated to write off the cost of property, plant and equipment on a straight line basis over their estimated useful lives as follows:

- Leasehold improvements	6 years or over the term of the lease, whichever is shorter
- Furniture, fixtures and office equipment	4 years
- Motor vehicles	4 years

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

2 Significant accounting policies (continued)

(h) Exchange trading rights

Exchange trading rights represent the rights to trade on the relevant exchanges and are stated at cost less impairment losses (see note 2(i)).

The Company reviews annually whether the useful life of trading rights is indefinite.

(i) Impairment of assets

(i) Impairment of investments in securities and accounts and other receivables

Investment in securities and accounts and other receivables that are stated at cost or amortised cost or are classified as available-for-sale securities are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. If any such evidence exists, any impairment loss is determined and recognised as follows:

- For accounts and other receivables that are carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for accounts and other receivables are reversed if in a subsequent period the amount of the impairment loss decreases.

- For available-for-sale securities, the cumulative loss that had 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, less any impairment loss on that asset previously recognised in profit or loss.

  Impairment losses recognised in profit or loss in respect of available-for-sale equity securities are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognised directly in other comprehensive income.

  Impairment loss in respect of available-for-sale debt securities are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised. Reversals of impairment losses in such circumstances are recognised in profit or loss.

2 Significant accounting policies (continued)

(i) Impairment of assets (continued)

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

- exchange trading rights; and
- property, plant and equipment.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for trading rights that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

- 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 value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where 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 whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the other assets in the unit 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

  An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

  A reversal of 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 year in which the reversals are recognised.

2 Significant accounting policies (continued)

(j) Accounts and other receivables

Accounts and other receivables are initially recognised at fair value and thereafter stated at amortised cost less impairment of doubtful debts (see note 2(i)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less impairment of doubtful debts (see note 2(i)).

(k) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments 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 cash flow statement.

(l) Accounts and other payables

Accounts and other payables are initially recognised at fair value and subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(m) Employee benefits

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

(n) Income tax

Income tax 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 directly in equity, in which case the relevant amounts of tax are recognised directly in equity.

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 and unused tax credits.

2 Significant accounting policies (continued)

(n) Income tax (continued)

Apart from differences which arise on initial recognition of assets and liabilities, 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. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

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 each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the 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.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset.

Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities if, and only if, the Company has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
  - the same taxable entity; or
  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

2 Significant accounting policies (continued)

(o) Operating lease

Leases of assets under which the lessor do not transfer all the risks and benefits of ownership to the Company are classified as operating leases.

Where the Company has the use of assets 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.

(p) Provisions and contingent liabilities

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

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

(q) 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 and brokerage income is recognised on a trade date basis when the relevant securities transactions are executed.

- Underwriting commission is recognised when the obligation under the underwriting or sub-underwriting agreement has expired.

- Advisory fee income is recognised when the services are rendered.

2 Significant accounting policies (continued)

(q) Revenue recognition (continued)

- Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.
- Interest income is recognised as it accrues using the effective interest rate method.
- Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term.
- Research fee income and management fee income are recognised when the services are rendered.

(r) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rates ruling at the end of the reporting period. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at dates the fair value was determined. Exchange gains and losses are recognised in profit or loss.

(s) Related parties

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

(i) has control or joint control over the Company;

(ii) has significant influence over the Company; or

(iii) is a member of the key management personnel of the Company or the Company's parent.

(2) An entity is related to the Company if any of the following conditions applies:

(i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

2 Significant accounting policies (continued)

(s) Related parties (continued)

(2) An entity is related to the Company if any of the following conditions applies: (continued)

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

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

(vi) The entity is controlled or jointly controlled by a person identified in (1).

(vii) A person identified in (1)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(t) Securities borrowing and lending

Securities borrowing and securities lending transactions are generally entered into on a collateralised basis. The transfer of the securities themselves is not reflected in the statement of financial position unless the risks and rewards of ownership are also transferred.

3 Revenue

	2015	*2014*
Brokerage commission income	$ 66,025,134	$ 81,579,814
Underwriting and selling commission income	16,935,776	18,410,850
Financial advisory fee and other commission income	2,572,852	4,137,033
	$ 85,533,762	$ 104,127,697

4 Other income

		2015		2014
Dividend income	$	30,542	$	22,823
Research fees income from group companies		8,692,869		8,187,358
Management fees and services fees income from group companies		36,118,911		32,760,256
Interest income		2,644,483		2,189,966
Rental income from group companies		2,753,620		2,951,183
Net trading gain on securities and foreign currency transactions		2,602,061		1,584,934
Net exchange (loss)/gain		(280,878)		303,871
Gain on disposal of a subsidiary		-		616,777
Net gain on disposal of available-for-sale securities		52,273		67,302
Commitment Fee income		269,125		420,409
Others		217,158		676,529
	$	53,100,164	$	49,781,408

5 Staff costs

		2015		2014
Salaries, wages and other benefits	$	53,619,258	$	57,493,374
Contributions to defined contribution retirement plan		1,345,892		1,602,820
	$	54,965,150	$	59,096,194

6 Loss before taxation

Loss before taxation is arrived at after charging:

(a) *Finance costs*

		2015		*2014*
Interest expenses on bank loans	$	4,848	$	115
Interest expenses to the ultimate holding company		-		3,102,828
Interest expenses to a fellow subsidiary		111,748		145,265
	$	116,596	$	3,248,208
Other financing expenses		112,381		559,212
	$	228,977	$	3,807,420

(b) *Other items*

Commission and brokerage charges	$	39,985,614	$	50,503,957
Underwriting expenses		2,277,064		4,235,366
Operating lease charges on properties		14,695,563		14,881,858
Auditors' remuneration		538,523		410,747
Loss on disposal of fixed assets		11,887		479,360
Impairment loss on fixed assets		424,770		-
Impairment loss on other receivables and prepayments		858,893		-

7 Income tax in the statement of profit or loss and other comprehensive income

The Company has not made any provision for Hong Kong Profits Tax as the Company sustained a loss for both the current and prior year.

7 Income tax in the statement of profit or loss and other comprehensive income (continued)

Reconciliation between tax expense charged to profit or loss and accounting loss at applicable tax rates:

		2015		*2014*
Loss before taxation	$	(14,493,563)	$	(18,134,798)
Notional tax on loss before taxation, calculated at 16.5%	$	(2,391,438)	$	(2,992,242)
Tax effect of non-deductible expenses		160,156		608,378
Tax effect of non-taxable income		(411,846)		(431,288)
Tax effect of unused tax losses and other deductible temporary differences not recognised		2,643,128		2,807,694
Others		-		7,458
Actual tax expense charged to profit or loss	$	-	$	-

8 Directors' remuneration

Directors' remuneration disclosed pursuant to section 383 of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation is as follows:

		2015		*2014*
Directors' emoluments	$	2,455,224	$	2,684,921

9 Intangible assets

		Trading rights		*Club debentures*		*Total*
Cost:						
At 1 April 2014	$	419,448	$	383,578	$	803,026
Exchange differences		-		149		149
At 31 March 2015	$	419,448	$	383,727	$	803,175
Accumulated impairment loss:						
At 1 April 2014 and 31 March 2015		419,444		-		419,444
Net book value:						
At 31 March 2015	$	4	$	383,727	$	383,731

		Trading rights		*Club debentures*		*Total*
Cost:						
At 1 April 2013	$	419,448	$	383,373	$	802,821
Exchange differences		-		205		205
At 31 March 2014	$	419,448	$	383,578	$	803,026
Accumulated impairment loss:						
At 1 April 2013 and 31 March 2014		419,444		-		419,444
Net book value:						
At 31 March 2014	$	4	$	383,578	$	383,582

10 Property, plant and equipment

	Leasehold improvements	Furniture, fixtures and office equipment	Motor vehicles	Total
Cost:				
At 1 April 2014	$ 9,544,866	$ 46,831,950	$ 315,379	$ 56,692,195
Additions	250,406	5,504,681	-	5,755,087
Disposals	-	(324,581)	(139,510)	(464,091)
Impairment loss	-	(5,195,465)	-	(5,195,465)
At 31 March 2015	$ 9,795,272	$ 46,816,585	$ 175,869	$ 56,787,726
Accumulated depreciation:				
At 1 April 2014	$ 3,451,471	$ 32,700,761	$ 315,379	$ 36,467,611
Charge for the year	1,622,067	8,595,979	-	10,218,046
Written back on disposals	-	(308,825)	(139,510)	(448,335)
Impairment loss	-	(4,770,695)	-	(4,770,695)
At 31 March 2015	$ 5,073,538	$ 36,217,220	$ 175,869	$ 41,466,627
Net book value:				
At 31 March 2015	$ 4,721,734	$ 10,599,365	$ -	$ 15,321,099
Cost:				
At 1 April 2013	$ 9,252,194	$ 43,277,864	$ 315,379	$ 52,845,437
Additions	918,945	4,440,245	-	5,359,190
Disposals	(626,273)	(886,159)	-	(1,512,432)
At 31 March 2014	$ 9,544,866	$ 46,831,950	$ 315,379	$ 56,692,195
Accumulated depreciation:				
At 1 April 2013	$ 2,074,901	$ 25,247,862	$ 315,379	$ 27,638,142
Charge for the year	1,524,440	8,338,101	-	9,862,541
Written back on disposals	(147,870)	(885,202)	-	(1,033,072)
At 31 March 2014	$ 3,451,471	$ 32,700,761	$ 315,379	$ 36,467,611
Net book value:				
At 31 March 2014	$ 6,093,395	$ 14,131,189	$ -	$ 20,224,584

11 Available-for-sale securities

		2015		*2014*
Club debentures	$	2,794,179	$	3,017,287

12 Financial assets at fair value through profit or loss

		2015		*2014*
Long positions in listed equity securities	$	810	$	820
Positive fair value of derivatives (note 23)		50,906,990		15,676,094
	$	50,907,800	$	15,676,914

As at 31 March 2015, the market value of securities placed by a fellow subsidiary to the Company for over-the-counter derivatives transactions as collaterals amounted to $173,943,506 (2014: $155,300,092).

The above financial assets were classified as held for trading.

13 Receivables from reverse repurchase agreements

		2015		*2014*
Receivables from reverse repurchase agreements	$	-	$	38,946,641

Upon expiry of the reverse repurchase agreements during the current year, the Company has not entered into any reverse repurchase agreement.

As at 31 March 2014, the fair value of collaterals accepted in respect of the reverse repurchase transactions was $45,916,106, the Company had not recognised these collaterals in the statement of financial position. The Company has committed facilities under reverse repurchase agreements amounting to $142,215,187 (2014: $316,650,697) (note 27(c)).

These transactions had been conducted under terms that were usual and customary to securities repurchase transactions and borrowing and lending activities.

14 Accounts receivable

The Company maintains segregated accounts with The Hong Kong Futures Exchange Clearing Corporation Limited as a result of its normal business transactions. At 31 March 2015, segregated accounts not otherwise dealt with in these financial statements amounted to $Nil (2014: $1,081,549).

The carrying amount of accounts receivable approximates their fair values.

All of the accounts receivable are expected to be recovered within one year. Further details of the Company's credit policy are set out in note 24(a).

15 Cash and cash equivalents

	2015	*2014*
Deposits with banks	$ 411,331,183	$ 459,019,250
Cash at banks and in hand	43,530,675	60,988,450
Cash and cash equivalents in the statement of financial position	$ 454,861,858	$ 520,007,700
Less: pledged deposit	(35,000,000)	(35,000,000)
Cash and cash equivalents in the cash flow statement	$ 419,861,858	$ 485,007,700

The Company maintains segregated accounts with authorised institutions as a result of its normal business transactions. As at 31 March 2015, segregated accounts not otherwise dealt with in these financial statements amounted to $36,386,739 (2014: $46,355,104). The carrying amount of cash and cash equivalents approximates their fair values.

16 Financial liabilities at fair value through profit or loss

	2015	*2014*
Negative fair value of derivatives (note 23)	$ 50,727,432	$ 15,676,094

The above financial liabilities were classified as held for trading.

17 Amount due to a fellow subsidiary

Amount due to a fellow subsidiary is unsecured, interest-bearing and has fixed terms of repayment.

As at current year end, there is no amount due to a fellow subsidiary.

18 Accounts payable

The carrying amount of accounts payable approximates their fair values.

19 Income tax in the statement of financial position

(a) Current taxation:

The Company has not made any provision for Hong Kong Profits Tax as the Company sustained a loss for both the current and prior year.

(b) Deferred tax assets not recognised

The Company has not recognised deferred tax assets in respect of cumulative tax losses and other deductible temporary differences of $338,859,624 (2014: $322,840,668) as it is not probable that future taxable profits against which the temporary differences can be utilised will be available. The tax losses do not expire under current tax legislation.

20 Share capital

	2015		*2014*	
	No. of shares	*Amount*	*No. of shares*	*Amount*
Ordinary shares, issued and fully paid:				
Ordinary shares of HK$10 each				
At 1 April and 31 March	10,000,000	$ 21,126,414	10,000,000	$ 21,126,414
Ordinary shares of US$10 each				
At 1 April	67,673,423	$ 676,734,230	53,673,423	$ 536,734,230
Shares issued (note)	-	-	14,000,000	140,000,000
At 31 March	67,673,423	$ 676,734,230	67,673,423	$ 676,734,230
	77,673,423	$ 697,860,644	77,673,423	$ 697,860,644

20 Share capital (continued)

Note: For the year ended 31 March 2014, the Company's issuance of 14,000,000 ordinary shares of US$10 each was approved by ordinary resolutions of shareholders on 18 December 2013. These new ordinary shares rank pari passu in all respects with the existing shares in the capital of the Company. 14,000,000 ordinary shares were issued to existing shareholders at par for cash on 20 December 2013.

Capital management

The Company's primary objectives when managing capital are to safeguard the Company's ability to continue as a going concern. 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 all components of equity plus loans from group companies with no fixed terms of repayment, less unaccrued proposed dividends. On this basis the amount of capital employed at 31 March 2015 was $495,699,370 (2014: $510,410,828).

The Company's capital structure is regularly reviewed and managed with due regard to the capital management practices of the larger group to which the Company belongs. Adjustments are made to the capital structure in light of changes in economic conditions affecting the Company, to the extent that these do not conflict with the directors' fiduciary duties towards the Company or the requirements of the Hong Kong Companies Ordinance.

As a licensed corporation registered under the Hong Kong Securities and Futures Ordinance, the Company is also subject to the capital requirements of the Hong Kong Securities and Futures (Financial Resources) Rules ("FRR"). The minimum paid-up share capital requirement is HK$10,000,000 and the minimum liquid capital requirement is the higher of HK$3,000,000 and the variable required liquid capital as defined in the FRR. The Company monitors its compliance with the requirements of the FRR on a daily basis. The Company complied with the requirements of the FRR at all times during the year.

The Company is also an issuer of the Hong Kong listed structured products, it is required to maintain minimum of shareholders' equity of HK$2,000,000,000 according to the Main Board Listing Rules under The Stock Exchange of Hong Kong Limited. The Company complied with this requirement at all times during the current and prior years.

21 Reserves

(a) General reserve

The general reserve was established in accordance with the Hong Kong Banking Ordinance when the Company was a restricted license bank.

(b) Investment revaluation reserve

The investment revaluation reserve comprises the cumulative change in fair value of the available-for-sale securities held at the end of the reporting period and is dealt with in accordance with the accounting policies in note 2(d).

22 Balances with group companies

The following balances with the ultimate holding and fellow subsidiary companies are included in the indicated statement of financial position captions in addition to those balances with group companies indicated elsewhere in these financial statements:

	2015	*2014*
Accounts receivable	$ 519,074,555	$ 513,933,996
Other receivables and prepayments	19,473,901	5,519,093
Accounts payable	(694,176,728)	(608,829,628)
Accruals and other payables	(4,625,514)	(1,185,736)

23 Derivatives

The major derivative financial instruments traded by the Company are equity derivative contracts which are over-the-counter and exchange-traded derivative contracts. For financial reporting purposes, all derivative instruments are classified as held for trading.

	2015		*2014*	
Fair value of derivatives	*Assets*	*Liabilities*	*Assets*	*Liabilities*
Equity derivatives	$ 50,698,181	$ 50,698,181	$ 15,676,094	$ 15,676,094
Foreign Exchange derivatives	208,809	29,251	-	-
	50,906,990	50,727,432	15,676,094	15,676,094

24 Financial risk management and fair values of financial instruments

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Company's business. These risks are limited by the Company's financial management policies and practices described below:

(a) Credit risk

The Company's credit risk is primarily attributable to accounts receivable from clients, brokers and clearing houses. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of accounts receivable due from clients, individual credit evaluations are performed on all clients. Receivables arising from unsettled stock broking transactions are due on the settlement date commonly adopted by the relevant market convention, which is usually within few days from the trade date. Because of the short settlement period involved, credit risk relating to such accounts receivable is considered small.

In respect of accounts receivable from brokers and clearing houses, credit risk is considered low as the Company normally enters into transactions with brokers and clearing houses which are registered with regulatory bodies and with sound reputation in the industry.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

24 Financial risk management and fair values of financial instruments (continued)

(b) Liquidity risk

The Company maintains sufficient reserves of cash and adequate committed lines of funding from reputable financial institutions and from other group companies to meet its liquidity requirements in the short and longer term.

The following table shows the remaining contractual maturities at the end of the reporting period of the Company's financial liabilities. These are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or if floating, based on rates current at the end of the reporting period), except for the financial liabilities at fair value through profit or loss which are part of the trading portfolio and are short term in nature, the Company's financial liabilities at the end of the reporting period are analysed by the remaining contractual maturities in the following table:

	2015				*2014*			
	Carrying amount	*Total contractual undiscounted cash flow*	*Within 1 year*	*More than 1 year but less than 5 years*	*Carrying amount*	*Total contractual undiscounted cash flow*	*Within 1 year*	*More than 1 year but less than 5 years*
Amount due to a fellow subsidiary	$ -	$ -	$ -	$ -	$ 38,903,001	$ 38,903,001	$ 38,903,001	$ -
Accounts payable	1,225,549,687	1,225,549,687	1,225,549,687	-	1,130,650,591	1,130,650,591	1,130,650,591	-
Accruals and other payables	65,272,358	65,272,358	61,698,683	3,573,675	58,182,413	58,182,413	55,843,731	2,338,682
	$ 1,290,822,045	$ 1,290,822,045	$ 1,287,248,370	$ 3,573,675	$ 1,227,736,005	$ 1,227,736,005	$ 1,225,397,323	$ 2,338,682

24 Financial risk management and fair values of financial instruments (continued)

(c) Interest rate risk

The majority of the Company's financial assets and liabilities are non-interest bearing. Interest bearing assets include deposits at bank and reverse repurchase contracts. Interest bearing liabilities include short-term loans borrowed from a fellow subsidiary. All these assets and liabilities mature in short term. As a result, the Company is subject to limited exposure to interest rate risk due to fluctuations in the prevailing levels of market interest rates.

The following table details the interest rate profile of the Company's interest bearing assets and liabilities at the end of the reporting period:

	2015		*2014*	
	Effective interest rate	*Amount*	*Effective interest rate*	*Amount*
Assets				
Deposits at bank	0.60%	$ 411,331,183	0.45%	$ 459,019,250
Reverse repurchase contracts	-	-	0.81%	38,946,641
Liabilities				
Short-term loan	-	-	0.38%	(38,903,001)
Total net interest bearing assets		$ 411,331,183		$ 459,062,890

At 31 March 2015, it is estimated that a general increase/decrease of 0.2% (2014: 0.2%) in interest rates, with all other variables held constant, would have decreased/increased the Company's loss before tax and accumulated losses by approximately $822,000 (2014: $918,000).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for the above financial instruments in existence at that date. The impact on the Company's loss before tax is estimated as an annualised impact on interest income or expense of such a change in interest rates. The analysis is performed on the same basis for 2014.

24 Financial risk management and fair values of financial instruments (continued)

(d) Foreign currency risk

The Company is exposed to foreign currency risk primarily through its agency brokerage transactions that are denominated in currencies other than the functional currency of the operations to which they relate.

At 31 March 2015, the Company had the following major net assets denominated in foreign currencies:

	2015	*2014*
Net assets in Japanese Yen	$ 41,908,167	$ 10,042,887
Net assets in Hong Kong dollar	34,786,486	45,726,770

The Company ensures that the net exposure to foreign currencies is kept to an acceptable level by buying or selling foreign currencies at spot or forward rates from time to time.

At the end of the reporting period, the Company had the following major outstanding commitment to buy or sell foreign currencies.

	2015		*2014*	
	Buy	*Sell*	*Buy*	*Sell*
Commitment to buy/(sell) Japanese Yen	$ 33,286,178	$(74,893,900)	$ 9,716,192	$(19,432,384)
Commitment to buy/(sell) Hong Kong dollar	-	$(34,013,814)	-	$(45,014,752)
Commitment to buy/(sell) Singapore dollar	$ 981,297	$ (1,015,936)	-	-

As shown in the above analysis, the net foreign exchange exposure is not significant to the Company. The management does not expect there will be significant impact to the loss before tax and accumulated losses in respect of reasonably possible change in the exchange rates at the end of the reporting period.

(e) Equity price risk

The Company held short positions in derivative financial instruments of $50,698,181 (2014: $15,676,094) (note 23). It also held long positions in derivative financial instruments of $50,698,181 (2014: $15,676,094) (note 23) by entering into back-to-back transactions with its fellow subsidiary on these corresponding short positions. Therefore, the equity price risk on these derivative financial instruments is considered to be fully hedged.

24 Financial risk management and fair values of financial instruments (continued)

(f) Fair value measurement

Financial instruments measured at fair value

Fair value hierarchy

HKFRS 13, *Fair value measurement* categorises fair value measurements into a three-level hierarchy. The level into which fair value is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date

- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available

- Level 3 valuations: Fair value measured using significant unobservable inputs

	Fair value at 31 March 2015	*Fair value measurements as at 31 March 2015 categorised into*		
		Level 1	*Level 2*	*Level 3*
Recurring fair value measurement				
Assets				
Available-for-sale				
- Club debentures	$ 2,794,179	$ -	$ 2,794,179	$ -
Financial assets at fair value through profit or loss	50,907,800	208,809	50,698,991	-
	$ 53,701,979	$ 208,809	$ 53,493,170	$ -
Liabilities				
Financial liabilities at fair value through profit or loss	$ (50,727,432)	$ (16,724)	$ (50,710,708)	$ -

24 Financial risk management and fair values of financial instruments (continued)

(f) Fair value measurement (continued)

Financial instruments measured at fair value (continued)

Fair value hierarchy (continued)

	Fair value at 31 March 2014	*Fair value measurements as at 31 March 2014 categorised into*		
		Level 1	*Level 2*	*Level 3*
Recurring fair value measurement				
Assets				
Available-for-sale				
- Club debentures	$ 3,017,287	$ -	$ 3,017,287	$ -
Financial assets at fair value through profit or loss	15,676,914	820	15,676,094	-
	$ 18,694,201	$ 820	$ 18,693,381	$ -
Liabilities				
Financial liabilities at fair value through profit or loss	$ (15,676,094)	$ -	$ (15,676,094)	$ -

During the years ended 31 March 2014 and 2015, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Company's policy is to recognise transfers between levels of fair value hierarchy when they occur.

Valuation techniques and inputs used in Level 2 fair value measurements

For financial instruments that are not traded in the active markets, the Company determines fair values using valuation techniques. Valuation techniques include net present value and discounted cash flow models and various market widely recognised option pricing models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, equity prices, foreign currency exchange rates, index prices, and historical or implied volatilities. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date that would have been determined by market participants acting at arm's length.

24 Financial risk management and fair values of financial instruments (continued)

(f) *Fair value measurement (continued)*

Valuation techniques and inputs used in Level 2 fair value measurements (continued)

The fair value of available-for-sale financial assets is determined based on quotes from brokers or alternative pricing sources supported by observable inputs, either directly or indirectly.

(g) *Offsetting financial assets and financial liabilities*

The Company has entered into transactions subject to an enforceable master netting arrangement or similar agreement with a counterparty. The gross amounts of recognised accounts receivable from and accounts payable to the counterparty and the net balances as shown in the statement of financial position are disclosed as follows:

Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements

	Gross amounts of recognised financial assets	*Gross amounts of recognised financial liabilities set off in the statement of financial position*	*Net amounts of financial assets presented in the statement of financial position*	*Related amounts not set off in the statement of financial position*		
				Financial instruments	*Cash collateral*	*Net Amount*
As at 31 March 2015						
Accounts receivable	$ 105,481,518	$ (86,796,983)	$ 18,684,535	$ (7,139,486)	$ (3,540,160)	$ 8,004,889
As at 31 March 2014						
Accounts receivable	$ 49,857,266	$ (47,241,728)	$ 2,615,538	$ -	$ (2,615,538)	$ -

Financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements

	Gross amounts of recognised financial liabilities	*Gross amounts of recognised financial assets set off in the statement of financial position*	*Net amounts of financial liabilities presented in the statement of financial position*	*Related amounts not set off in the statement of financial position*		
				Financial instruments	*Cash collateral*	*Net Amount*
As at 31 March 2015						
Accounts payable	$ 97,476,629	$ (86,796,983)	$ 10,679,646	$ (7,139,486)	$ (3,540,160)	$ -
As at 31 March 2014						
Accounts payable	$ 82,743,617	$ (47,241,728)	$ 35,501,889	$ -	$ (2,615,538)	$ 32,886,351

24 Financial risk management and fair values of financial instruments (continued)

(g) *Offsetting financial assets and financial liabilities (continued)*

The tables below reconcile the "net amounts of financial assets and financial liabilities presented in the statement of position", as set out above, to the accounts receivable and accounts payable presented in the statement of financial position.

	2015	*2014*
Net amount of financial assets after offsetting as stated above	$ 18,684,535	$ 2,615,538
Financial assets not in scope of offsetting disclosure	1,254,116,325	1,127,767,082
	$ 1,272,800,860	$ 1,130,382,620
Net amount of financial liabilities after offsetting as stated above	$ 10,679,646	$ 35,501,889
Financial liabilities not in scope of offsetting disclosure	1,214,870,041	1,095,148,702
	$ 1,225,549,687	$ 1,130,650,591

25 Material related party transactions

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Company entered into the following material related party transactions.

		2015		*2014*
Brokerage commission earned from fellow subsidiaries	$	6,778,743	$	4,539,766
Underwriting and selling commission earned from fellow subsidiaries		7,308,635		3,018,385
Rental income earned from fellow subsidiaries		2,753,620		2,951,183
Research fee income earned from fellow subsidiaries		8,691,859		8,187,358
Management fees income and services fees earned from fellow subsidiaries		36,118,911		33,180,665
Brokerage commission to fellow subsidiaries		(24,035,767)		(31,508,224)
Interest expenses to				
- a fellow subsidiary		(111,748)		(145,265)
- the ultimate holding company		-		(3,102,828)

26 Credit facilities

The Company has aggregate credit facilities provided by authorised institutions and group companies amounting to $278,691,000 (2014: $288,378,000) and $539,292,000 (2014: $1,011,621,000) respectively. Among these credit facilities, $195,811,000 (2014: $195,736,000) provided by authorised institutions and $499,292,000 (2014: $971,619,000) provided by a group company were shared with fellow subsidiaries in Hong Kong. The Company has not utilised any credit facility provided by authorised institutions and group companies as at 31 March 2015 but utilised $38,864,000 of the credit facilities provided by group companies as at 31 March 2014.

27 Commitments

In addition to the transactions and balances disclosed elsewhere in these financial statements, at 31 March 2015, the Company had the following commitments in the ordinary course of business:

(a) The total future minimum lease payments under non-cancellable operating leases are receivable as follows:

From fellow subsidiaries:	*2015*	*2014*
Within one year	$ 617,403	$ 642,078
After one year but within five years	1,782,498	1,599,944
	$ 2,399,901	$ 2,242,022
From others:		
Within one year	$ 1,808,392	$ 1,807,690
After one year but within five years	6,634,120	8,439,234
	$ 8,442,512	$ 10,246,924
	$ 10,842,413	$ 12,488,946

(b) The total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2015	*2014*
Within one year	$ 14,121,561	$ 13,095,940
After one year but within five years	34,476,000	44,540,430
	$ 48,597,561	$ 57,636,370

(c) Committed facilities under reverse repurchase agreements entered into with counterparties are as follows:

	2015	*2014*
Within one year	$ 142,215,187	$ 316,650,697

At 31 March 2015, the counterparties have not utilised any of the facilities.

28 Parent and ultimate holding company

The directors consider the immediate parent and ultimate holding company at 31 March 2015 to be Daiwa Capital Markets Asia Holding, B.V., which is incorporated in Netherlands, and Daiwa Securities Group Inc., which is incorporated in Japan respectively. Daiwa Securities Group Inc. produces financial statements available for public use.

29 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 March 2015

Up to the date of issue of these financial statements, the HKICPA has issued a few amendments and new standards which are not yet effective for the year ended 31 March 2015 and which have not been adopted in these financial statements. These include the following which may be relevant to the Company:

	Effective for accounting periods beginning on or after
Annual improvements to HKFRSs 2010-2012 cycle	1 July 2014
Annual improvements to HKFRSs 2011-2013 cycle	1 July 2014
Annual improvements to HKFRSs 2012-2014 cycle	1 January 2016
HKFRS 15, *Revenue from contracts with customers*	1 January 2017
HKFRS 9, *Financial instruments*	1 January 2018

The Company is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Company's results of operations and financial position.

PARTIES INVOLVED IN THE PROGRAMME

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