Joseph K. H. Ng & Co.
Certified Public Accountants
B06 7/F, The Grande Building, 398-402 Kwun Tong Road, Kwun Tong, Kowloon, Hong Kong. Tel:9286 2866 Fax:3172 6510

Independent auditor's report to the sole shareholder of IIFL Private Wealth Hong Kong Limited

(Incorporated in Hong Kong with limited liability)

Report on the Financial Statements

We have audited the financial statements of IIFL Private Wealth Hong Kong Limited set out on pages 6 to 19, which comprise the statement of financial position as at 31 March 2015, the statement of comprehensive income, statement of change in equity and statement of cash flow for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors 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 and to report our opinion solely to you, as a body, in accordance with section 80 of Schedule 11 to the Hong Kong Companies Ordinance (Cap.622), and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of the report.

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.

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.

Opinion

In our opinion, the financial statements give a true and fair view of the state of the company's affairs as at 31 March 2015 and of its profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and the Hong Kong Companies Ordinance.

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

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

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

Hong Kong, 22 APR 2015

Statement of comprehensive income for the year ended 31 March 2015

	Note	2015 HK$	2014 HK$
Turnover	3	4,800,000	640,000
Other income		95	25
Operating expenses		(2,341,199)	(2,279,589)
Profit/(loss) before tax	4	2,458,896	(1,639,564)
Income tax expense	6	---	---
Profit/(loss) for the year		2,458,896	(1,639,564)

The notes on pages 10 to 19 are part of these financial statements.

Statement of financial position as at 31 March 2015

	Notes	2015	2014
		HK$	HK$
Non-current assets			
Property, plant and equipment	7	237	426
Deposits		64,322	103,500
		64,559	103,926
Current assets			
Due from a fellow subsidiary	8	400,000	150,000
Due from a director	8	60,625	49,999
Deposits and prepaid expenses		109,482	40,822
Cash and cash equivalents		5,755,475	3,504,236
		6,325,582	3,745,057
Current liabilities			
Due to fellow subsidiaries	9	-	38,783
Accrued charges		174,000	52,955
		174,000	91,738
Net current assets		6,151,582	3,653,319
NET ASSETS		6,216,141	3,757,245
EQUITY			
Share capital	12	6,476,324	6,476,324
Accumulated losses		(260,183)	(2,719,079)
TOTAL EQUITY		6,216,141	3,757,245

Approved and authorised for issue by the board of directors on 22 APR 2015

A·N·Shah

Director

Director

The notes on pages 10 to 19 are part of these financial statements.

Statement of changes in equity as at 31 March 2015

	Notes	Share capital HK$	Accumulated losses HK$	Total HK$
At 1 April 2013		6,476,324	(1,079,515)	5,396,809
Loss for the year		-	(1,639,564)	(1,639,564)
At 31 March 2014		6,476,324	(2,719,079)	3,757,245
Profit for the year		-	2,458,896	2,458,896
At 31 March 2015		6,476,324	(260,183)	6,216,141

The notes on pages 10 to 19 are part of these financial statements.

Statement of cash flow for the year ended 31 March 2015

	2015	2014
	HK$	HK$
Cash flows from operating activities		
Profit/(loss) before tax	2,458,896	(1,639,564)
Adjustments for:		
- Interest received	(75)	(25)
- Depreciation of property, plant and equipment	189	190
Operating profit/(loss)before working capital changes	2,459,010	(1,639,399)
(Increase)/decrease in due from a fellow subsidiary	(250,000)	319,712
Increase in due from a director	(10,626)	(49,999)
Increase/(decrease) in due to a fellow subsidiary	(38,783)	38,783
(Increase)/decrease in deposits and prepayments	(29,482)	33,749
Increase in accrued charges	121,045	21,955
Net cash from/(used in) operating activities	2,251,164	(1,275,199)
Cash flows from investing activities		
Interest received	75	25
Net cash from investing activities	75	25
Net increase/(decrease) in cash and cash equivalents	2,251,239	(1,275,174)
Cash and cash equivalents at beginning of the year	3,504,236	4,779,410
Cash and cash equivalents at end of the year	5,755,475	3,504,236
Analysis of cash and cash equivalents		
Bank balances	5,755,475	3,504,236

The notes on pages 10 to 19 are part of these financial statements.

Notes to financial statements for the year ended 31 March 2015

1. General information

IIFL Private Wealth Hong Kong Limited is a limited liability company incorporated in Hong Kong. The address of its registered office is located at Suite 2105, Level 21, The Center, 99 Queen's Road Central, Hong Kong. Its principal activities are advising clients in securities and referring clients to fund managers. The functional and presentation currencies of the financial statements are Hong Kong dollars.

2. Basis of preparation and accounting policies

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

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

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

The Institute has issued certain new/revised HKFRSs during the current year that are available for early adoption. Of these, the company has early adopted HKFRS 9 "Financial Instruments". Adoption of these HKFRSs does not have any financial impact of the amount reported and the presentation and disclosure in the financial statements.

The Institute has issued certain new/revised HKFRSs after 31March 2014 and up to the date of approval of the financial statements. The company anticipates that application of the revised HKFRS will have no significant impact on the results and the financial position of the company.

2. Basis of preparation and accounting policies(continued)

b. Property, plant and equipment

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

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

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

b. Operating leases

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

c. Financial instruments

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

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

2. Basis of preparation and accounting policies (continued)

c. Financial instruments (continued)

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

d. Impairment of financial assets

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

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

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

e. De-recognition of financial assets and liabilities

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

Financial liabilities are derecognized when they are extinguished, i.e. when the obligation is discharged, cancelled or expires.

f. Cash and cash equivalents

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

2. Basis of preparation and accounting policies (continued)

g. Income tax

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

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

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

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

h. Employee benefit obligations

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

2. Basis of preparation and accounting policies (continued)

i. Related parties

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

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

(a) has control or joint control over the company;

(b) has significant influence over the company; or

(c) is a member of the key management personnel of the company or of a parent of the company.

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

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

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

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

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

(e) The entity is a post-employment benefit plan for the benefit of employees of either the company or an entity related to the company. If the company is itself such a plan, the sponsoring employers are also related to the company.

(f) The entity is controlled or jointly controlled by a person identified in (i).

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

j. Revenue recognition

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

i) One-time set up fee income

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

ii) Referral fee income

Referral fee income is recognised when the clients open accounts and start investing in the fund.

iii) Interest income

Interest income is recognised using the effective interest method.

k. Foreign currency translation

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

2. Basis of preparation and accounting policies (continued)

k. Foreign currency translation (continued)

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

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

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

3. Turnover

	2015	2014
	HK$	HK$
Referral fees income	4,800,000	640,000

4. Profit/(loss) before tax

Profit/(loss) before tax is arrived at after charging:

	2015	2014
	HK$	HK$
Auditors' remuneration	36,000	32,500
Depreciation of property, plant and equipment	189	190
Office rent	219,096	328,679
Staff costs (excluding directors' remuneration)		
- Salaries	---	239,343
- Staff welfare	31,164	2,524
- MPF contributions	13,000	10,000
	44,164	251,867

5. Directors' remuneration

Director's remuneration disclosed pursuant to the section 4 of Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap.622G) and section 161 of predecessor Companies Ordinance (Cap.32) is as follows:

	2015	2014
	HK$	HK$
Fees	-	-
Other emoluments	1,594,267	1,329,310
MPF contribution	13,000	15,000
Benefits in kind	-	95,889
	1,607,267	1,440,199

6. Income tax expense

Hong Kong profits tax is not provided as the company has utilised its tax loss of previous years to offset assessable profits earned during the year.

7. Property, plant and equipment

Office equipment

	2015	2014
	HK$	HK$
Cost:		
At beginning and end of the year	948	948
Accumulated depreciation:		
At beginning of the year	522	332
Charge for the year	189	190
At end of the year	711	522
Net carrying amount:		
At end of the year	237	426

8. Due from a fellow subsidiary/director

	Highest balance during the year HK$	2015 HK$	2014 HK$
IIFL Private Wealth Mauritius Limited	800,000	400,000	150,000
Rakesh Asrani	80,833	60,625	-
Rodrigues Diago	49,999	-	49,999

The amount due are unsecured, non-interest bearing and repayable on demand.

9. Due to a fellow subsidiary

The amount due is unsecured, non-interest bearing and repayable on demand.

10. Financial instruments by category

	2015 HK$	2014 HK$
Financial assets at amortized cost:		
Due from a fellow subsidiary	400,000	150,000
Due from a director	60,625	49,999
Cash and cash equivalents	5,755,475	3,504,236
	6,216,100	3,704,235
Financial liabilities at amortized cost:		
Due to a fellow subsidiary	-	38,783
Accrued charges	174,000	52,955
	174,000	91,738

Amount due from a fellow subsidiary was neither past due nor impaired and are repayable on demand. Cash and cash equivalents comprise bank balances at savings account and current account.

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

	2015	2014
	HK$	HK$
Within 30 days	36,000	91,738
Within 90 days	138,000	

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

11. Financial risk management

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

(a) Interest rate risk

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

(b) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The company have designed their credit policies with an objective to minimize their exposure to credit risk. Referral income are derived from a fellow subsidiary, the directors considered that there is no question of credit risk.

The company's surplus cash has been deposited with a reputable and creditworthy bank. Directors consider there is minimal risk associated with the bank balances.

(c) Liquidity risk

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

(d) Foreign exchange risk

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

12. Share capital

	2015	2014
	HK$	HK$
Authorised, issued and fully paid:		
Ordinary shares at HK$1 each	6,476,324	6,476,324

13. Capital management

The company's objectives when managing capital are:

(a) to safeguard the company's ability to continue as a going concern to enable its obligations under the Securities and Futures Ordinance and the Companies Ordinance are fulfilled; and

(b) to provide capital for the purpose of strengthening the company's operational efficiency.

The company regularly reviews and manages its capital to ensure adequacy for both operational and capital needs. The share capital and reserves are increased and maintained to ensure sufficient financial resources are available to fulfill the Financial Resources Rules and company's working capital requirement.

14. Related party transactions

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

	2015	2014
	HK$	HK$
Referral fee income from a fellow subsidiary	4,800,000	640,000
Manpower support fee paid to a fellow subsidiary	38,896	38,783

All the transactions with related party were negotiated at arm-length basis and in accordance with common commercial terms in the same manner as other external customers.

15. Ultimate holding company and immediate holding company

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

16. Comparative Figures

Certain comparative figures are adjusted to conform with current year presentation.