Annual Report 2007

Quam Limited

(Incorporated in Bermuda with limited liability)

Stock Code: 952

QUAM VISION

As a financial services group active in both capital markets and wealth management, we strive to offer you, our corporate and individual clients, the best advice for your successful business and investment decisions.

KEY PERFORMANCE INDICATORS AND OBJECTIVES FOR THE YEAR AHEAD

1. **Revenue Growth.** Our target is to grow turnover by over 50%.

2. **Dividend Policy.** We will endeavor to maintain a dividend payout policy of 33% of net profits.

3. **Geographical Diversification.** We plan to diversify our revenues to achieve 60% from the Greater China region, 15% from ASEAN countries, 10% from Japan, 10% from the Middle East and 5% from other markets.

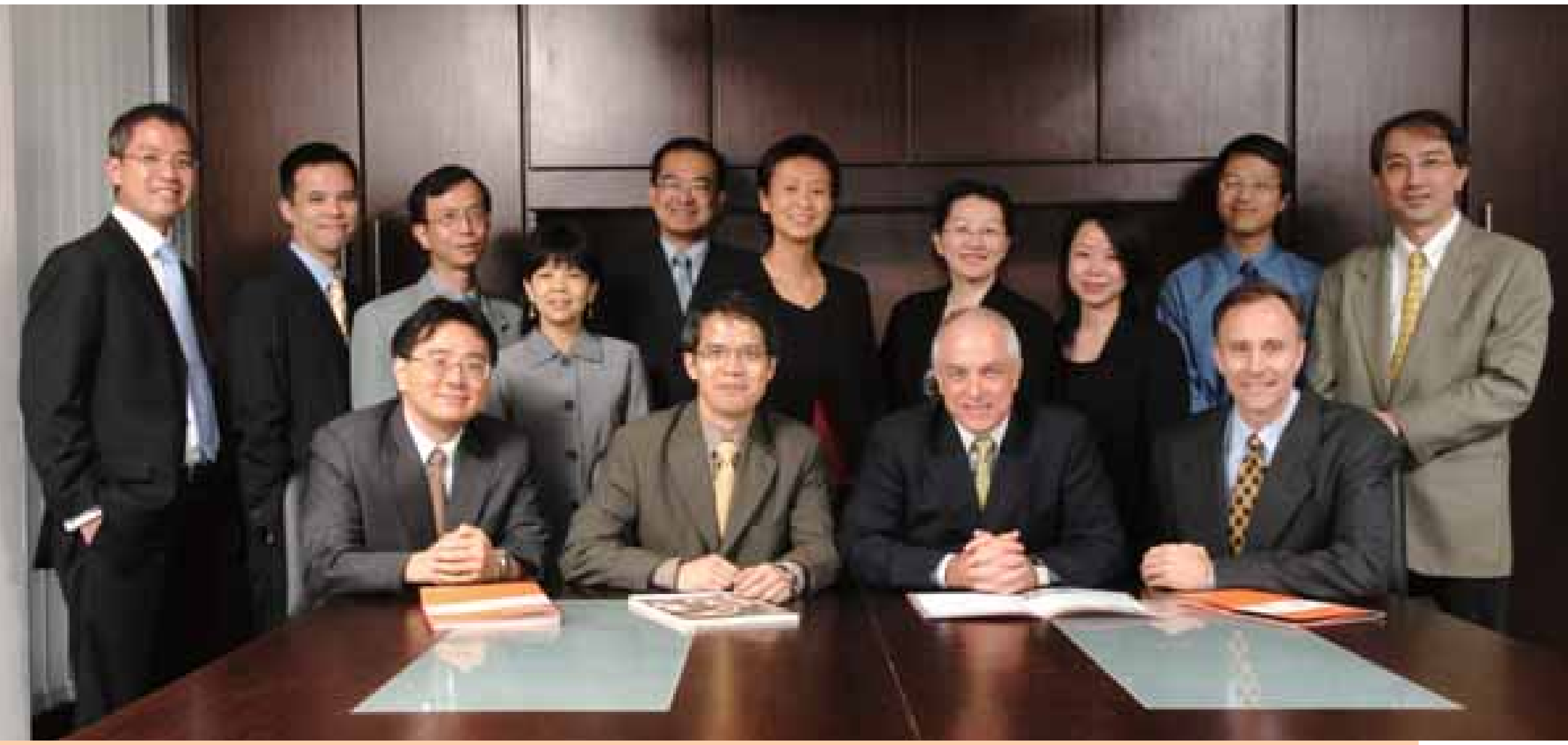
4. **Quamnet.** We will comprehensively revamp our services and technology with an aim to double our registered members to over 200,000 and increase page views to over 2 million per business day.

5. **Market Recognition.** We will grow our business and adopt an effective investor relations program to reach our goal of a market capitalisation exceeding HK$800 million.

6. **Corporate Social Responsibility.** In the coming year we will perform an energy audit on our operations and take measurable steps to reduce our use of energy and other resources.

CONTENTS

Our



Applying deep industry knowledge to establish new businesses within the Group

利用完備的行業知識為集團建立新業務

The senior teams at Quamnet, Quam Asset Management and Quam Wealth Management have an average of more than 15 years' experience in their respective financial services.

華富財經、華富嘉洛資產管理及華富嘉洛財富管理高層人員擁有平均超過 15 年的相關財經服務經驗。

Team

Knowledge, experience, and wisdom combine to deliver quality corporate financial advisory and investment services

集知識、經驗、智慧於一身，為客戶提供優質的企業財經顧問及投資服務

The senior teams at Quam Securities and Quam Capital have an average of over 20 years' experience in the financial services industry.
華富嘉洛證券及華富嘉洛企業融資高層人員擁有平均超過 20 年的財經服務經驗。

Corporate Information

Board of Directors

Executive Directors
Mr. Bernard Pouliot *(Chairman)*
Mr. Kenneth Lam Kin Hing *(Deputy Chairman)*
Mr. Richard David Winter *(Deputy Chairman)*

Independent Non-executive Directors
Mr. Gordon Kwong Che Keung
Mr. Jeremy King
Dr. Tian Yuan
Mr. Ip Shing Hing, J.P.

Audit Committee
Members:
Mr. Gordon Kwong Che Keung *(chairman)*
Mr. Jeremy King
Mr. Ip Shing Hing, J.P.

Remuneration Committee
Members:
Mr. Jeremy King *(chairman)*
Mr. Gordon Kwong Che Keung
Mr. Ip Shing Hing, J.P.
Mr. Richard David Winter

Company Secretary
Mr. Kevin Sew Hoy

Qualified Accountant
Mr. Kevin Sew Hoy

Registered Office
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head Office and Principal Place of Business
Room 1005-1008, 10th Floor
Man Yee Building
68 Des Voeux Road Central
Hong Kong

Auditors
Grant Thornton
Certified Public Accountants
13th Floor, Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong

Hong Kong Legal Advisers
Kirkpatrick & Lockhart Preston Gates Ellis, Solicitors
35th Floor
Two International Finance Centre
8 Finance Street
Central
Hong Kong

Charltons
10th Floor
Hutchison House
10 Harcourt Road
Central
Hong Kong

Bermuda Legal Adviser
Conyers Dill & Pearman
2901 One Exchange Square
8 Connaught Place
Central
Hong Kong

Principal Share Registrar and Transfer Office
The Bank of Bermuda Limited
Bank of Bermuda Building
6 Front Street
Hamilton HM 11
Bermuda

Hong Kong Branch Share Registrar and Transfer Office
Tengis Limited
26th Floor
Tesbury Centre
28 Queen's Road East
Hong Kong

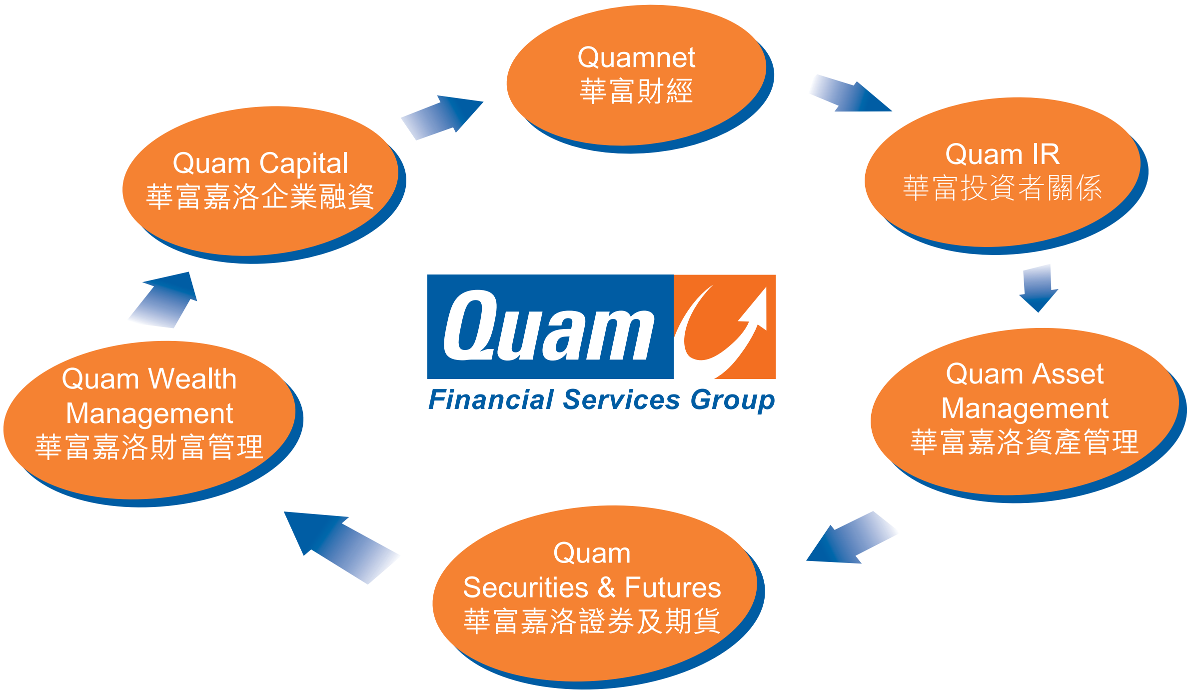
Principal Bankers
Standard Chartered Bank (Hong Kong) Limited
Standard Bank Asia Limited
The Hongkong and Shanghai Banking Corporation Limited
CITIC Ka Wah Bank Limited
The Bank of East Asia, Limited

Stock Code
952

Group Websites
www.quamlimited.com
www.quamcapital.com.hk
www.quamsecurities.com
www.quamnet.com
www.quamnet.com.cn
www.quamir.com
www.quamwealth.com

Investor Relations
Quam IR
Room 1008, 10th Floor
Man Yee Building
68 Des Voeux Road Central
Hong Kong

Overall Business



One network, one partner - focused on YOU

為您提供一站式全面金融服務

Working for your financial success

您的最佳財務助手

WE CARE for your wealth

助您建立財富

Corporate Social Responsibility

At Quam Group, we are dedicated to playing an active and caring role in our industry and in our community. We also believe that we have a responsibility to protect the environment for ourselves, our children and future generations.

We encourage individuals at all levels in our organization to be an active participant in the community to provide support to causes that are important to Hong Kong and helping those in need. In the past year we have been involved in Living Islands Movement that seeks to encourage sustainable development of Hong Kong's island environment. Our management and staff also support a variety of charitable organizations in Hong Kong, China and the region with time and contributions including Outward Bound where we sit on the Executive Committee, Mother's Choice and others.

At Quam Group, we believe we must contribute our expertise to play a proactive role in the continued growth and development of Hong Kong and its economy. We contribute our industry expertise to a variety of financial and statutory bodies including the Hong Kong Stock Exchange Listings Committee, the Securities and Futures Exchange Takeover Panel, the Hong Kong Securities Institute, Hong Kong Institute of Certified Public Accountants and the Institute of Securities Dealers. We also provide leadership or actively participate in a variety of Chambers of Commerce including the Hong Kong General Chamber of Commerce, the Canadian Chamber of Commerce, the American Chamber, the British Chamber, the New Zealand Chamber, and in industry associations including the Asian Digital Marketing Association.

Our belief that we are stewards of our environment for future generations has led us to become involved in a number of environmental protection organizations, including the WWF, where we are a corporate sponsor and our management serves on several committees. We are also taking the initiative this year to measure and reduce our carbon footprint as an organization. We plan to undertake an energy audit on our operations and take concrete steps to reduce our energy and other resource usage in the coming year. We will report back to our stakeholders our progress on this plan next year.

As a services business, our continued success depends on attracting, developing and retaining a talented and motivated team of professionals and staff. In order to provide excellent service to our clients and attractive career development opportunities to our staff, we monitor and ensure that every staff requiring a professional license has the opportunity to pursue continued professional development courses. We also provide continuing education subsidies for our staff to further develop their professional skills.

We also endeavor to share our professional expertise with the community. Our Quamnet equities researchers provide lectures on Value Investing principles in cooperation with Open University's Li Ka Shing Institute of Professional and Continuing Education, and our senior staff members are regular speakers at technical and professional functions including mergers and acquisitions seminars, regulatory update seminars and a wide range of business luncheon seminars.

Quam Securities

Bringing the world's financial markets to you through innovation, efficiency and integrity

華富嘉洛證券創新、可靠的服務，
讓您運籌帷幄，決勝於全球市場

Bringing you over 20 years of knowledge and experience in dealing for your financial needs.
累積二十年交易經驗與智慧，為您提供最適切服務。

Quam Capital

Unrivalled expertise in advising mid-cap businesses on corporate advisory, merger and acquisitions and private equity

華富嘉洛企業融資為中型市值客戶提供領先同儕的企業顧問、併購及私人基金顧問服務

We provide middle-market clients with a full range of corporate finance services.

華富嘉洛企業融資為中型市場的客戶提供全方位的企業融資服務。

Quam IR

Proactive strategies for building investor relations with your existing and potential stakeholders

為貴公司與現有股東及潛在投資者建立理想的投資者關係

With a team of financial communications specialists, we deliver coordinated, comprehensive online and offline investor relations solutions.
我們的專業財經傳訊隊伍，為客戶提供全面網上及傳統的投資者關係解決方案。

Quam Asset Management

Quality Picks, High Alpha, Disciplined Management

智選 · 高增長 · 優質管理

To generate high alpha to professional investors through our quality picks and disciplined management.

透過精心選股以及紀律嚴謹的管理，致力為專業投資者創造高回報。

Quam Wealth Management

Caring for your future
為您的未來綢繆

Through a team of wealth management professionals, we provide comprehensive financial services ranging from financial planning, wealth and investment management and risk protection to retirement planning.
由專業財富管理人員提供全方位理財服務，包括理財計劃、財富及投資管理、風險管理以至退休計劃。

Quamnet

Empowering investors with web-based financial news, information and comprehensive financial tools

為投資者提供網上財經訊息及各種財經工具

Through a network of information providers and in-house investment professionals, we provide online investors timely content and high-valued subscription services.

透過訊息供應商及內部投資專家，為網上投資者提供適時和高質素的訂閱服務。

Quam Research

Providing independent, insightful and actionable Hong Kong equity research reports to help retail and institutional investors make informed investment decisions

提供獨立、見解精闢並附有投資建議的香港股票研究報告，協助散戶及機構投資者作出精明決定

Remain a step ahead of the market by identifying undervalued stocks across 35 sectors through an independent team of Hong Kong equity experts.
早著先機。獨立的港股專家隊伍，致力在 35 個行業發掘估值偏低的股票。

Quam's Executive Directors

Quam's Executive Directors (from left)

Mr. Kenneth Lam, Deputy Chairman
Mr. Bernard Pouliot, Chairman
Mr. Richard Winter, Deputy Chairman

華富國際執行董事（由左至右）

副主席林建興先生
主席包利華先生
副主席魏永達先生

Chairman's Statement

On behalf of the board of directors of Quam Limited (the "Company"), I am pleased to present the annual report of the Company and its subsidiaries (the "Group") for the year ended 31 March 2007.

The financial year ended in March 2007, was full of happy developments and rewarding results with total revenues of HK$192 million (HK$104 million in 2006) and profits after tax of HK$33.0 million (HK$8.9 million in 2006) after taking into account a non cash expenditure of HK$4.2 million for share-based compensation expenses.

As mentioned in last year's report, our synergies are starting to bear fruit among our various units as well as our overseas affiliates. Furthermore, we have streamlined some operations such as the sale of our credit information and employee vetting business, Trust Plus, to a new pan-Asian entity called Verify Limited, where we hold a 25% stake.

We have added some components to our Group business with the establishment of Quam Wealth Management Limited which will drill deeper into our Group's data base and particularly among our 130,000 Quamnet customers by offering expanded financial products and services.

The bulk of revenues were generated by the Securities division which contributed significantly to the Group's revenues and net profit. We have expanded further our China reach with offices in Shenzhen, Shanghai and now under application, Shenyang. Our business has consolidated with a broader reach covering Hong Kong equity, regional equity, global future sales, and particularly an institutional sales force for greater placement capability. The regional footprint has also created brokerage opportunities between Hong Kong, Dubai, Bangkok and Tokyo. We are looking to participate or increase our shareholding in some of these entities, as they become more established. For instance, Capital Partners Securities Limited in Tokyo, placed close to US$250 million of a Vietnam Fund and US$84 million of a Kazhastan Fund, while McMillen Advantage Capital in Dubai, advised the sale of a Thai based listed property company to Middle-East interests. We have continued to work closely on the brokerage front with Seamico Securities in Bangkok and intend to expand that relationship. We expect further progress from these affiliates in the current year.

The Corporate Finance division had an impressive year with much more activity on merger and acquisition service where a number of domestic and cross border transactions were concluded in the fields of food and beverage, toy manufacturing, logistics and water treatment. This has led in some circumstances to our Securities division being called in to assist with distribution, leading to incremental revenues. On the listed company and corporate advisory side, the division was also very active, with transactions ranging from takeovers, privatisation, and independent financial advisory work. Our membership of M&A International Inc. global alliance has been very beneficial to the business and deal referrals should continue to increase.

The Asset Management division is picking up steam with total assets under management now close to HK$500 million and supported by an impressive performance from the managers. We now manage two funds, Quam Greater China Fund (QGCF) and Quam Opportunity Fund (QOF). The Quam Value Fund was closed in May 2007 and after consolidating into the QGCF. Both have respectively enjoyed strong performance since launch in June 2005 and July 2005 respectively of 92% and 43%. The team has expanded to 10 people and now has a full capability ranging from investment research, trading, marketing, compliance and administration. More than five road shows were undertaken during the year including places such as London, Geneva, New York and Singapore. Subscription allocations from institutional investors has increased, we foresee further momentum for the year ahead. We are very positive and confident about this business and have ambitious targets for the coming year.

Chairman's Statement (Continued)

External revenues from the Quamnet website services were flat. However, over the course of the year we have reviewed in depth the operation and its delivery and have agreed to initiate a total revamp of both back-end and front-end aspects of the site. The site was starting to look old and tired and we felt it was time to integrate new technology and features, available in the market. Inspite of the overall slowdown, the subscription rate of our research products increased by 20% over the previous year while advertising and media sales decreased. In order to attract new traffic and attack comprehensively the China market, capital expenditure of close to HK$10 million have been earmarked to this project. We are confident of its future impact and should be able to start rolling out the new 'site' by October this year. Our alliances with SINA.com, Microsoft MSN Hong Kong and Google Inc. should benefit from this revamp.

Our affiliate, McMillen Advantage Capital (MAC) in Dubai was awarded, through its joint-venture, an overseas license to trade on the local stock market, Dubai Financial Market (DFM). In Hong Kong, we expanded our capital base with a placement of 30 million new shares at HK$0.80 each, and have enjoyed an increase in our market capitalisation from HK$77 million in March, 2006 to HK$291 million in March 2007. The share subdivision and bonus issue completed in 2006 and share placement helped the liquidity of our shares.

The year ahead of us will call for the following initiatives:

- Strengthen the I.T. teams to finalise the revamp of the website Quamnet.com and to mantain update features going forward
- Enhance greater financial and operational participation with our affiliates and alliance partners
- Continue expansion of our marketing offices in China
- Strengthen further our corporate governance/compliance regime with the addition of new recruits
- Continue to attract new talent while retaining our key managers in our highly competitive labour market, with the use of the Share Option Program

We continue to encourage our staff to be involved in professional associations, financial organisations and local community events. Currently we have directors and senior staff on representation bodies on the Stock Exchange of Hong Kong, Securities and Futures Commission, the Hong Kong Online Brokers Association, the Institute of Securities Dealers, Hong Kong Securities Institute, WWF Hong Kong, Outward Bound and Canadian/New Zealand/British Chambers of Commerce.

Finally, in order to further increase the liquidity of our shares, the Board has proposed a bonus issue of one bonus share for every five shares held and a subdivision of 2 existing issued and unissued shares into three shares while offering in addition a final cash dividend of HK$0.02 per share.

I would like to take this opportunity to thank all our staff, suppliers, bankers and shareholders who have remained confident and supportive of the Quam Group.

Bernard Pouliot
Chairman

Hong Kong, 5 July 2007

Management Discussion and Analysis

FINAL DIVIDEND

The Board has proposed a final dividend of HK2.00 cents per ordinary share (2006: Nil) for the year ended 31 March 2007 (period ended 30 September 2006: interim dividend declared of HK1.50 cents per ordinary share).

FINANCIAL REVIEW

The Group reports a profit of HK$33.0 million. (2006: HK$8.9 million). The Group's revenue for the year was HK$192.1 million (2006: HK$104.4 million) representing a significant increase of over 84 per cent over last year.

REVIEW OF OPERATIONS

The Group continued its financial improvement from the first half of the year where we reported interim profit of HK$12.8 million on revenue of HK$82.7 million. We continued to see a strong increase in turnover in our core operation of securities and futures dealing, as well as corporate finance advisory whilst benefiting from further growth in the asset management business. The website information and media business saw flat growth in revenues although subscription rates have increased. The credit service and employment screening business was merged in August with an entity associated with Hill & Associates and now represents a 25% holding in an expanded pan-Asian screening business named Verify Limited. Results so far have been very positive. We commenced our wealth management services in November 2006 and have been building and developing the base for this business. In March 2007, we completed a private placement of 30 million new shares of the Company raising approximately HK$24 million to bolster the working capital and support our growing margin loan portfolio.

SECURITIES AND FUTURES DEALING AND PLACEMENT

Securities and futures dealing commissions were HK$85.9 million (2006: HK$44.0 million), an increase of 95% over last year. It is a reflection of the strength of the current market and also our continued growth in new accounts for both retail and institutional clients. Placement fee income increased to HK$15.4 million (2006: HK$6.4 million) benefiting from good market conditions and expanded institutional team. Our futures dealing business continued to expand.

The margin lending portfolio at year end stood at HK$204.9 million (2006: HK$133.1 million). We continue to monitor and assess the impact of new rules for repledging of shares which the repledge limits shall further reduce in October 2007. We constantly review and monitor the efficient use of our capital and how to enhance our funding facilities for margin lending business.

Management Discussion and Analysis (Continued)

CORPORATE FINANCIAL ADVISORY SERVICES

Income from corporate financial advisory services was HK$26.1 million (2006: HK$12.6 million). Greater M & A activity and the completion of several major mandates during the year assisted in generating those results. Merger and acquisition interest in the Greater China region and our recent membership of M&A International Inc. continues to give us increased business visibility. Our financial advisory business continues to grow as our capabilities are recognised in the middle market.

ASSET MANAGEMENT

Asset management revenues were HK$18.8 million (2006: HK$4.7 million). Fees earned from managing an expanded asset base have grown significantly and together with performance fees, should provide a good recurring and stable income for the Group.

Total funds under management and advisory at year end was close to HK$500 million (2006: HK$250 million). Going forward, we expect further growth of asset under management as the team actively markets the funds locally and overseas either directly or through agents.

WEALTH MANAGEMENT WEBSITE

Increased revenue from the Quamnet website business was modest at HK$20.1 million (2006: HK$17.7 million). The subscriptions unit has experienced steady growth in its increase in both its subscriber base and its average ARPU (average revenue per user) per subscriber. Advertising and related media services revenue were flat and below expectations. However, revenues were earned out of provision of research services to the securities and corporate finance advisory division in support of their respective business growth.

Our average monthly ARPU now stands at HK$242 with currently over 6,000 paying subscribers. We continue to focus on extending our reach in China and have been successful in distributing our premium content on other major websites portals such as MSN Hong Kong and SINA.com. We have set aside considerable capital expenditure this coming year for website revamp and systems and hardware upgrade. We expect the first phase and re-launch of our website in October 2007.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's cash and bank balances and short-term deposits as at 31 March 2007 amount to approximately HK$62.4 million (2006: HK$21.5 million).

The Group generally finances its operations with internally generated cash flow and banking and short-term loan facilities provided by its principal bankers in Hong Kong and a short-term loan from a third party. As at 31 March 2007, the Group had available aggregate banking facilities of approximately HK$135 million which are secured by legal charges on certain securities owned by the Group or its margin and money lending clients. The Group had pledged HK$5.4 million of its investment securities to secure banking facilities as at 31 March 2007. As at 31 March 2007, approximately HK$24.5 million of these banking facilities were utilised. In addition, the Group also utilised short-term funding of HK$40 million from a third party which is unsecured and bears interest at 7.3% and matures on 31 July 2007.

Management Discussion and Analysis (Continued)

LIQUIDITY AND FINANCIAL RESOURCES (Continued)

The Group's gearing ratio, largely the result of the margin and money lending business and with the addition of IPO financing facilities, is 117.2% as at 31 March 2007 (2006: 63.8%). It should be noted that an IPO facility was utilised to the amount of HK$151.1 million at 31 March 2007 (2006: Nil) and was fully repaid on 2 April 2007.

PROSPECTS

We continue to be optimistic of our continued growth along with the continued strength of the Asian financial markets. Our derivative futures trading business is consolidating nicely and we see strong recurring base to this business. Securities trading and private placement continue to be generated by our institutional sales department. The asset management business continues to thrive and as its track record is noticed further contribution to the funds are expected. Our corporate financial advisory business has been very active and the membership of M & A International Inc. is adding additional benefit to our merger and acquisition services.

Quamnet is expanding its reach and has signed several key alliances including MSN Hong Kong and SINA.com. We have added to our business a specific wealth management sales team that will be drilling through our database to offer an array of financial wealth management services. We have strengthened the senior management with new appointments and have revamped our I.T. team. Capital expenditure has been earmarked for website and systems revamp and we are carefully monitoring this progress.

Office space and personnel continue to grow in line with our business expansion. We are cautious on both these aspects going forward. Our recent decision to take on additional office space at lower rent to house ancillary and back office operations should assist us in keeping low our costs.

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Bernard Pouliot, aged 55, is the Chairman of the Company and Managing Director of the Group. Mr. Pouliot is a responsible officer for Types 4 and 9 regulated activities for Quam Asset Management Limited, a responsible officer for Type 4 regulated activity for Quam (IA) Limited and a responsible officer for Type 9 regulated activity for Quam Securities Company Limited under the Securities and Futures Ordinance. Mr. Pouliot has more than 30 years of experience in investment, finance and corporate development. Previously to being chairman of Quam Limited, he was the group managing director of a Hong Kong listed company. Mr. Pouliot is currently a director of Seamico Securities Public Company Limited, a publicly listed company in Thailand. He is responsible for formulating the overall business strategy of the Group.

Mr. Kenneth Lam Kin Hing, aged 53, is the Deputy Chairman of the Company and the Managing Director of securities and futures businesses of the Group. Mr. Lam is a responsible officer for Types 1, 2, 4 and 9 regulated activities for Quam Securities Company Limited, a responsible officer for Types 4 and 9 regulated activities for Quam Asset Management Limited and a responsible officer for Type 6 regulated activity for Quam Capital Limited under the Securities and Futures Ordinance. Mr. Lam has worked for an international bank for 10 years as the head of its PRC and corporate banking operations. Mr. Lam has more than 25 years of experience in corporate finance and banking. He is currently a director of Seamico Securities Public Company Limited, a publicly listed company in Thailand, and has previously held directorship in other publicly listed company in Thailand. Mr. Lam is also an independent non-executive director of Hon Kwok Land Investment Company, Limited, a Hong Kong listed company, and vice-chairman of the Institute of Securities Dealers Limited.

Mr. Richard David Winter, aged 54, is the Deputy Chairman of the Company and Head of corporate finance business of the Group. He is also a member of the remuneration committee of the Company. Mr. Winter is a responsible officer for Type 6 regulated activity for Quam Capital Limited under the Securities and Futures Ordinance. Mr. Winter has extensive experience in the investment banking and corporate finance advisory field in Hong Kong. Mr. Winter was previously managing director of Deloitte & Touche Corporate Finance Limited and before that Standard Chartered Investment Banking. He received an Honours Degree in Commerce from Edinburgh University. He is a member of the Listing Committee of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), a member of the Securities and Futures Commission Takeovers and Mergers Panel, director of the Hong Kong Securities Institute, fellow of the Institute of Chartered Accountants in England and Wales and a member of the Hong Kong Institute of Certified Public Accountants where he is deputy chairman of the Corporate Finance Committee.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Gordon Kwong Che Keung, aged 57, has been an Independent Non-executive Director of the Company since September 2003. Mr. Kwong has also been serving as the chairman of the audit committee of the Company and a member of the remuneration committee of the Company. He is also an independent non-executive director of a number of companies listed on the Stock Exchange. From 1984 to 1998, Mr. Kwong was a partner of Pricewaterhouse and was a council member of the Stock Exchange from 1992-1997. He has a Bachelor of Social Science degree from the University of Hong Kong and is a fellow member of the Institute of Chartered Accountants in England and Wales.

Biographical Details of Directors and Senior Management (Continued)

INDEPENDENT NON-EXECUTIVE DIRECTORS (Continued)

Mr. Jeremy King, aged 44, was appointed as Independent Non-executive Director of the Company in October 2002. Mr. King is the chairman of the remuneration committee of the Company and a member of the audit committee of the Company. Mr. King graduated from Nottingham University with a Degree in Law, and has over 23 years of experience in financial services including broking, corporate finance and fund management. Mr. King is currently the chief executive officer of Seamico Knight Fund Management Securities Company Limited, and has previously held directorships in listed companies in Thailand.

Dr. Tian Yuan, aged 52, was appointed as Independent Non-executive Director of the Company in September 2006. Dr. Tian holds a Doctoral Degree from the Wuhan University. Dr. Tian is currently the chairman of China International Futures Company Limited and China Entrepreneurs Forum. Dr. Tian had been the consultant of the China Securities Regulatory Commission and the first chairman of China Futures Association as an initiator of derivatives market in China. Dr. Tian has extensive experience in securities market in China. Dr. Tian is the independent director of Yeland Group Company Limited, a company listed on the Shenzhen Stock Exchange.

Mr. Ip Shing Hing, J.P., aged 51, was appointed as Independent Non-executive Director of the Company in September 2006. Mr. Ip is also a member of both the audit committee and the remuneration committee of the Company. Mr. Ip holds a Bachelor of Laws Degree from the University of Hong Kong and a Master of Arts in Arbitration and Dispute Resolution from the City University of Hong Kong, has been a practising solicitor in Hong Kong for more than 20 years. Mr. Ip is an independent non-executive director of Far East Hotels and Entertainment Limited and China Construction Bank (Asia) Limited, and a member of the independent committees of Wah Sang Gas Holdings Limited.

SENIOR MANAGEMENT

Mr. Au Sing Hong, aged 53, is the Chief Executive of Quam Wealth Management Limited. Mr. Au graduated from the University of Hong Kong with a Bachelor of Science. Mr. Au has over 25 years of diversified experience in the life insurance industry in the Asia Pacific region gained by working as senior executive in several multinational insurance companies. He is an actuary by profession and has been a fellow of the Society of Actuaries since 1988.

Mr. Adrian Bradbury, aged 43, is the Director, Head of Mergers and Acquisitions and Private Equity and a responsible office for Type 6 regulated activity for Quam Capital Limited under the Securities and Futures Ordinance. Mr. Bradbury graduated from Manchester University with a Degree in Civil Engineering. Mr. Bradbury has been associated with Quam Capital Limited since 1999. Prior to this, he held posts as company secretary for a Hong Kong listed company, vice president of corporate finance for MBf, and in the investigations unit of Deloitte Touche Tohmatsu. Mr. Bradbury is a fellow member to the Institute of Chartered Accountants in England and Wales.

Mr. Henry Chan Chi Sheung, aged 40, is the Head of Research and a responsible officer for Type 4 regulated activity for Quam (IA) Limited under the Securities and Futures Ordinance. He leads the Quam Research team, which contributes research reports and investment advices to the investment research & advisory services provided by the Quamnet website.

Biographical Details of Directors and Senior Management (Continued)

SENIOR MANAGEMENT (Continued)

Ms. Cindy Chan Miu Wan, aged 52, is the General Manager of Quam Wealth Management Limited. Ms. Chan holds a Master Degree in Applied Finance from the University of Western Sydney. Ms. Chan has extensive experience in the corporate banking, insurance and IFA industries. She is an experienced Registered Financial Planner and is an associate member of the Institute of Financial Accountants and a certified risk trainer of the Institute of Crisis and Risk Management.

Ms. Katherine Chan Wai Kay, aged 48, is the Director of sales for securities and futures businesses of the Group. Ms. Chan has been involved in the securities and futures operations for over 10 years. Ms. Chan graduated from the University of Southern California with a Degree in Business Administration. Ms. Chan is sister-in-law of Mr. Bernard Pouliot.

Mr. Philip Choi Lai Sang, aged 45, is the Head of the Information Technology of Quamnet. Mr. Choi graduated from the University of Saskatchewan with a Bachelor of Science in Computer Science. He has more than 20 years of extensive experience in information technology industry.

Mr. Christopher Choy Kwong Wa, aged 43, is the Managing Director of Quam Asset Management Limited. He has more than 18 years of experience in the investment industry and over 8 years of experience in the alternative investment management field during which he has established a research team and directed the development of advanced computer systems for the evaluation and analysis of investments in the hedge fund industry. Mr. Choy is the author of the book "The Investment Techniques on Mutual Funds" in Chinese, and has lectured at The Chinese University of Hong Kong in a Personal Finance course. He holds a BA (Hons) Degree from the Loughborough University of Technology, and an MBA Degree from The University of East Asia.

Mr. Stephen Christopher Hill, aged 48, is the Head of the Institutional Business and a responsible officer for Types 1 and 4 regulated activities for Quam Securities Company Limited under the Securities and Futures Ordinance. Mr. Hill has over 25 years of experience in the Pan Asian securities business and has more recently been involved in private equity. He previously held positions as head of Asian sales at ING Barings, Nomura, Bear Stearns and was head of country sales at Jardine Fleming (Japan), Jardine Fleming Thailand, W.I. Carr Japan as well as being the country manager for Indosuez WICARR Thailand prior to joining the Group.

Mr. Howard Hsu, aged 35, is the Business Development Director of Quamnet. He manages the Subscriptions business of Quamnet and leads the sales, marketing and business operations. Mr. Hsu has extensive experience in business planning and development and worked in global market research and consulting firms. He graduated from Tufts University with a Bachelor of Science in Civil Engineering and is an executive member of the Hong Kong Institute of Marketing.

Mr. Christopher Straughan Justice, aged 46, is the Managing Director of Quam (H.K.) Limited. Mr. Justice graduated from the University of North Carolina with a Bachelor of Arts in Public Policy Analysis. He has diversified experience in finance and venture capital, strategy and business development as well as internet media start-up in Asia.

Biographical Details of Directors and Senior Management (Continued)

SENIOR MANAGEMENT (Continued)

Ms. Catherine Kuo, aged 44, is the Corporate and Institutional Development Director of Quamnet. Ms. Kuo holds a Master of Business Administration from the University Western Ontario, Canada and is a certified public accountant from the State of Illinois, the United States of America. Ms. Kuo has more than 15 years of experience in finance, and has experience in audit and treasury functions for a major accounting firm and merchant bank.

Mr. Vincent Lam Siu Yeung, aged 34, is the Director and a responsible officer for Types 4 and 9 regulated activities for Quam Asset Management Limited and also the Director and a responsible officer for Type 4 regulated activity for Quam (IA) Limited under the Securities and Futures Ordinance. He holds a Degree in Social Science (Economics) from the Chinese University of Hong Kong.

Mr. Kevin Sew Hoy, aged 40, is the Chief Financial Officer and Company Secretary to the Group. Mr. Sew Hoy has over 15 years of experience in audit, compliance and corporate secretarial services. Mr. Sew Hoy graduated from the University of Otago, NZ with a Degree in Commerce and further completed a Master of Business Administration from the University of South Australia. Mr. Sew Hoy is a member of the Institute of Chartered Accountants, New Zealand and a member of the Hong Kong Institute of Certified Public Accountants.

Mr. Franco Tong Sui Lun, aged 41, is the Director and a responsible officer for Types 1 and 2 regulated activities for Quam Securities Company Limited under the Securities and Futures Ordinance. He leads the Equity Capital Markets division. Mr. Tong has extensive experience in the financial industry. Mr. Tong graduated from University of Southern California with a Degree in Computer Science Engineering.

Ms. Karen Wong, aged 40, is the Director, Head of Corporate Finance Advisory and a responsible officer for Type 6 regulated activity for Quam Capital Limited under the Securities and Futures Ordinance. Ms. Wong graduated from the London School of Economics and Political Science with a Bachelor of Science Degree in Economics. Prior to joining Quam Capital Limited, Ms. Wong had worked for Deloitte & Touche Corporate Finance Limited, Standard Chartered Bank Investment Banking division, Standard Chartered Asia Limited and the Listing Division of the Stock Exchange.

Mr. Alexis Wong Lit Chor, aged 49, is the Director and a responsible officer for Types 1 and 4 regulated activities for Quam Securities Company Limited under the Securities and Futures Ordinance. Mr. Wong graduated from University of Toronto, Canada with a Degree of Arts in Economics and Commerce and has obtained a Master of Business Administration from the Chinese University of Hong Kong. Mr. Wong has over 20 years of banking, investment, corporate finance and securities dealing experience gained by working as a senior executive in a number of listed local and PRC financial services companies. He is also currently an independent non-executive director of a number of Hong Kong listed companies.

Directors' Report

The board of directors of the Company has pleasure in submitting their report and the audited financial statements of the Company and the Group for the year ended 31 March 2007.

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and securities trading. Details of the principal activities of the principal subsidiaries are set out in note 19 to the financial statements.

SEGMENT INFORMATION

An analysis of the Group's turnover and contribution to results by principal activities and geographical area of operations for the year ended 31 March 2007 is set out in note 7 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2007 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 48 to 121.

The board of directors has declared an interim dividend of HK1.50 cents per share (2006: Nil), totaling approximately HK$4.4 million (2006: Nil), which was fully paid on 22 January 2007.

The board of directors recommends the payment of a final dividend of HK2.00 cents per share (2006: Nil) to shareholders whose names appear on the register of members of the Company on 14 August 2007, totaling approximately HK$6.5 million (2006: Nil). Together with the interim dividend, total dividends for the year ended 31 March 2007 amounted to approximately HK$10.9 million (2006: Nil).

SHARE CAPITAL

On 21 July 2006, the Board recommended a bonus issue to the shareholders of the Company (except overseas shareholders) on the basis of one bonus share for every four shares of the Company. The recommendation was approved by the shareholders at the annual general meeting of the Company held on 18 September 2006. The bonus shares which rank pari passu in all respects with the ordinary shares of the Company were credited as fully paid by way of capitalisation of an amount of about HK$292,612 in the share premium account of the Company.

On 21 July 2006, the Board proposed that each of the existing issued and unissued shares of par value of HK$0.01 each in the share capital of the Company be subdivided into two shares of HK$0.005 each. Effective from 3 October 2006, each of the existing issued and unissued ordinary shares of par value of HK$0.01 each in the share capital of the Company was subdivided into two ordinary shares of HK$0.005 each.

Pursuant to a placing agreement dated 5 March 2007, the Company issued a total of 30,000,000 ordinary shares of HK$0.005 each at a price of HK$0.8 each in March 2007. The excess of the placement proceeds over the nominal value of share capital was credited as share premium. The Company has applied approximately HK$24 million of the proceeds raised for general working capital purpose.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and of the assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements and reclassified as appropriate, is set out on page 122. This summary does not form part of the financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Company and the Group during the year are set out in note 16 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of the movements in the Company's share capital and share options during the year, together with the reasons therefor, are set out in notes 33 and 34 to the financial statements, respectively.

PROPOSED BONUS ISSUE

The Directors have recommended a bonus issue of ordinary shares to the shareholders of the Company (except overseas shareholders) on the basis of one bonus share for every five shares of the Company registered in the name of such shareholder for approval by the shareholders at the forthcoming annual general meeting of the Company. The bonus shares will be allotted, issued and credited as fully paid by way of capitalisation of an amount standing to the credit of the share premium account of the Company. The bonus shares will rank pari passu in all respects with the ordinary shares of the Company. The Company will not allot any fractions of bonus shares.

PROPOSED SUBDIVISION OF SHARES

The Directors have proposed that every two existing issued and unissued shares of par value of HK$0.005 each in the share capital of the Company be subdivided into three ordinary shares of HK one third of one cent each.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

Directors' Report (Continued)

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

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

SHARE PREMIUM AND RESERVES

Details of the movements in the share premium and reserves of the Company and the Group during the year are set out in note 35 to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

As at 31 March 2007, the Company's reserves available for cash distribution and/or distribution in specie, comprising contributed surplus and retained profits, amounted to HK$89,778,000. In accordance with the Companies Act 1981 of Bermuda (as amended) the Company may not declare or pay a dividend or make a distribution out of contributed surplus unless it can satisfy the test as to solvency. In addition, the Company's share premium account, in the amount of HK$30,950,000, may be applied by the Company in paying up unissued shares of the Company to be issued to members of the Company as fully paid bonus shares.

CHARITABLE CONTRIBUTIONS

During the year, the Group made charitable contributions totalling HK$49,000.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, services provided to the Group's five largest customers accounted for 16% of the total turnover for the year of HK$192 million and services provided to the largest customer included therein amounted to 9%.

Services provided from the Group's five largest suppliers accounted for 24% of the total cost of services provided for the year and services provided from the largest supplier included therein amounted to 8%.

None of the directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or suppliers, save as to connected dealing services as mentioned, in continuing connected transactions, where a Director accounted for approximately 2% of the Company's total turnover for the year.

DIRECTORS

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

Executive Directors
Mr. Bernard Pouliot *(Chairman)*
Mr. Kenneth Lam Kin Hing *(Deputy Chairman)*
Mr. Richard David Winter *(Deputy Chairman)*

Independent Non-executive Directors
Mr. Gordon Kwong Che Keung
Mr. Jeremy King
Dr. Tian Yuan (appointed on 18 September 2006)
Mr. Ip Shing Hing, J.P. (appointed on 18 September 2006)

In accordance with bye-laws 86(2) and 87 of the Company's Bye-laws, Mr. Kenneth Lam Kin Hing, Mr. Richard David Winter and Mr. Jeremy King will retire by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

DIRECTORS' REMUNERATION

Directors' remuneration of the Company is set out in note 15 to the financial statements.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of directors of the Company and senior management of the Group are set out on pages 20 to 23 of this annual report.

DIRECTORS' SERVICE CONTRACTS

Each of Mr. Bernard Pouliot, Mr. Kenneth Lam Kin Hing and Mr. Richard David Winter has entered into a service contract with the Company dated 1 October 2005, 1 October 2005 and 17 September 2005, respectively, for a term of three years and shall continue thereafter unless and until terminated by either party giving not less than twelve months notice in writing.

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

Directors' Report (Continued)

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed under "Continuing Connected Transactions" in this report and note 41 to the financial statements, no director had a material interest in any contract of significance to the business of the Group subsisted at the end of the year or at any time during the year to which the Company or any of its subsidiaries was a party.

MANAGEMENT CONTRACTS

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

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 March 2007, the interests and short positions of the directors of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register kept by the Company under section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

Long Positions

	Number of ordinary shares of HK$0.005 each						
Name of directors	Personal interests	Family interests	Corporate interests	Total interests	Total interests as % of the issued share capital	Underlying shares (share options)	Total interests (including underlying shares) as % of the issued share capital
Mr. Bernard Pouliot	9,643,350	3,750,000 *(Note 1)*	84,849,114 *(Note 2)*	98,242,464	30.37%	8,750,000	33.08%
Mr. Kenneth Lam Kin Hing	27,175,776	–	50,687,024 *(Note 3)*	77,862,800	24.07%	8,750,000	26.78%
Mr. Richard David Winter	15,942,396	–	–	15,942,396	4.92%	8,750,000	7.63%

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (Continued)

Notes:

1. The family interests of Mr. Bernard Pouliot are held by his spouse, Ms. Chan Wai Yin, Elizabeth.

2. The corporate interests are held by Newer Challenge Holdings Limited and Porto Global Limited, the controlling shareholders of the Company, which are beneficially owned by Mr. Bernard Pouliot, Executive Director and Chairman of the Company.

3. The corporate interests are held by Olympia Asian Limited, a company beneficially owned by Mr. Kenneth Lam Kin Hing, Executive Director and Deputy Chairman of the Company.

In addition to the above, certain director has non-beneficial interests in certain subsidiaries held for the benefit of the Company or its subsidiaries.

All the interests stated above represent long positions. The percentage shown was the number of securities the relevant director of the Company was interested expressed as a percentage of the number of issued shares as at 31 March 2007.

Save as disclosed above, as at 31 March 2007, none of the directors of the Company or their respective associates had or were deemed under the SFO to have any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

The Company operates two share option schemes, which are employee share option scheme adopted on 4 September 1997 and terminated on 30 September 2002 (the "Old Scheme") and new share option scheme adopted on 30 September 2002 (the "New Scheme"), for the purposes of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Despite the fact that no further options may be granted under the Old Scheme, all other provisions shall remain in force to govern all the outstanding options previously granted.

Save as disclosed above and the Old Scheme and the New Scheme which are set out in note 34 to the financial statements, at no time during the year ended 31 March 2007 was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company or any of their spouses or children under eighteen years of age to acquire benefits by means of the acquisition of the shares in or debentures of the Company or any other body corporate.

Directors' Report (Continued)

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 March 2007, so far as are known to the directors of the Company, the following persons (other than the directors of the Company) who had interests and short positions in the shares, underlying shares and debentures of the Company as recorded in the register kept by the Company under section 336 of the SFO, or as otherwise notified to the Company, as being directly or indirectly interested or deemed to be interested in 5% or more of the issued share capital of the Company were as follows:

Long Positions

	Number of ordinary shares of HK$0.005 each	
Name of shareholders	**Corporate interests**	**Total interests as % of the issued share capital**
Olympia Asian Limited *(Note 1)*	50,687,024	15.67%
Newer Challenge Holdings Limited *(Note 2)*	52,153,124	16.12%
Porto Global Limited *(Note 2)*	32,695,990	10.10%

Notes:

1. Olympia Asian Limited is a company beneficially owned by Mr. Kenneth Lam Kin Hing, Executive Director and Deputy Chairman of the Company.

2. Newer Challenge Holdings Limited and Porto Global Limited are companies beneficially owned by Mr. Bernard Pouliot, Executive Director and Chairman of the Company.

All the interests stated above represent long positions. The percentage shown was the number of securities the relevant person was interested expressed as a percentage of the number of issued shares as at 31 March 2007.

Save as disclosed above, as at 31 March 2007, the Company had not been notified by any other person (other than the directors of the Company) who had interests or short positions in the shares or underlying shares of the Company which were required to be recorded in the register maintained by the Company under section 336 of the SFO.

CONTINUING CONNECTED TRANSACTIONS

During the year the following transactions were entered into by the Company's subsidiary and connected persons which are subject to the reporting and announcement requirements set out in rules 14A.45 to 14A.47 of the Listing Rules.

Financial Assistance

Details of financial assistance transaction are as follow:

Transaction date	The financial year commencing 1 April 2006 to 31 March 2007
Parties to the transactions	Quam Securities Company Limited and • Mr. Bernard Pouliot and his respective associates • Mr. Kenneth Lam Kin Hing and his respective associates • Other directors of the Company's subsidiaries and their respective associates
Transaction	Share margin financing
Total consideration and terms	Total annual aggregate interest charged to connected persons for the year amount to HK$693,000. The interest rate charged is at prime bank lending rate plus 3%. The margin facilities are secured by collateral securities and are repayable upon demand.
Nature and extent of connected person interests in the transactions	Pursuant to rule 14A.66(2) of the Listing Rules, financial assistance was granted to connected persons by way of share margin financing. During the year, the aggregate total value of assistance plus any preferential benefit to the connected persons were within the thresholds stipulated in accordance to rule 14A.66(2) of the Listing Rules and is less than HK$10 million.

The auditors of the Company confirmed that these continuing connected transactions for Financial Assistance (i) have been approved by the board of directors of the Company; (ii) are in accordance with the pricing policies of the Group; (iii) have been entered into in accordance with the terms of the relevant agreement governing the continuing connected transactions; and (iv) have not exceeded the cap disclosed in the announcement of the Company dated 1 December 2005.

CONTINUING CONNECTED TRANSACTIONS (Continued)

The independent non-executive directors of the Company have reviewed the continuing connected transactions for Financial Assistance as set out above and have confirmed that these continuing connected transactions have been entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or on terms no less favourable to the Group than terms available to independent third parties; and (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Connected Dealing Services

Details of the connected dealing services are as follows:

Transaction date	From 1 April 2006 to 31 March 2007
Parties to the transactions	Quam Securities Company Limited and • Mr. Bernard Pouliot and his respective associates • Mr. Kenneth Lam Kin Hing and his respective associates • Mr. Richard David Winter • Other directors of the Company and the Company's subsidiaries and their respective associates
Transaction	The securities dealing, future dealing and share margin financing arrangements.
Total consideration and terms	Total annual aggregate of connected dealing service fees to connected persons amount to HK$6,338,868. The transaction fees charged for the futures dealing services range between HK$12 to HK$400 dependant on the futures product being dealt. The Group charges securities services transaction fees of up to 1% of the consideration of the securities traded. The interest rate charged on share margin financing is at prime bank lending rate plus 3%.
Nature and extent of connected person(s) interests in the transactions	Connected dealing services are conducted in the ordinary and normal course of business of Quam Securities Company Limited.

CONTINUING CONNECTED TRANSACTIONS (Continued)

The independent non-executive directors of the Company have reviewed the continuing connected transactions for connected dealing services as set out above and have confirmed that these continuing connected transactions have been entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or on terms no less favourable to the Group than terms available to independent third parties; and (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company will make announcement for the continuing connected transaction for Connected Dealing Services. The Company will mandate the auditors to review the connected transactions for Connected Dealing Services to confirm the matters pursuant to Rule 14A.38 of the Listing Rules.

SUFFICIENCY OF PUBLIC FLOAT

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

CORPORATE GOVERNANCE

Details of compliance with the Code on Corporate Governance Practices of the Company are set out in the Corporate Governance Report on pages 34 to 45 of this annual report.

AUDIT COMMITTEE

Detailed information related to the audit committee is set out in the Corporate Governance Report on pages 38 to 39 of this annual report.

REMUNERATION COMMITTEE

Detailed information related to the remuneration committee is set out in the Corporate Governance Report on page 40 of this annual report.

AUDITORS

Messrs. Grant Thornton who retire from office and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting of the Company.

On behalf of the board

Bernard Pouliot
Chairman

Hong Kong, 5 July 2007

Corporate Governance Report

The Company is committed to maintaining high standards of corporate governance so as to ensure better transparency and safeguard the shareholders' interest in general. The board of directors (the "Directors" or "Board") works hard to ensure effective self-regulatory practices which include high caliber members, Board committees and sound internal control system.

CODE ON CORPORATE GOVERNANCE PRACTICES

In the Corporate Governance Report which was published in our Annual Report 2006 and the section of Corporate Governance Practices in Interim Report 2006, we reported that the Company had adopted the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") as its own code on corporate governance practices, save for the deviations specified and explained therein.

The Board believed that the Company has applied the principles and complied with the code provisions throughout the year ended 31 March 2007 (the "Year") and subsequent period up to the date of publication of this report except that:

1. The Company does not have any office with the title "Chief Executive Officer". Mr. Bernard Pouliot is the Chairman of the Company and the Group Managing Director. Mr. Bernard Pouliot has been the Chairman of the Company since 19 April 2000. In view of the current operation of the Group, the management considers that the current structure, the size of the Group and its resources, the experience of Mr. Bernard Pouliot in respect to financial services business and his wealth of experience with listed issuers and leadership, that it is currently most efficient to maintain this structure and therefore there is no imminent need to change this arrangement.

2. All the independent non-executive directors of the Company (collectively or individually the "INED"), except Mr. Esmond Quek Keng Liang, do not have a specific term of appointment. However, pursuant to the Company's Bye-laws that at each annual general meeting one-third of the directors for the time being shall retire from office by rotation, provided that every director shall be subject to retirement at least once every three years. Therefore, no director has an effective term of appointment longer than three years.

Mr. Esmond Quek Keng Liang resigned as the INED with effect from 13 September 2006 due to the completion of his term of office. At the annual general meeting of the Company held at 18 September 2006, Mr. Steven Kwan Ying Wai retired as the INED whereas both Dr. Tian Yuan and Mr. Ip Shing Hing, J.P. were appointed as the INED at such meeting.

The Company has established an audit committee for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee comprises three INED with the chairman having appropriate professional qualification or accounting or related financial management expertise as required by The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), namely Messrs. Gordon Kwong Che Keung (chairman), Jeremy King and Ip Shing Hing, J.P..

CODE ON CORPORATE GOVERNANCE PRACTICES (Continued)

The Company has established a remuneration committee for the purpose of reviewing and determining the framework or broad policy for remuneration packages of the directors and senior management of the Group, overseeing any major changes in employee benefit structures and considering other topics as defined by the Board. The remuneration committee comprises three INED, namely Messrs. Jeremy King (chairman), Gordon Kwong Che Keung and Ip Shing Hing, J.P. and an executive director of the Company, namely Mr. Richard David Winter. The executive directors are entitled to monthly salary and the INED are entitled to monthly directors' fee with reference to the prevailing market condition.

No Nomination Committee is established in view of the current business size of the Company. Currently, the Board is responsible for reviewing its composition, identifying and selecting suitable Board members, assessing independence of the INED, considering appointment or re-appointment of and succession planning for the directors of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules. Having made specific enquiry of all the directors of the Company, all of them confirmed that they have complied with the required standard set out in the Model Code and the code of conduct regarding securities transactions by directors adopted by the Company throughout the year ended 31 March 2007.

In addition, the Company also established written guidelines on terms no less exacting than the Model Code for relevant employees of the Company who are likely to be in possession of unpublished price-sensitive information in respect of their dealings in the securities of the Company.

BOARD OF DIRECTORS

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

The Board currently comprises three Executive Directors and four INED representing more than one-third of the Board. The Directors' biographies are available in the Company's website. The INED are highly experienced professionals and business people with a broad range of expertise and experience in areas such as accounting, finance, legal and business and one of them has appropriate professional qualification as required by the Stock Exchange. They participate in Board meetings to bring independent judgment on Company's strategy, performance and standards of conduct; take the lead where potential conflicts of interests arise; serve on Board committees; ensure that the Board maintains high standards of financial and other mandatory reporting; and provide adequate checks and balance to safeguard the interests of shareholders in general and the Company as a whole. The names of the INED are identified in all corporate communications that disclose the Directors' names.

Corporate Governance Report (Continued)

BOARD OF DIRECTORS (Continued)

The Company has received, from each INED, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of INED to be independent.

Throughout their period in office, the Directors were continually updated on the Group's business and regulatory environments in which it operates and other changes affecting the Group and the industry it operates in as a whole. They were also advised on appointment of their legal and other duties and obligations as directors of a listed company and updated on changes to the legal and governance requirements of the Group and upon themselves as the Directors. The Company has arranged insurance cover for all Directors in respect of any legal action against the Directors.

The Directors are given access to independent professional advice at the Company's expense, when they deem it is necessary in order for them to carry out their responsibilities. In addition, the selection of directors and INED to the Board takes account of their respective industry knowledge, experience and speciality field.

The Directors are consulted and properly briefed for matters to be included in the meeting agenda. The Board is supplied with relevant information as well as reports relating to operational and financial performance of the Group before each regular Board meeting. At least 14 days' notice of a regular Board meeting is given to all Directors to give them the opportunity to attend. Board papers are dispatched to all Directors at least 3 days before the meeting to ensure that they have sufficient time to review the same and will be adequately prepared for the meeting. Senior management members who are responsible for the preparation of the Board papers are usually invited to the meeting to address the Board members' queries. This enables the Board to have pertinent data and insight for a comprehensive and informed evaluation as part of the Board's decision-making purpose.

The Chairman together with the Company Secretary of the Company (the "Company Secretary") are responsible for drawing up and approving the meeting agenda for each Board meeting taking into account any matters proposed by the other Directors for inclusion in the agenda.

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

Pursuant to the Company's Bye-laws, a Director is obligated to declare any conflict of interest and abstain from voting on any board resolution in which he or any of his associates has a material interest.

All Directors have full access to the advice and services of the Company Secretary to ensure board procedures, rules and regulations are followed. Draft and final versions of minutes of board meeting in sufficient details are sent to the Directors for comments and records within reasonable time after the meeting is held. The minutes of board meeting and meetings of the Board committees kept by the Company Secretary are open for inspection by the Directors on reasonable notice.

BOARD OF DIRECTORS (Continued)

During the Year, the Board met 4 times in person or through telephone conference to approve the 2006 final results, 2006 interim results and to consider financial and operating performances of the Group. The Company Secretary and the Qualified Accountant attended the Board meetings to report matters arising from corporate governance, risk management, statutory compliance, accounting and finance and business review of the financial and operating performance of the Group. The INED have actively participated in Board meetings, brought independent judgment and given their comments to the information or reports submitted to the meeting. Individual attendance of each Board member at these meetings is as follows:

Directors	Number of Meetings Attended/ Total Number of Meetings Held (Percentage of Attendance)
Executive Directors	
Bernard Pouliot *(Chairman)*	4/4 (100%)
Kenneth Lam Kin Hing *(Deputy Chairman)*	4/4 (100%)
Richard David Winter *(Deputy Chairman)*	3/4 (75%)
Independent Non-executive Directors	
Gordon Kwong Che Keung	3/4 (75%)
Jeremy King	3/4 (75%)
Dr. Tian Yuan*	1/4 (25%)
Ip Shing Hing, J.P.*	3/4 (75%)
Steven Kwan Ying Wai #	Nil
Esmond Quek Keng Liang ##	Nil

* appointed on 18 September 2006
\# retired on 18 September 2006
\## resigned with effect from 13 September 2006

During the Year, the Board has formulated schedule of matters delegated to the Executive Directors for routine approval of business transactions. The authority limit is clearly documented and will be reserved to the Board for decision when exceeded. The arrangements will be reviewed on a periodic basis.

BOARD COMMITTEES

Apart from the Audit Committee and the Remuneration Committee established with defined roles and terms of reference, the Board also sets up an Executive Committee to manage the day-to-day business of the Group.

BOARD COMMITTEES (Continued)

AUDIT COMMITTEE

The Audit Committee has been established with the role to assist the Board in fulfilling its responsibilities in establishing formal and transparent arrangements; compliance with statutory, regulatory or legal requirement and the Listing Rules; providing an independent review and supervision over the Group's financial reporting process and internal control system to protect its assets; and maintaining an appropriate relationship with the Company's auditors (the "External Auditors"). It acts in an advisory capacity and makes recommendations to the Board.

The Audit Committee comprises three INED, namely Messrs. Gordon Kwong Che Keung (chairman), Jeremy King and Ip Shing Hing, J.P. with the chairman being a former partner of a large international accounting firm and having appropriate professional qualification in accounting. Mr. King has extensive experience in financial services and fund management business. Furthermore, Mr. Ip is a practising lawyer in Hong Kong.

The Audit Committee's terms of reference can be found on the Group's website.

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

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

ii) to discuss with the External Auditors the audit fees and the nature and scope of audit before the audit commences, ensure the maintenance of appropriate relationship between the Group and the External Auditors, and develop policy on engagement of the External Auditors to supply non-audit services;

iii) to monitor the integrity of the interim and annual consolidated financial statements, reports and accounts and quarterly reports of the Company, if prepared for publication, and review the External Auditors' management letter and management's response and any significant financial reporting judgments contained in them; and

iv) to review, conduct assessment with recommendation to the Board any changes required to ensure the effectiveness of the Company's financial controls, internal control and risk management systems in order to protect the Group' assets.

During the Year, the Audit Committee met 2 times with the External Auditors in presence of the Company Secretary and Qualified Accountant and other senior management members to review and discuss i) the financial results for the year ended 31 March 2006 and for the six months ended 30 September 2006, ii) internal control and internal audit function and iii) recommendation for reappointment of the External Auditors. The Audit Committee members also met privately with the External Auditors. Materials, information memoranda and reports were prepared and delivered to the committee members at least 3 days prior to the

BOARD COMMITTEES (Continued)

AUDIT COMMITTEE (Continued)

meetings. Full minutes of the Audit Committee meetings were kept by the Company Secretary. Draft and final versions of minutes were sent to all committee members for comment and records within a reasonable time after the meeting. Individual attendance of each committee member at these meetings is as follows:

Independent Non-executive Directors	**Number of Meetings Attended/ Total Number of Meetings Held (Percentage of Attendance)**
Gordon Kwong Che Keung *(chairman)*	2/2 (100%)
Jeremy King	1/2 (50%)
Ip Shing Hing, J.P. *	1/2 (50%)
Steven Kwan Ying Wai #	1/2 (50%)

* appointed on 18 September 2006
# retired on 18 September 2006

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

i) financial statements for the year ended 31 March 2006 and for the six months ended 30 September 2006 as well as the accounting policies and practices;

ii) terms of engagement letter, audit fee, and nature, scope and process of audit and reporting obligation in respect of the External Auditors;

iii) engagement of external consultants to conduct review and report on effectiveness of the Group's I.T. security system and the continued review process;

iv) engagement of external consultants to conduct internal control review on securities and futures dealing operation and the continued review process; and

v) Corporate Governance Report.

The Audit Committee is satisfied with the integrity of the financial statements of the Group and considers the existing internal control system will be reviewed regularly with the Board to enhance the system.

BOARD COMMITTEES (Continued)

REMUNERATION COMMITTEE

The Remuneration Committee has been established with the role to assist the Board in reviewing and determining the framework or broad policy for remuneration package of the Directors and senior management, overseeing any major changes in employee benefit structures and considering other topics as defined by the Board.

The Remuneration Committee comprises three INED, namely Messrs. Jeremy King (chairman), Gordon Kwong Che Keung and Ip Shing Hing, J.P. and an Executive Director Mr. Richard David Winter. Mr. Ip Shing Hing, J.P. was appointed as a member on 18 September 2006 following his appointment as INED and Mr. Steven Kwan Ying Wai ceased to be member on the same date upon his resignation as INED.

The Remuneration Committee's terms of reference can be found on the Group's website.

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

i) to set, review and recommend to the Board for approval the Group's overall remuneration policy and strategy;

ii) to set, review and approve performance-based remuneration and individual remuneration packages for the Executive Directors and senior management including terms and conditions of employment and any changes to the packages due to loss or termination of office, and dismissal or removal for misconduct; and

iii) to recommend to the Board of the remuneration of Non-executive Directors.

The Executive Directors are entitled to monthly salary, allowances, a one month end of year payment upon completion of a full year of service or part thereof and discretionary bonus as disclosed in the Notes to the Financial Statements and the INED are entitled to monthly directors' fee with reference to the prevailing market condition. Members of the Audit Committee and Remuneration Committee are entitled to specific fees for the participation.

The Remuneration Committee consults with the Chairman of the Company about its proposals on remuneration of other Executive Directors and have access to internal and external professional advice if considered necessary.

The Company had adopted a share option scheme on 30 September 2002, which serves as an incentive to attract, retain and motivate talented eligible staff, including Directors. Details of the share option scheme are set out on the Notes to the Financial Statements.

During the Year, the Remuneration Committee passed three resolutions in writing. The resolutions passed for Board approval were in respect of bonus payment, salary review and grant of share option. The management provided to the Remuneration Committee adequate information to enable it to make informed decisions.

BOARD COMMITTEES (Continued)

EXECUTIVE COMMITTEE

The Company has set up an Executive Committee comprises all the three Executive Directors and the Chief Financial Officer to manage the day-to-day business of the Group on the Board's behalf. Financial commitments under delegated power of the Board are subject to certain limits and are reviewed by the Board from time to time. The Board has established limit of approval of specific business including i) the maximum underwriting commitments the Group should undertake at any one time; and ii) the grant of credit limits to large securities margin clients. The Executive Committee meets regularly and reports to the Board from time to time.

The Board has formulated schedule of matters delegated to the Executive Committee for routine approval of business transactions. The authority limit is clearly documented and will be reserved to the Board for decision when exceeded. The arrangements will be reviewed on a periodic basis. In return, the Executive Committee define clear directions on power of management and delegate daily management and administration functions to management. The functions reserved to the Board and those delegated to senior management are reviewed from time to time. The Company would formalise the division of responsibility between the Board and the management when the size of the Group justifies such division.

NOMINATION COMMITTEE

No Nomination Committee is established in view of the current business size of the Company. Currently, the Board is responsible for reviewing its composition, identifying and selecting suitable Board members, assessing independence of the INED, considering appointment or re-appointment of the Directors and succession planning for the Directors. The appointment of new Directors will be considered and approved by the Board based on the proposed Director's knowledge, experience and contribution to the Group. Newly appointed directors are subject to re-election by shareholders at the annual general meeting in the first year of the appointment pursuant to the Bye-laws of the Company.

Mr. Esmond Quek Keng Liang resigned as INED with effect from 13 September 2006. At the annual general meeting of the Company held on 18 September 2006, Mr. Steven Kwan Ying Wai retired as INED and both Dr. Tian Yuan and Mr. Ip Shing Hing, J.P. were nominated by the Board and appointed as INED at the above-mentioned annual general meeting.

Corporate Governance Report (Continued)

EXTERNAL AUDITORS

Messrs. Grant Thornton have been re-appointed as the External Auditors by shareholders at the 2006 annual general meeting of the Company. The Group has engaged the following services with the External Auditors:

Type of services	Fees paid/payable 2007 HK$'000	2006 HK$'000
Audit fee for the Group including interim review	**1,238**	1,143
Taxation services for the Group	**208**	215
Quote meter audit of HKEx information services	**80**	85
Certification of adjustment to the quantity and price of share options granted	**10**	N/A

The Audit Committee shall recommend the appointment of External Auditors for the financial year 2007 at a fee to be agreed.

FINANCIAL REPORTING

The management provides explanation, information and progress update on the Group's financial position to the Board to make an informed assessment.

Throughout the Year, the Directors have selected appropriate accounting policies and applied them consistently. They acknowledged their responsibilities for preparing the financial statements, which were prepared in accordance with the statutory requirements and applicable accounting standards. A statement by the External Auditors about their reporting responsibilities for the Year is set out in this annual report.

The Company aims to present a clear, balanced and understandable assessment of its financial position and prospects. Financial results are announced as early as possible, with interim report and annual report as well as other price-sensitive announcements and financial disclosures published as required under the Listing Rules.

INTERNAL CONTROL

The Directors are responsible for establishing and maintaining an adequate system of internal control and have to review its effectiveness regularly. The internal control system includes a well-established organisational structure with clearly defined lines of responsibility and authority, which is designed to manage rather than eliminate all risks of failure, safeguard the shareholders' investment and assets from misappropriation, maintain proper accounts and ensure compliance with regulations towards the achievement of organisational objectives.

With respect to procedures and internal control for the handling and dissemination of price-sensitive information, the Company is aware of its obligations under the Listing Rules and the overriding principle that information which is expected to be price-sensitive should be announced immediately it is the subject of a decision and conducts its affairs with close regard to the "Guide on disclosure of price-sensitive information" issued by the Stock Exchange in 2002.

To ensure sufficient resources provided to the Audit Committee, information and assessment of financial and non-financial controls, including operational and compliance controls, reports from the External Auditors on matters identified during the course of their statutory audit work, and independent reports from consultants mandated to review certain aspects of the Group's operation were presented to the Audit Committee members.

During the Year, the Audit Committee approved to mandate independent consultants to review certain aspects of the Group's internal control and systems, including the Group's I.T. security systems and the securities and futures dealing operations. Based on the report from independent consultants for the Group's I.T. security systems, the Group commenced enhancement and rectification process in October 2006 for improving and strengthening the I.T. security systems related to the Group's operations. Messrs. HLB Hodgeson Impey Cheng were mandated to conduct internal control review of the securities and futures dealing operations and such report to the Board has been made. Management is carrying out certain recommendations made to the operations of the business and shall implement review of these procedures.

The Directors considered the internal control system effective and adequate as it allowed the Board to monitor the Group's overall financial position, provide reasonable assurance that assets are safeguarded against unauthorised use or material financial misstatement, execute transactions in accordance with management's authorisation; and have the accounting records reliable for preparing financial information used within the business or for publication reflecting accountability for assets and liabilities.

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

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

ii) review of the internal control by the Audit Committee to ensure the effectiveness of such control; and

iii) continued review on the effectiveness of the internal control system.

Corporate Governance Report (Continued)

INTERNAL CONTROL (Continued)

The Company will outsource the Internal Audit function to independent consultants for the time being with the key tasks to:

i) review of all aspects of the Group's activities and internal controls;

ii) conduct comprehensive reviews of the practices and procedures, income and expenditure, and internal controls of business units of the Group and report to the Audit Committee and the Board on a regular basis; and

iii) conduct special reviews and investigations of areas of concern identified by management.

SHAREHOLDERS' RIGHTS

The Company is committed to safeguard shareholders' interests and encourage shareholders to attend the annual general meeting for which at least 21 days' notice is given. The Company regards the annual general meeting as an important event as it provides an important opportunity for direct communication between the Board and the shareholders. The Chairman and the Executive Directors were available to answer questions at the 2006 annual general meeting.

Procedures for and the rights of shareholders to demand a poll in compliance with the requirements about voting by poll as specified in the Listing Rules were disclosed in all the Company's circulars to shareholders in 2006. Separate resolutions for each substantially separate issue were proposed by the Chairman at the 2006 annual general meeting. The level of proxies lodged on each resolution, and the balance for and against the resolution, after it had been dealt with on a show of hands were indicated by the Chairman. Also, the Chairman at the commencement of that meeting explained the procedures for demanding a poll by shareholders before putting a resolution to the vote on a show of hands, and the detailed procedures for conducting a poll and then answer of any questions from shareholders whenever voting by way of a poll is required.

Statutory announcements, financial and other information of the Group is made available on the Company's website, which is regularly updated.

Shareholders may put their enquires to the Board and also put forward proposals at general meetings by way of a written notice addressed to the Company Secretary at the principal place of business.

INVESTOR RELATIONS

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

The Company has agreed to be one of the founding members of the Chamber of Hong Kong Listed Company to adopt the Hong Kong Corporate Governance Charter. The adoption of the Charter was made in June 2007.

The Company maintains a company website (www.quamlimited.com) and makes corporate information available on the internet to facilitate its communication with shareholders and the investing public on corporate governance structure, policies and systems, biographical data on the Directors and senior management as well as terms of reference of Board committees.

CONCLUSION

The Company believes that corporate governance principles and practices must remain relevant in a changing world. It will continue its ongoing effort to review its corporate governance practices so as to meet the changing circumstances. The Company will try its best to maintain, strengthen and improve the standard and quality of its corporate governance.

Independent Auditors' Report

Certified Public Accountants
Member of Grant Thornton International

Grant Thornton
均富會計師行

To the members of Quam Limited
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Quam Limited (the "Company") set out on pages 48 to 121, which comprise the consolidated and company balance sheets as at 31 March 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITORS' 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 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 auditors consider internal control relevant to the entity's preparation and true and fair presentation of the financial statements 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 consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2007 and of the Group's profit 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 disclosure requirements of the Hong Kong Companies Ordinance.

Grant Thornton
Certified Public Accountants
13th Floor, Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong

5 July 2007

Consolidated Income Statement

For the year ended 31 March 2007

	Notes	2007 HK$'000	2006 HK$'000
Revenue/Turnover	5	**192,089**	104,418
Fair value gain on financial assets at fair value through profit or loss		**5,780**	7,145
Other operating income	6	**16,440**	7,931
Cost of services provided		**(64,831)**	(31,637)
Staff costs	9	**(69,598)**	(45,420)
Depreciation and amortisation expenses		**(3,516)**	(4,206)
Other operating expenses, net		**(31,743)**	(23,971)
Profit from operations	10	**44,621**	14,260
Finance costs	8	**(9,454)**	(4,828)
Share of results of an associate		**631**	–
Profit before income tax		**35,798**	9,432
Income tax expense	11	**(2,752)**	(552)
Profit for the year, attributable to equity holders of the Company	12	**33,046**	8,880
Dividends			
Interim	13	**4,389**	–
Proposed final	13	**6,468**	–
		10,857	–
Earnings per share for profit attributable to equity holders of the Company during the year (2006: restated)	14		
– Basic		**11.31 cents**	3.28 cents
– Diluted		**10.56 cents**	N/A

Consolidated Balance Sheet

As at 31 March 2007

	Notes	2007 HK$'000	2006 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	16	**3,882**	3,823
Goodwill	17	**14,695**	14,695
Other intangible assets	18	**4,981**	7,547
Available-for-sale financial assets	21	**6,958**	7,150
Interest in an associate	22	**651**	–
Other assets	23	**2,450**	3,875
		33,617	37,090
Current assets			
Trade receivables	24	**488,981**	214,129
Short term loan receivables	25	**1,267**	2,423
Prepayments, deposits and other receivables		**6,625**	5,754
Financial assets at fair value through profit or loss	26	**17,064**	17,159
Amount due from an associate	22	**1,242**	–
Trust time deposits held on behalf of customers	27	**136,557**	217,937
Trust bank balances held on behalf of customers	27	**106,207**	29,549
Cash and cash equivalents	28	**62,445**	21,484
		820,388	508,435
Current liabilities			
Trade payables	29	**402,628**	309,216
Borrowings	30	**215,619**	79,293
Provision for tax		**1,383**	524
Other payables and accruals		**49,782**	32,170
Finance lease payables	31	**201**	–
		669,613	421,203
Net current assets		**150,775**	87,232
Total assets less current liabilities		**184,392**	124,322
Non-current liabilities			
Finance lease payables	31	**403**	–
Deferred tax liabilities	32	**36**	36
		439	36
Net assets		**183,953**	124,286
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	33	**1,617**	1,135
Reserves	35	**182,336**	123,151
Total equity		**183,953**	124,286

Bernard Pouliot
Director

Kenneth Lam Kin Hing
Director

Balance Sheet

As at 31 March 2007

	Notes	2007 HK$'000	2006 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	16	**65**	48
Investments in subsidiaries	19	**108,593**	106,391
Available-for-sale financial assets	21	**1,962**	1,962
		110,620	108,401
Current assets			
Prepayments, deposits and other receivables		**1,247**	1,164
Amounts due from subsidiaries	20(a)	**29,219**	3,438
Financial assets at fair value through profit or loss	26	**10,023**	12,074
Cash and cash equivalents	28	**1,281**	1,054
		41,770	17,730
Current liabilities			
Other payables and accruals		**1,332**	931
Finance lease payables	31	**201**	–
Amounts due to subsidiaries	20(b)	**16,473**	16,367
		18,006	17,298
Net current assets		**23,764**	432
Total assets less current liabilities		**134,384**	108,833
Non-current liabilities			
Finance lease payables	31	**403**	–
Net assets		**133,981**	108,833
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	33	**1,617**	1,135
Reserves	35	**132,364**	107,698
Total equity		**133,981**	108,833

Bernard Pouliot
Director

Kenneth Lam Kin Hing
Director

Consolidated Cash Flow Statement

For the year ended 31 March 2007

	Notes	2007 HK$'000	2006 HK$'000
Cash flows from operating activities			
Profit before income tax		**35,798**	9,432
Adjustments for:			
Dividend income from listed investments		**(261)**	–
Interest income		**(8,514)**	(4,022)
Finance charges on finance lease		**3**	–
Gain on disposal of available-for-sale financial assets		**(90)**	–
Loss on disposal of property, plant and equipment		**106**	8
Gain on disposal of intangible assets		**(78)**	–
Depreciation of property, plant and equipment		**1,726**	2,313
Amortisation of other intangible assets		**1,790**	1,893
Provision for impairment of short term loan receivables		**1,200**	–
Provision for impairment of trade receivables		**129**	511
Bad debts written off		**–**	15
Impairment of goodwill		**43**	–
Long outstanding trade and other payables written back		**(478)**	(226)
Share-based compensation		**4,236**	–
Share of results of an associate		**(631)**	–
Operating profit before working capital changes		**34,979**	9,924
Decrease in other assets		**1,425**	5
Increase in trade receivables, short term loan receivables, prepayments, deposits and other receivables		**(275,911)**	(58,781)
Increase in amount due from an associate		**(241)**	–
Decrease in financial assets at fair value through profit or loss		**95**	7,665
Decrease/(Increase) in trust bank balances and trust time deposits held on behalf of customers		**4,722**	(105,942)
Increase in trade payables, other payables and accruals		**111,502**	141,267
Cash used in operations		**(123,429)**	(5,862)
Income tax paid		**(1,893)**	(356)
Dividend paid		**(4,389)**	–
Net cash used in operating activities		**(129,711)**	(6,218)

Consolidated Cash Flow Statement (Continued)

For the year ended 31 March 2007

	Notes	2007 HK$'000	2006 HK$'000
Cash flows from investing activities			
Interest received		**8,514**	4,022
Dividend income from listed securities		**261**	–
Acquisition of a subsidiary (net of cash and cash equivalent acquired)	40	**(44)**	–
Increase in interest in an associate		**(20)**	–
Purchase of property, plant and equipment		**(1,373)**	(1,402)
Proceeds from disposal of property, plant and equipment		**2**	6
Purchase of available-for-sale financial assets		**–**	(970)
Proceeds from disposal of available-for-sale financial assets		**290**	587
Net cash generated from investing activities		**7,630**	2,243
Cash flows from financing activities			
Proceeds from issuance of share capital		**24,000**	–
Exercise of share options		**2,755**	4,748
Capital elements of finance lease liabilities		**(36)**	–
Interest elements of finance lease payments		**(3)**	–
New borrowings		**171,326**	34,293
Repayment of short term bank loans		**(35,000)**	(40,500)
Net cash generated from/(used in) financing activities		**163,042**	(1,459)
Net increase/(decrease) in cash and cash equivalents		**40,961**	(5,434)
Cash and cash equivalents at beginning of the year		**21,484**	26,918
Cash and cash equivalents at end of the year	28	**62,445**	21,484

Consolidated Statement of Changes in Equity

For the year ended 31 March 2007

	Equity attributable to equity holders of the Company								
	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000	Share option reserve HK$'000	Capital redemption reserve HK$'000	Exchange reserve HK$'000	Retained profits HK$'000	Proposed final dividend HK$'000	Total HK$'000
At 1 April 2005	1,064	–	65,708	–	932	–	42,923	–	110,627
Exercise of share options	71	4,677	–	–	–	–	–	–	4,748
Translation differences (net income recognised directly in equity)	–	–	–	–	–	31	–	–	31
Profit for the year	–	–	–	–	–	–	8,880	–	8,880
Total recognised income and expense for the year	–	–	–	–	–	31	8,880	–	8,911
At 31 March 2006 and at 1 April 2006	1,135	4,677	65,708	–	932	31	51,803	–	124,286
Exercise of share options	39	2,716	–	–	–	–	–	–	2,755
Bonus issue	293	(293)	–	–	–	–	–	–	–
Issue of shares	150	23,850	–	–	–	–	–	–	24,000
Translation differences (net income recognised directly in equity)	–	–	–	–	–	19	–	–	19
Profit for the year	–	–	–	–	–	–	33,046	–	33,046
Total recognised income and expense for the year	–	–	–	–	–	19	33,046	–	33,065
Share-based compensation	–	–	–	4,236	–	–	–	–	4,236
Transfer of contributed surplus*	–	–	(35,000)	–	–	–	35,000	–	–
Interim dividend	–	–	–	–	–	–	(4,389)	–	(4,389)
Proposed final dividend	–	–	–	–	–	–	(6,468)	6,468	–
At 31 March 2007	**1,617**	**30,950**	**30,708**	**4,236**	**932**	**50**	**108,992**	**6,468**	**183,953**

* It was resolved by the directors of the Company that an amount of HK$25,000,000 be transferred from the contributed surplus account to the retained profits in accordance with the Bye-laws of the Company with effect from 30 september 2006.

It was resolved by the directors of the Company that an amount of HK$10,000,000 be transferred from the contributed surplus account to the retained profits in accordance with the Bye-laws of the Company with effect from 31 March 2007.

1. GENERAL INFORMATION

Quam Limited (the "Company") is a limited liability company incorporated and domiciled in Bermuda. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and, its principal place of business is Room 1005-1008, 10/F, Man Yee Building, 68 Des Voeux Road Central, Hong Kong. The Company's shares are listed on The Stock Exchange of Hong Kong Limited.

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

– securities and futures dealing, placement services, margin financing and money lending, and the provision of fund management services
– website management and related services, and the provision of credit information services
– provision of advisory services
– investment holding and securities trading

The financial statements on pages 48 to 121 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The financial statements also include the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The financial statements for the year ended 31 March 2007 were approved for issue by the board of directors on 5 July 2007.

2. ADOPTION OF NEW OR AMENDED HKFRSs

From 1 April 2006, the Group has adopted the new and amended HKFRSs which are first effective on 1 April 2006 and relevant to the Group. The adoption of these HKFRSs has resulted in changes in the Group's accounting policy on financial guarantee contracts. Other than this, the adoption of these new and amended HKFRSs did not result in significant changes in the Company's and the Group's accounting policies but gave rise to certain additional disclosures.

2. ADOPTION OF NEW OR AMENDED HKFRSs (Continued)

2.1 AMENDMENTS TO HKAS 39 FINANCIAL INSTRUMENTS: RECOGNITION AND MEASUREMENT – FINANCIAL GUARANTEE CONTRACTS

The amendments to HKAS 39 require an entity to account for certain financial guarantee contracts in accordance with that standard. To comply with the requirements of the amended HKAS 39, the Group has adopted a new accounting policy to recognise financial guarantee contracts. On initial recognition, these contracts are measured at fair value and they are subsequently stated at the higher of:

– the amount initially recognised less where appropriate, cumulative amortisation recognised in accordance with the Group's revenue recognition policies; and

– the amount of the obligation under the contract, as determined in accordance with HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets" ("HKAS 37").

Details of this new accounting policy are set out in note 3.21.

Prior to this new accounting policy, the Group disclosed the financial guarantees issued as contingent liabilities in accordance with HKFRS 4 "Insurance Contracts" and HKAS 37. Provisions for the Group's liabilities under the financial guarantee contracts were made when it was more likely than not that the guaranteed party would default and the Group would incur outflow of resources embodying economic benefits.

This new accounting policy has been applied retrospectively to the extent that the financial guarantee contracts were in existence at 1 April 2005 (ie the date when HKAS 39 was initially adopted by the Group). The adoption of this new accounting policy has no material impact on the financial statements reported in the current and prior accounting periods. Accordingly, no adjustment to prior periods has been made.

2. ADOPTION OF NEW OR AMENDED HKFRSs (Continued)

2.2 NEW OR AMENDED HKFRSs THAT HAVE BEEN ISSUED BUT ARE NOT YET EFFECTIVE

The Group has not early adopted the following HKFRSs that have been issued but are not yet effective. The directors of the Company are currently assessing the impact of these HKFRSs but are not yet in a position to state whether they would have material financial impact on the Group's financial statements.

Amendment to HKAS 1	"Presentation of Financial Statements" – Capital Disclosures [1]
HKFRS 7	"Financial Instruments: Disclosures" [1]
HKFRS 8	"Operating Segments" [8]
HK(IFRIC) Interpretation 7	"Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies" [2]
HK(IFRIC) Interpretation 8	"Scope of HKFRS 2" [3]
HK(IFRIC) Interpretation 9	"Reassessment of Embedded Derivatives" [4]
HK(IFRIC) Interpretation 10	"Interim Financial Reporting and Impairment" [5]
HK(IFRIC) Interpretation 11	"Group and Treasury Share Transactions" [6]
HK(IFRIC) Interpretation 12	"Service Concession Arrangements" [7]

[1] Effective for annual periods beginning on or after 1 January 2007
[2] Effective for annual periods beginning on or after 1 March 2006
[3] Effective for annual periods beginning on or after 1 May 2006
[4] Effective for annual periods beginning on or after 1 June 2006
[5] Effective for annual periods beginning on or after 1 November 2006
[6] Effective for annual periods beginning on or after 1 March 2007
[7] Effective for annual periods beginning on or after 1 January 2008
[8] Effective for annual periods beginning on or after 1 January 2009

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 BASIS OF PREPARATION

The significant accounting policies that have been used in the preparation of these financial statements are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated.

The financial statements have been prepared on the historical cost basis except for the revaluation of certain financial assets and liabilities. The measurement bases are fully described in the accounting policies below.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.1 BASIS OF PREPARATION (Continued)

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

3.2 BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 March each year.

3.3 SUBSIDIARIES

Subsidiaries are entities (including special purpose entities) over which the Group has the power to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are excluded from consolidation from the date that control ceases.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.3 SUBSIDIARIES (Continued)

Business combinations (other than for combining entities under common control) are accounted for by applying the purchase method. This involves the revaluation at fair value of all identifiable assets and liabilities, including contingent liabilities of the subsidiary, at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition. On initial recognition, the assets and liabilities of the subsidiary are included in the consolidated balance sheet at their fair values, which are also used as the bases for subsequent measurement in accordance with the Group's accounting policies.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

In the Company's balance sheet, subsidiaries are carried at cost less any impairment loss. The results of the subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the balance sheet date.

3.4 ASSOCIATES

Associates are those entities over which the Group is able to exert significant influence, generally accompanying a shareholding of between 20% and 50% of voting rights but which are neither subsidiaries nor investment in a joint venture. In consolidated financial statements, investment in associates is initially recognised at cost and subsequently accounted for using the equity method. Under the equity method, the Group's interest in the associate is carried at cost and adjusted for the post-acquisition changes in the Group's share of the associate's net assets less any identified impairment loss, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). The consolidated income statement includes the Group's share of the post-acquisition, post-tax results of the associate for the year, including any impairment loss on goodwill relating to the investment in associate recognised for the year.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate. For this purpose, the Group's interest in the associate is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.4 ASSOCIATES (Continued)

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The cost of acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed and equity instruments issued by the Group, plus any costs directly attributable to the investment.

The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. After the application of equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associates. At each balance sheet date, the Group determines whether there is any objective evidence that the investment in associate is impaired. If such indications are identified, the Group calculates the amount of impairment as being the difference between the recoverable amount (see note 3.11) of the associate and its carrying amount.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in the income statement in the determination of the Group's share of the associate's profit or loss in which the investment is acquired.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Where the associate uses accounting policies other than those of the Group for like transactions and events in similar circumstances, adjustments are made, where necessary, to conform the associate's accounting policies to those of the Group when the associate's financial statements are used by the Group in applying the equity method.

3.5 FOREIGN CURRENCY TRANSLATION

The financial statements are presented in Hong Kong Dollars ("HK$"), which is also the functional currency of the Company.

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At balance sheet date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the balance sheet date retranslation of monetary assets and liabilities are recognised in the income statement.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.5 FOREIGN CURRENCY TRANSLATION (Continued)

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined and are reported as part of the fair value gain or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

Other exchange differences arising from the translation of the net investment in foreign entities are taken to shareholders' equity. When a foreign operation is disposed of, such exchange differences are recognised in the income statement as part of the gain or loss on disposal.

3.6 REVENUE RECOGNITION

Revenue comprises fees derived from provision of services and after eliminating sales within the Group. Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) for commissions and brokerage income, it is recognised on a trade date basis;

(b) for advisory, arrangement and placement fee income, advertising and content fee from the sales of banner advertisements and website content, service fee income from the provision of credit information and management fee income, they are recognised when the services are provided;

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.7 BORROWING COSTS

All borrowing costs are expensed as incurred.

3.8 GOODWILL

Set out below are the accounting policies on goodwill arising on acquisition of a subsidiary. Accounting for goodwill arising on acquisition of investment in an associate is set out in note 3.4.

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

Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment (see note 3.11).

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.9 INTANGIBLE ASSETS (OTHER THAN GOODWILL)

Trading rights

Trading rights, representing the eligibility rights acquired to trade on or through The Hong Kong Futures Exchange Limited and The Stock Exchange of Hong Kong Limited, are stated at cost less accumulated amortisation and any impairment losses.

Amortisation is calculated on the straight-line basis over their estimated useful lives of 10 years.

Database

Database, representing a database of credit and litigation information acquired, is stated at cost less accumulated amortisation and any impairment losses.

Amortisation is calculated on the straight-line basis over its estimated useful life of 10 years.

3.10 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at acquisition cost less accumulated depreciation and accumulated impairment losses.

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

Leasehold improvements	10 years or over the lease terms, whichever is shorter
Furniture, fixtures and equipment	5 to 10 years

The assets' useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

The gain or loss arising on retirement or disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.11 IMPAIRMENT OF ASSETS

Goodwill arising on an acquisition of subsidiary, other intangible assets, property, plant and equipment, interests in subsidiaries and interest in an associate are subject to impairment testing.

Goodwill and other intangible assets with an indefinite useful life or those not yet available for use are tested for impairment at least annually, irrespective of whether there is any indication that they are impaired. All other assets are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions 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 assessment of time value of money and the risk specific to the asset.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill in particular is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which the goodwill is monitored for internal management purpose.

Impairment losses recognised for cash-generating units, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit, except that the carrying value of an asset will not be reduced below its individual fair value less cost to sell, or value in use, if determinable.

An impairment loss on goodwill is not reversed in subsequent periods. In respect of other assets, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.12 LEASES

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

(i) Classification of assets leased to the Group

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

(ii) Assets acquired under finance leases

Where the Group acquires the right to use the assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are included in fixed assets and the corresponding liabilities, net of finance charges, are recorded as obligation under finance leases.

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

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

(iii) Operating lease charges as the lessee

Where the Group has the right to use the assets held under operating leases, payments made under the leases are charged to the income statement on a straight-line basis over the lease terms except where an alternative basis is more representative of the pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in the income statement as an integral part of the aggregate net lease payments made.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.13 FINANCIAL ASSETS

The Group's accounting policies for financial assets other than investments in subsidiaries and associates are set out below.

Financial assets are classified into the following categories:

– financial assets at fair value through profit or loss
– loans and receivables
– available-for-sale financial assets

Management determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and where allowed and appropriate, re-evaluates this designation at every reporting date.

All financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the instrument. Regular way purchases of financial assets are recognised on trade date. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Derecognition of financial assets occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred. At each balance sheet date, financial assets are reviewed to assess whether there is objective evidence of impairment. If any such evidence exists, impairment loss is determined and recognised based on the classification of the financial asset.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss.

Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments or financial guarantee contracts.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.13 FINANCIAL ASSETS (Continued)

(i) Financial assets at fair value through profit or loss (Continued)

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial asset at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Financial assets may be designated at initial recognition as at fair value through profit or loss if the following criteria are met:

– the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognising gains or losses on them on a different basis; or

– the assets are part of a group of financial assets which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy and information about the group of financial assets is provided internally on that basis to the key management personnel; or

– the financial asset contains an embedded derivative that would need to be separately recorded.

Subsequent to initial recognition, the financial assets included in this category are measured at fair value with changes in fair value recognised in the income statement.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are subsequently measured at amortised cost using the effective interest method, less any impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction cost.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.13 FINANCIAL ASSETS (Continued)

(iii) Available-for-sale financial assets

Available-for-sale financial assets include non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. All financial assets within this category are subsequently measured at fair value. Gain or loss arising from a change in the fair value is recognised directly in equity, except for impairment losses (see the policy below) and foreign exchange gains and losses, until the financial asset is derecognised, at which time the cumulative gain or loss previously recognised in equity would be recognised in the income statement. Interest calculated using the effective interest method is recognised in the income statement. Upon disposal, the cumulative gain or loss previously recognised in equity is transferred to the income statement.

For available-for-sale investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition.

Impairment of financial assets

At each balance sheet date, financial assets other than at fair value through profit or loss are reviewed to determine whether there is any objective evidence of impairment. If any such evidence exists, the impairment loss is measured and recognised as follows:

(i) Financial assets carried at amortised cost

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.13 FINANCIAL ASSETS (Continued)

(i) Financial assets carried at amortised cost (Continued)

If, in subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that it does not result in a carrying amount of the financial asset exceeding what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in the income statement in the period in which the reversal occurs.

(ii) Available-for-sale financial assets

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence that the asset is impaired, an amount is removed from equity and recognised in the income statement as impairment loss. That amount is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in the income statement.

Reversals in respect of investment in equity instruments classified as available-for-sale are not recognised in the income statement. The subsequent increase in fair value is recognised directly in equity. Impairment losses in respect of 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. Reversal of impairment losses in such circumstances are recognised in the income statement.

(iii) Financial assets carried at cost

The amount of impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.14 ACCOUNTING FOR INCOME TAXES

Income tax comprises current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the balance sheet date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of income tax expense in the income statement.

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

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

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

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

Changes in deferred tax assets or liabilities are recognised in the income statement, or in equity if they relate to items that are charged or credited directly to equity.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.15 CASH AND CASH EQUIVALENTS

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

3.16 SHARE CAPITAL AND SHARE PREMIUM

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

Share premium includes any premiums received on the issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction.

3.17 RETIREMENT BENEFIT COSTS AND SHORT TERM EMPLOYEE BENEFITS

Short term employee benefits

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

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

Retirement benefits scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for all of its Hong Kong employees. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.18 SHARE-BASED COMPENSATION

All share-based payment arrangements granted after 7 November 2002 and had not vested on 1 April 2005 are recognised in the financial statements. The Group operates equity-settled share-based compensation plans for remuneration of its employees.

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

All share-based compensation is ultimately recognised as an expense in the income statement with a corresponding increase in equity (share option reserve). If vesting periods or other vesting conditions apply, the expense is recognised over the vesting period, based on the best available estimate of the number of share options expected to vest. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised, if there is any indication that the number of share options expected to vest differs from previous estimates. No adjustment to expense recognised in prior periods is made if fewer share options ultimately are exercised than originally vested.

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

3.19 FINANCIAL LIABILITIES

The Group's financial liabilities include bank and other loans, trade and other payables and finance lease liabilities. They are included in balance sheet line items as "Trade payables", "Borrowings", "Other payables and accruals" and "Finance lease payables".

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. All interest related charges are recognised as an expense in the income statement.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.19 FINANCIAL LIABILITIES (Continued)

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

Finance lease liabilities

Finance lease liabilities are measured at initial value less the capital element of lease repayments (see note 3.12).

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

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

Trade payables

Trade payables are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method.

3.20 PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate 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.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.20 PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS (Continued)

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 uncertain future events not wholly within the control of the Group are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Contingent liabilities are recognised in the course of the allocation of purchase price to the assets and liabilities acquired in a business combination. They are initially measured at fair value at the date of acquisition and subsequently measured at the higher of the amount that would be recognised in a comparable provision as described above and the amount initially recognised less any accumulated amortisation, if appropriate.

3.21 FINANCIAL GUARANTEE CONTRACTS

A financial guarantee contract is a contract that requires the issuer (or guarantor) to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantee contracts in the scope of HKAS 39 are accounted for as financial liabilities. A financial guarantee contract is recognised initially at its fair value plus transactions costs that are directly attributable to the acquisition or issue of the financial guarantee contract, except when such contract is recognised at fair value through profit or loss. Subsequent to initial recognition, the Group measures the financial guarantee contract at higher of: (i) the amount determined in accordance with HKAS 37 “Provisions, Contingent Liabilities and Contingent Assets”; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 “Revenue”.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.22 SEGMENT REPORTING

In accordance with the Group's internal financial reporting the Group has determined that business segments be presented as the primary reporting format and geographical segments as the secondary reporting format.

In respect of business segment reporting, unallocated costs represent corporate expenses. Segment assets consist primarily of property, plant and equipment, other intangible assets, trade receivables, short term loan receivables, prepayments, deposits and other receivables, operating cash, available-for-sale financial assets and financial assets at fair value through profit or loss and mainly exclude goodwill and non-operating cash. Segment liabilities comprise operating liabilities, and exclude items such as taxation.

Capital expenditure comprises additions to property, plant and equipment, including additions resulting from acquisitions through purchases of subsidiaries.

In respect of geographical segment reporting, revenue is based on the country in which the customer is located and total assets and capital expenditure are where the assets are located.

3.23 RELATED PARTIES

A party is considered to be related to the Group if:

(a) directly, or indirectly through one or more intermediaries, the party (i) controls, is controlled by, or is under common control with, the Company/Group; (ii) has an interest in the Company that gives it significant influence over the Company/Group; or (iii) has joint control over the Company/Group;

(b) the party is an associate;

(c) the party is a member of the key management personnel of the Company;

(d) the party is a close member of the family of any individual referred to in (a) or (c);

(e) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (c) or (d); or

(f) the party is a post-employment benefit plan for the benefit of employees of the Company/Group, or of any entity that is a related party of the Company/Group.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

CARRYING VALUE OF AVAILABLE-FOR-SALE FINANCIAL ASSETS

The Group's available-for-sale financial assets comprise various unlisted securities that do not have a quoted market price in an active market and whose fair value, in the opinion of the directors, cannot be reliably measured. Accordingly the Group has reflected these available-for-sale financial assets at cost less accumulated impairment losses.

The carrying amount of the Group's available-for-sale investments at 31 March 2007 was HK$6,958,000, further details of which are set out in note 21 to the financial statements.

PROVISION FOR IMPAIRMENT OF RECEIVABLES

The policy for the provision for impairment of receivables of the Group is based on the evaluation of collectibility and aging analysis of accounts and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness, the collateral security and the past collection history of each client. The management reviews the provision for impairment of receivables on a regular basis.

IMPAIRMENT OF GOODWILL

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. As at 31 March 2007, the carrying amount of goodwill was approximately HK$14,695,000. Details of the assumptions and basis of the recoverable amount calculation are set out in note 17.

5. REVENUE/TURNOVER

Revenue, which is also the Group's turnover, represents:

	2007 **HK$'000**	2006 HK$'000
Advertising and content fee income	**2,968**	2,655
Website management and related services fee income	**17,170**	14,996
Commission income on securities and futures broking	**85,958**	44,021
Advisory fee income	**26,067**	12,624
Placement and underwriting fee income	**15,402**	6,423
Income from margin financing and money lending operations	**23,912**	14,879
Fund management fee income	**18,826**	4,658
Credit information service fee income	**1,786**	4,162
	192,089	104,418

6. OTHER OPERATING INCOME

	2007 **HK$'000**	2006 HK$'000
Interest income from banks and others	**8,514**	4,022
Exchange gains, net	**1,632**	638
Gain on disposal of available-for-sale financial assets	**90**	–
Long outstanding trade and other payables written back	**478**	226
Dividend income from listed securities	**261**	–
Sundry income	**5,465**	3,045
	16,440	7,931

7. SEGMENT INFORMATION

(A) PRIMARY REPORTING FORMAT – BUSINESS SEGMENTS

The Group's operating business are structured and managed separately, according to the nature of their operations and the services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risk and returns that are different to those of the other business segments.

Summary details of the business segments are as follows:

(i) the securities broking and placement segment engages in securities and futures dealing, provision of placement services;

(ii) the margin financing and money lending segment engages in margin financing services, money lending, arrangement and guarantee business;

(iii) the advisory segment engages in the provision of corporate finance advisory and general advisory services;

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

(v) the website management segment engages in the management of a website, advertising and referral tools to online customers, research and credit information services; and

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

The Group's inter-segment transactions were related to placement, margin financing, advisory and website management and related service income. Inter-segment revenue are determined by directors and are based on pricing policies similar to those contracted with independent third parties, where applicable.

7. SEGMENT INFORMATION (Continued)

(A) PRIMARY REPORTING FORMAT – BUSINESS SEGMENTS (Continued)

2007	Securities broking and placement HK$'000	Margin financing and money lending HK$'000	Advisory HK$'000	Asset management HK$'000	Website management HK$'000	Investments HK$'000	Eliminations HK$'000	Total HK$'000
Segment Revenue								
Sales to external customers	101,360	23,912	26,067	18,826	21,924	–	–	192,089
Inter-segment sales	300	–	3,600	–	9,901	–	(13,801)	–
Total	101,660	23,912	29,667	18,826	31,825	–	(13,801)	192,089
Segment results	11,336	4,381	6,558	7,235	4,183	3,875	–	37,568
Unallocated income								8,865
Unallocated corporate expenses								(11,266)
Share of results of an associate								631
Profit before income tax								35,798
Income tax expense								(2,752)
Profit for the year								33,046
Segment assets	429,910	352,400	9,696	12,424	6,863	24,022		835,315
An associate								651
Unallocated assets								18,039
Total assets								854,005
Segment liabilities	425,623	218,697	2,194	4,983	12,559	–		664,056
Unallocated liabilities								5,996
Total liabilities								670,052
Other segment information								
Depreciation and amortisation:								
Segmented	2,971	–	56	4	470	–		3,501
Unallocated								15
								3,516
Capital expenditure	1,037	–	38	30	879	29		2,013
Other non-cash expenses	13	1,292	–	–	130	–		1,435

7. SEGMENT INFORMATION (Continued)

(A) PRIMARY REPORTING FORMAT – BUSINESS SEGMENTS (Continued)

2006	Securities broking and placement HK$'000	Margin financing and money lending HK$'000	Advisory HK$'000	Asset management HK$'000	Website management HK$'000	Investments HK$'000	Eliminations HK$'000	Total HK$'000
Segment revenue								
Sales to external customers	50,444	14,879	12,624	4,658	21,813	–	–	104,418
Inter-segment sales	–	319	750	–	2,230	–	(3,299)	–
Total	50,444	15,198	13,374	4,658	24,043	–	(3,299)	104,418
Segment results	6,071	3,543	(1,364)	1,773	(2,989)	5,429	–	12,463
Unallocated income								4,022
Unallocated corporate expenses								(7,053)
Profit before income tax								9,432
Income tax expense								(552)
Profit for the year								8,880
Segment assets	350,409	136,897	3,339	4,513	8,194	24,311		527,663
Unallocated assets								17,862
Total assets								545,525
Segment liabilities	321,367	82,046	1,033	1,717	11,876	–		418,039
Unallocated liabilities								3,200
Total liabilities								421,239
Other segment information								
Depreciation and amortisation:								
Segmented	2,777	–	50	–	1,369	–		4,196
Unallocated								10
								4,206
Capital expenditure	858	–	33	–	508	3		1,402
Other non-cash expenses	500	5	15	–	14	–		534

7. SEGMENT INFORMATION (Continued)

(B) SECONDARY REPORTING FORMAT – GEOGRAPHICAL SEGMENTS

The Group's operations and assets are predominantly in Hong Kong and accordingly a geographical analysis has not been presented. The Group has minor activities in Shenzhen and Shanghai, the People's Republic of China, which account for less than 1% of the Group's revenue.

8. FINANCE COSTS

	2007	2006
	HK$'000	HK$'000
Finance charges on finance lease	**3**	–
Interest on bank loans and other borrowings wholly repayable within five years	**9,451**	4,828
	9,454	4,828

9. STAFF COSTS

	2007	2006
	HK$'000	HK$'000
Directors' emoluments (note 15)		
Fees, salaries, allowances and benefits in kind	**12,950**	7,795
Share-based compensation	**1,794**	–
Retirement benefits scheme contributions	**36**	36
	14,780	7,831
Other staff		
Wages and salaries	**49,967**	36,140
Share-based compensation	**2,319**	–
Retirement benefits scheme contributions	**1,198**	1,049
Other staff benefits	**1,334**	400
	54,818	37,589
	69,598	45,420

9. STAFF COSTS (Continued)

RETIREMENT BENEFITS SCHEME – DEFINED CONTRIBUTION RETIREMENT SCHEME

The Group operates a MPF scheme for all qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group in a fund under the control of a trustee.

The only obligation of the Group with respect to the retirement benefits scheme is to make the specified contributions.

The total cost charged to the consolidated income statement of HK$1,234,000 (2006: HK$1,085,000) represents contributions payable to the scheme by the Group at the rate specified in the rules of the scheme.

Contribution payable of HK$107,000 (2006: HK$86,000) to the MPF scheme is included in other payables and accruals.

10. PROFIT FROM OPERATIONS

Profit from operations is arrived at after charging/(crediting):

	2007	2006
	HK$'000	HK$'000
Auditors' remuneration:		
Provision for the year	**1,368**	1,216
(Over)/Under provision in prior years	**(40)**	12
	1,328	1,228
Amortisation of other intangible assets	**1,790**	1,893
Depreciation of property, plant and equipment		
Owned assets	**1,664**	2,313
Leased assets	**62**	–
	3,516	4,206
Gain on disposal of intangible assets	**(78)**	–
Loss on disposal of property, plant and equipment	**106**	8
Impairment of goodwill (note 17)	**43**	–
Minimum lease payments under operating leases in respect of land and buildings	**8,499**	5,927
Provision for impairment of trade receivables	**129**	511
Provision for impairment of short term loan receivables	**1,200**	–
Bad debts written off	**–**	15

11. INCOME TAX EXPENSE

During the year, Hong Kong profits tax has been provided at the rate of 17.5% (2006: 17.5%) on the estimated assessable profit for the year. Tax on profits assessable elsewhere have been calculated at the applicable rates of tax prevailing in the jurisdiction in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	2007	2006
	HK$'000	HK$'000
Current tax		
– Hong Kong		
Tax for the year	**2,752**	417
Under-provision in prior years	**–**	135
	2,752	552

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

	2007	2006
	HK$'000	HK$'000
Profit before income tax	**35,798**	9,432
Tax at Hong Kong profits tax rate of 17.5%	**6,265**	1,651
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(29)**	40
Tax effect of non-deductible expenses	**3,921**	1,175
Tax effect of non-taxable revenues	**(5,001)**	(1,582)
Tax losses not recognised as deferred tax asset	**214**	731
Tax effect of previous years' unrecognised tax losses utilised this year	**(2,845)**	(2,099)
Other temporary differences not recognised	**227**	501
Underprovision in prior years	**–**	135
Income tax expense	**2,752**	552

12. PROFIT FOR THE YEAR, ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The profit for the year attributable to equity holders of the Company of HK$33,046,000 (2006: HK$8,880,000) includes a loss of HK$1,454,000 (2006: HK$5,115,000) which has been dealt with in the financial statements of the Company.

13. DIVIDENDS

	2007	2006
	HK$'000	HK$'000
Interim dividend of HK1.50 cents per ordinary share (2006: Nil)	**4,389**	–
Proposed final dividend of HK2.00 cents per ordinary share (2006: Nil)	**6,468**	–
	10,857	–

The final dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date, but reflected as an appropriation of retained earnings for the year ended 31 March 2007.

14. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to equity holders of the Company of HK$33,046,000 (2006: HK$8,880,000) and on the weighted average of 292,072,437 (2006: 270,864,948 as restated) ordinary shares in issue during the year.

During the year, the Company approved a bonus issue of ordinary shares on the basis of one new share of par value of HK$0.01 each for every four existing shares of par value of HK$0.01 each on 18 September 2006 ("Bonus Issue"). On 3 October 2006, the Company subdivided every issued and unissued ordinary share of par value of HK$0.01 each into two ordinary shares of par value of HK$0.005 each ("Share Subdivision"). The weighted average number of ordinary shares for the year ended 31 March 2006, as if the Bonus Issue and Share Subdivision had occurred on 1 April 2005, was deemed to be 270,864,948 shares (108,345,979 shares before restatement).

The calculation of diluted earnings per share is based on the net profit attributable to equity holders of the Company for the year of HK$33,046,000 and the weighted average of 312,959,620 ordinary shares outstanding during the year, adjusted for the effects of all dilutive potential shares. The weighted average number of ordinary shares used in the calculation of diluted earnings per share is calculated based on the weighted average of 292,072,437 ordinary shares in issue during the year plus the weighted average of 20,887,183 ordinary shares deemed to be issued at no consideration as if all the Company's share options have been exercised.

Diluted earnings per share for the year ended 31 March 2006 was not presented because the impact of the exercise of the Company's outstanding share options was anti-dilutive.

15. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS

(A) DIRECTORS' EMOLUMENTS

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

	Fees HK$'000	Salaries, allowance and bonuses HK$'000	Share-based compensation HK$'000	Retirement benefits scheme contributions HK$'000	Total HK$'000
2007					
Executive Directors					
Mr. Bernard Pouliot	–	3,061	598	12	3,671
Mr. Kenneth Lam Kin Hing	–	5,418	598	12	6,028
Mr. Richard David Winter	–	3,964	598	12	4,574
Independent Non-Executive Directors					
Mr. Gordon Kwong Che Keung	138	–	–	–	138
Mr. Steven Kwan Ying Wai (note a)	57	–	–	–	57
Mr. Jeremy King	125	–	–	–	125
Mr. Esmond Quek Keng Liang (note b)	54	–	–	–	54
Dr. Tian Yuan (note c)	65	–	–	–	65
Mr. Ip Shing Hing, J.P. (note c)	68	–	–	–	68
	507	12,443	1,794	36	14,780

15. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS (Continued)

(A) DIRECTORS' EMOLUMENTS (Continued)

	Fees HK$'000	Salaries, allowance and bonuses HK$'000	Share-based compensation HK$'000	Retirement benefits scheme contributions HK$'000	Total HK$'000
2006					
Executive Directors					
Mr. Bernard Pouliot	–	1,599	–	12	1,611
Mr. Kenneth Lam Kin Hing	–	3,284	–	12	3,296
Mr. Richard David Winter	–	2,412	–	12	2,424
Independent Non-Executive Directors					
Mr. Gordon Kwong Che Keung	137	–	–	–	137
Mr. Steven Kwan Ying Wai	121	–	–	–	121
Mr. Jeremy King	122	–	–	–	122
Mr. Esmond Quek Keng Liang	120	–	–	–	120
	500	7,295	–	36	7,831

There was no arrangement under which a director waived or agreed to waive any remuneration in respect of the years ended 31 March 2007 and 2006.

During the years ended 31 March 2007 and 2006, no emolument was paid by the Group to the directors as an inducement to join or upon joining the Group, or as compensation for loss of office.

Notes:

(a) Mr. Steven Kwan Ying Wai retired on 18 September 2006.

(b) Mr. Esmond Quek Keng Liang resigned with effect from 13 September 2006.

(c) Dr. Tian Yuan and Mr. Ip Shing Hing, J.P. were appointed on 18 September 2006.

15. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS (Continued)

(B) FIVE HIGHEST PAID INDIVIDUALS

The five individuals whose emoluments were the highest in the Group for the year included three (2006: three) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two (2006: two) individuals during the year are as follows:

	2007 **HK$'000**	2006 HK$'000
Salaries, allowances and benefits in kind	**6,680**	3,930
Share-based compensation	**312**	–
Retirement benefits scheme contributions	**24**	24
	7,016	3,954

The emoluments of these remaining two highest paid individuals fell within the following bands:

	Number of individuals **2007**	2006
Emolument bands		
HK$1,500,001-HK$2,000,000	**–**	1
HK$2,000,001-HK$2,500,000	**–**	1
HK$2,500,001-HK$3,000,000	**1**	–
HK$4,000,001-HK$4,500,000	**1**	–
	2	2

During the years ended 31 March 2007 and 2006, no emolument was paid to the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office.

16. PROPERTY, PLANT AND EQUIPMENT

Group

	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Total HK$'000
At 31 March 2005			
Cost	4,086	19,512	23,598
Accumulated depreciation	(2,896)	(15,970)	(18,866)
Net book amount	1,190	3,542	4,732
Year ended 31 March 2006			
Opening net book amount	1,190	3,542	4,732
Additions	2	1,400	1,402
Disposals	–	(14)	(14)
Depreciation	(639)	(1,674)	(2,313)
Translation differences	5	11	16
Closing net book amount	558	3,265	3,823
At 31 March 2006			
Cost	3,098	20,193	23,291
Accumulated depreciation	(2,540)	(16,928)	(19,468)
Net book amount	558	3,265	3,823
Year ended 31 March 2007			
Opening net book amount	558	3,265	3,823
Additions	–	2,013	2,013
Disposals	(31)	(224)	(255)
Depreciation	(426)	(1,300)	(1,726)
Translation differences	2	25	27
Closing net book amount	**103**	**3,779**	**3,882**
At 31 March 2007			
Cost	**2,979**	**21,053**	**24,032**
Accumulated depreciation	**(2,876)**	**(17,274)**	**(20,150)**
Net book amount	**103**	**3,779**	**3,882**

Furniture, fixtures and equipment of net book value of HK$578,000 (2006: Nil) are held under finance lease.

16. PROPERTY, PLANT AND EQUIPMENT (Continued)

Company

	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Total HK$'000
At 31 March 2005			
Cost	291	100	391
Accumulated depreciation	(291)	(45)	(336)
Net book amount	–	55	55
Year ended 31 March 2006			
Opening net book amount	–	55	55
Additions	–	3	3
Depreciation	–	(10)	(10)
Closing net book amount	–	48	48
At 31 March 2006			
Cost	291	103	394
Accumulated depreciation	(291)	(55)	(346)
Net book amount	–	48	48
Year ended 31 March 2007			
Opening net book amount	–	48	48
Additions	–	29	29
Depreciation	–	(12)	(12)
Closing net book amount	–	65	65
At 31 March 2007			
Cost	**291**	**132**	**423**
Accumulated depreciation	**(291)**	**(67)**	**(358)**
Net book amount	**–**	**65**	**65**

17. GOODWILL

Group

The net carrying amount of goodwill can be analysed as follows:

	2007	2006
	HK$'000	HK$'000
At beginning of the year		
Gross carrying amount	**14,695**	14,695
Accumulated impairment	**–**	–
Net carrying amount	**14,695**	14,695
Net carrying amount at beginning of the year	**14,695**	14,695
Acquisition of a subsidiary (note 40)	**43**	–
Impairment loss	**(43)**	–
Net carrying amount at end of the year	**14,695**	14,695
At 31 March		
Gross carrying amount	**14,738**	14,695
Accumulated impairment	**(43)**	–
Net carrying amount	**14,695**	14,695

The carrying amount of goodwill of HK$14,695,000 relates to the cash-generating unit which is engaged in securities and futures dealing, placement services, margin financing and money lending and provision of advisory services. For the purpose of the annual goodwill impairment test, its recoverable amount was determined based on a value in use calculation, covering a detailed five-year budget plan.

17. GOODWILL (Continued)

The key assumptions used for value in use calculations:

Annual growth rate	10%
Discount rate	10%

The Group's management's key assumptions have been determined based on past performance and its expectations for the market's development. The discount rates used are pre-tax and reflect specific risks relating to the relevant segments.

Apart from the considerations described in determining the value in use of the cash-generating units above, the Group's management is not currently aware of any other probable changes that would necessitate changes in its key estimates.

18. OTHER INTANGIBLE ASSETS

Group

	Trading rights HK$'000	Database HK$'000	Total HK$'000
At 31 March 2005			
Cost	14,550	1,242	15,792
Accumulated amortisation	(6,031)	(321)	(6,352)
Net book amount	8,519	921	9,440
Year ended 31 March 2006			
Opening net book amount	8,519	921	9,440
Amortisation charge	(1,769)	(124)	(1,893)
Closing net book amount	6,750	797	7,547
At 31 March 2006			
Cost	14,550	1,242	15,792
Accumulated amortisation	(7,800)	(445)	(8,245)
Net book amount	6,750	797	7,547
Year ended 31 March 2007			
Opening net book amount	6,750	797	7,547
Amortisation charge	(1,769)	(21)	(1,790)
Disposals	–	(776)	(776)
Closing net book amount	**4,981**	**–**	**4,981**
At 31 March 2007			
Cost	**14,550**	**–**	**14,550**
Accumulated amortisation	**(9,569)**	**–**	**(9,569)**
Net book amount	**4,981**	**–**	**4,981**

All amortisation charges are included in "depreciation and amortisation expenses" in the income statement.

19. INVESTMENTS IN SUBSIDIARIES

	Company 2007 HK$'000	Company 2006 HK$'000
Investments		
Unlisted shares, at cost (note (a))	**159,929**	159,929
Arising from share-based compensation (note (b))	**2,202**	–
	162,131	159,929
Less: Provision for impairment	**(53,538)**	(53,538)
	108,593	106,391

Notes:

(a) Particulars of the principal subsidiaries as at 31 March 2007 are as follows:

Name	Place of incorporation	Particulars of issued capital	Proportion of nominal value of issued share capital held by the Company Directly %	Indirectly %	Principal activities and place of operations
Quam Capital (Holdings) Limited	Hong Kong	78,260,002 ordinary shares of HK$1 each	100	–	Investment holding in Hong Kong
Wolf Holdings Limited	British Virgin Islands	1,000 ordinary shares of US$1 each	100	–	Investment holding in Hong Kong
Quam.net Limited*	Hong Kong	8,119,974 ordinary shares of HK$1 each	100	–	Investment holding in Hong Kong
Quam Corporate Services Limited*	Hong Kong	2 ordinary shares of HK$1 each	100	–	Secretarial services in Hong Kong
Quam Asset Management Limited	Hong Kong	100,000 ordinary shares of HK$10 each	–	100	Investment adviser and asset management in Hong Kong
Quam Capital Limited	Hong Kong	10,000,000 ordinary shares of HK$1 each	–	100	Corporate finance and investment adviser in Hong Kong
Quam Finance Limited	Hong Kong	54,200,000 ordinary shares of HK$1 each	–	100	Finance and money lending in Hong Kong

19. INVESTMENTS IN SUBSIDIARIES (Continued)

(a) Particulars of the principal subsidiaries as at 31 March 2007 are as follows: (Continued)

Name	Place of incorporation	Particulars of issued capital	Proportion of nominal value of issued share capital held by the Company Directly %	Proportion of nominal value of issued share capital held by the Company Indirectly %	Principal activities and place of operations
Quam Securities Company Limited	Hong Kong	5,000,000 ordinary shares of HK$10 each	–	100	Securities dealing and futures broking in Hong Kong
Quam (H.K.) Limited	Hong Kong	5,000,000 ordinary shares of HK$1 each	–	100	Website management and other related services in Hong Kong
Quam (IA) Limited	Hong Kong	2,000 ordinary shares of HK$1 each	–	100	Investment adviser in Hong Kong
Quam Ventures (BVI) Limited	British Virgin Islands	1 ordinary share of US$1	–	100	Investment holding in Hong Kong
Well Foundation Company Limited*	Hong Kong	2 ordinary shares of HK$10 each	–	100	Investment holding in Hong Kong
Quam (China) Limited*	Hong Kong	100 ordinary shares of HK$1 each	–	100	Investment holding in Hong Kong
Quam Data Services Limited	Hong Kong	1,000 ordinary shares of HK$1 each	–	100	Provision of credit information services in Hong Kong
Oriental Select Investments Limited	British Virgin Islands	5,000 ordinary shares of US$1 each	–	100	Provision of fund management services in Singapore
Quam Wealth Management Limited*	Hong Kong	450,000 ordinary shares of HK$1 each	–	100	Provision of insurance broker business and wealth management

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

* Subsidiaries not audited by Grant Thornton.

19. INVESTMENTS IN SUBSIDIARIES (Continued)

(b) The amount represents share-based compensation expenses arising from the grant of the Company's share options to the employees of the subsidiaries in exchange for their services offered to these subsidiaries.

20. AMOUNTS DUE FROM/(TO) SUBSIDIARIES

(a) Amounts due from subsidiaries

	Company	
	2007	2006
	HK$'000	HK$'000
Amounts due from subsidiaries	**268,622**	242,841
Less: Provision for impairment	**(239,403)**	(239,403)
	29,219	3,438

The amounts due are unsecured and repayable on demand. The amounts due are interest-free except for an amount of HK$23,000,000 (2006: Nil) which bears interest at Hong Kong Dollars Best Lending Rate less 3% per annum.

(b) Amounts due to subsidiaries

The amounts due are unsecured, interest-free and repayable on demand.

21. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Club debenture				
At cost (note (a))	**–**	653	**–**	–
Less: Provision for impairment	**–**	(453)	**–**	–
	–	200	**–**	–
Unlisted equity securities				
At cost (note (a))	**18,706**	18,698	**1,962**	1,962
Less: Provision for impairment	**(11,748)**	(11,748)	**–**	–
	6,958	6,950	**1,962**	1,962
	6,958	7,150	**1,962**	1,962

Note:

(a) The club debenture and the investment in unlisted equity securities are stated at cost less accumulated impairment losses as they do not have a quoted market price in an active market and whose fair value cannot be reliably measured.

Particulars of the investee companies, disclosed pursuant to Section 129(2) of the Hong Kong Companies Ordinance as the Group held equity interests exceeding 20% of the issued share capital of the investee companies, are as follows:

Name	Place of incorporation	Percentage of issued share capital held by the Group		Carrying value of the Group's investments as at 31 March	
		2007	2006	**2007**	2006
				HK$'000	HK$'000
Gigabyte International Holdings Limited ("Gigabyte")	British Virgin Islands	**47.7**	47.7	**3,987**	3,987

The Group has not accounted for Gigabyte as an associate because Gigabyte's main asset is a 4.11% (2006: 4.45%) interest in an Internet Telecommunication Services Company ("Teleco"). The primary business activity of Teleco is provision of internet access, internet hosting and related services. Gigabyte has no significant influence over Teleco and has no board representation in that company. The directors consider Gigabyte to be an investment holding vehicle for its interest in Teleco, and hold it for no other reason. The investment in Gigabyte has accordingly been accounted for as an available-for-sale financial asset based on the value of its interest in Teleco.

22. INTEREST IN AN ASSOCIATE

	Group 2007 HK$'000	Group 2006 HK$'000
Share of net assets	**651**	–

	Group 2007 HK$'000	Group 2006 HK$'000
Amount due from an associate	**1,242**	–

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

Particulars of the associate at 31 March 2007 are as follows:

Name	Place of incorporation	Particulars of issued capital	Percentage of interest held by the Group
Verify Limited	Mauritius	10,000 ordinary shares of US$1 each	25%

The following table illustrates the financial information of the Group's associate extracted from its unaudited consolidated management accounts for the period from 3 August 2006 (being its date of incorporation) to 31 March 2007:

	HK$'000
Assets	18,408
Liabilities	(15,767)
Revenue	19,182
Profit for the year	2,523

23. OTHER ASSETS

Other assets comprise deposits with stock and futures exchanges and clearing companies.

24. TRADE RECEIVABLES

	Group	
	2007	2006
	HK$'000	HK$'000
Trade receivables	**498,809**	223,828
Less: provision for impairment of receivables	**(9,828)**	(9,699)
Trade receivables – net	**488,981**	214,129

The Group's trade receivables as at 31 March 2007 mainly consisted of receivables of the securities and futures broking business and advisory and placement business. For the advisory and placement business, billings are normally due on presentation. For the securities and futures broking business, the Group allows a credit period up to the settlement dates of their respective transactions except for margin client receivables which are repayable on demand and therefore, no aging analysis is disclosed.

The Group seeks to maintain strict control over its outstanding receivables and has a credit control policy to minimise the credit risk. Overdue balances are reviewed regularly by senior management.

The aging analysis of the trade receivables as at the balance sheet date, based on due date and net of provision, is as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
Repayable on demand – margin clients receivable	**204,938**	133,112
Within 180 days	**282,449**	80,008
180 days – 360 days	**1,467**	791
Over 360 days	**127**	218
	488,981	214,129

Included in the Group's margin clients receivable were amounts due from directors of HK$3,298,000 (2006: HK$2,786,000) in respect of transactions in securities as at 31 March 2007, further details of which are set out in note 36 to the financial statements.

25. SHORT TERM LOAN RECEIVABLES

	Group	
	2007	2006
	HK$'000	HK$'000
In respect of commercial loans		
– secured	**2,467**	2,423
– unsecured	**43**	43
Gross loans receivable (note (a))	**2,510**	2,466
Less: Impairment losses	**(1,243)**	(43)
Net carrying amount	**1,267**	2,423

Note:

(a) The loans receivable bear interest at fixed annual rates ranging from 10.75% to 24% per annum (2006: 10.75% per annum). The repayment terms of the loans are negotiated on an individual basis. The maturity profile of the loans receivable at the balance sheet date, which is analysed by the remaining periods to their contractual maturity dates, is as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
On demand	**2,510**	346
Three months or less	**–**	840
Over three months but less than one year	**–**	1,280
	2,510	2,466

26. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Listed equity securities, at market value:				
Hong Kong	**11,767**	15,698	**10,023**	11,938
Elsewhere	**13**	13	**–**	–
Listed warrants in Hong Kong, at market value	**–**	203	**–**	136
Overseas unlisted equity securities, at fair value#	**5,284**	1,245	**–**	–
	17,064	17,159	**10,023**	12,074
Market value of listed investments	**11,780**	15,914	**10,023**	12,074

The overseas unlisted equity securities represents the Group's investments in an investment fund. The fair value of this investment is determined with reference to the investment fund's net asset value as at the balance sheet date.

The carrying amounts of the above financial assets at fair value through profit or loss are classified as held for trading.

Financial assets at fair value through profit or loss are presented within the section on operating activities as part of changes in working capital in the cash flow statement.

27. TRUST TIME DEPOSITS/TRUST BANK BALANCES HELD ON BEHALF OF CUSTOMERS

From the Group's ordinary business of securities and futures dealing, it receives and holds money from clients and other institutions in the course of conducting its regulated activities. These client's monies are maintained in one or more segregated bank accounts and bank time deposits. The Group manages client's monies and places such client's monies on short term time deposits. As at 31 March 2007, the Group's client's monies placed on 1 to 7 days short term time deposits amounted to HK$136,557,000 (2006: HK$217,937,000) with floating interest rates ranging from 3.7% to 4.6% per annum at 31 March 2007 (2006: 3% to 4.72% per annum). Trust bank balances carry interest at floating rates based on daily bank deposits rates. The Group has recognised the corresponding trade payables to respective clients and other institutions.

28. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following components:

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash and bank balances	**59,126**	17,798	**1,281**	1,054
Short term time deposits	**3,319**	3,686	**–**	–
	62,445	21,484	**1,281**	1,054

Cash at banks earn interest at floating rates based on daily bank deposits rates. Short term time deposits are placed with banks and earn interest at the respective short term bank floating deposit rates ranging from 3.50% to 4.06% (2006: 2.18% to 3.90%) per annum.

Included in cash and bank balances of the Group is HK$1,320,432 (2006: HK$150,138) of bank balances denominated in Renminbi ("RMB") placed with banks in Mainland China. RMB is not a freely convertible currency.

29. TRADE PAYABLES

The aging analysis of the trade payables of the Group is as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
Repayable on demand:		
Securities transactions		
– margin clients payable	**65,846**	134,504
– cash clients payable	**222,030**	123,795
Futures and options contracts		
– clients payable	**75,831**	45,389
	363,707	303,688
Within 180 days	**38,866**	5,474
Over 180 days	**55**	54
	402,628	309,216

29. TRADE PAYABLES (Continued)

Accounts payable to cash clients attributable to dealing in securities transactions represents clients' undrawn monies/excess deposits placed with the Group. Accounts payable to clients attributable to dealing in futures and options contracts transactions includes margin deposits received from clients for their trading of futures and options contracts and clients' undrawn monies/excess deposits placed with the Group. All these accounts payable together with margin clients payable are repayable on demand and therefore, no aging analysis is disclosed.

Included in above, there was an amount due to a director of HK$7,000 (2006: HK$128,000) in respect of transactions in securities as at 31 March 2007.

30. BORROWINGS

	Group	
	2007	2006
	HK$'000	HK$'000
Bank loans (secured)	**175,619**	59,293
Other loan (unsecured)	**40,000**	20,000
Total	**215,619**	79,293

At 31 March 2007, the Group's borrowings were repayable as follows:

	2007		2006	
	Bank loans	**Other loan**	Bank loans	Other loan
	HK$'000	**HK$'000**	HK$'000	HK$'000
On demand	**175,619**	**–**	59,293	–
Within one year	**–**	**40,000**	–	20,000
Total	**175,619**	**40,000**	59,293	20,000

30. BORROWINGS (Continued)

(a) The bank loans of the Group were secured by marketable securities of HK$213 million (2006: HK$224 million) pledged to the Group by margin clients and certain of the Group's listed equity securities included under financial assets at fair value through profit or loss and cash at bank amounting to HK$5.4 million (2006: HK$6.7 million) and HK$137,000 (2006: HK$130,000) respectively. The bank loans of the Group bear floating interest rates ranging from 4.3% to 7.5% per annum (2006: 6.15% to 6.95% per annum).

(b) Other loan of HK$40,000,000 (2006: HK$20,000,000) bears fixed interest rate at 7.3% per annum (2006: 7% per annum) and is repayable on 31 July 2007.

(c) The carrying amounts of short term borrowings approximate their fair value.

(d) The carrying amounts of the borrowings are denominated in the following currencies:

	Group	
	2007	2006
	HK$'000	HK$'000
Hong Kong dollars	**200,100**	65,000
United States dollars	**15,519**	14,293
	215,619	79,293

31. FINANCE LEASE PAYABLES

The analysis of the obligations under finance leases is as follows:

GROUP AND COMPANY

	2007	2006
	HK$'000	HK$'000
Total minimum lease payments:		
Due within one year	**233**	–
Due in the second to fifth years	**428**	–
	661	–
Future finance charges on finance leases	**(57)**	–
Present value of finance lease liabilities	**604**	–
The present value of finance lease liabilities is as follows:		
Due within one year	**201**	–
Due in the second to fifth years	**403**	–
	604	–
Less: Portion due within one year included under current liabilities	**(201)**	–
Non-current portion included under non-current liabilities	**403**	–

The Company has entered into finance leases for certain items of furniture, fixtures and equipment. These leases do not have options to renew or any contingent rental provisions.

32. DEFERRED TAX

GROUP

As at 31 March 2007, a provision was made for deferred tax liabilities of HK$36,000 (2006: HK$36,000) calculated at the rate of 17.5% (2006: 17.5%) in respect of the temporary differences arising from accelerated depreciation allowances.

As at 31 March 2007, the principal components of the Group's unrecognised deferred tax assets/(liabilities) calculated at 17.5% (2006: 17.5%) on the cumulative temporary differences are analysed as follows:

	2007	2006
	HK$'000	HK$'000
Accelerated depreciation allowances	**(219)**	(211)
Tax losses	**20,332**	23,449
Other temporary differences	**498**	473
	20,611	23,711

Deferred tax assets are recognised for tax loss carried forward to the extent that realisation of the related tax benefit through future taxable profits is probable. The Group has unrecognised tax losses of HK$116,183,000 (2006: HK$133,994,000) to carry forward against future taxable income. The tax losses can be carried forward indefinitely. No deferred tax asset has been recognised due to the uncertainty of future profit streams against which the asset can be utilised.

COMPANY

As at 31 March 2007 and 31 March 2006, the Company did not have any material temporary differences.

33. SHARE CAPITAL

	Notes	Number of ordinary shares of HK$0.01 each	Number of ordinary shares of HK$0.005 each	HK$'000
Authorised:				
1 April 2005, 31 March 2006 and 1 April 2006		10,000,000,000	–	100,000
Share subdivision	(c)	(10,000,000,000)	20,000,000,000	–
At 31 March 2007		**–**	**20,000,000,000**	**100,000**
Issued and fully paid:				
At 1 April 2005		106,413,998	–	1,064
Exercise of share options		7,087,172	–	71
At 31 March 2006 and 1 April 2006		113,501,170	–	1,135
Exercise of share options	(a)	3,543,586	–	35
Bonus issues	(b)	29,261,189	–	293
Share subdivision	(c)	(146,305,945)	292,611,890	–
Exercise of share options	(d)	–	800,000	4
Issue of shares	(e)	–	30,000,000	150
At 31 March 2007		**–**	**323,411,890**	**1,617**

Notes:

(a) Mr. Richard David Winter, executive director of the Company had exercised his rights to convert his 3,543,586 share options at the exercise price of HK$0.67 each into 3,543,586 ordinary shares of HK$0.01 each of the Company on 26 May 2006.

(b) On 21 July 2006, the directors of the Company recommended a bonus issue to the shareholders of the Company on the basis of one bonus share for every four shares of the Company, and this was approved by the shareholders at the annual general meeting of the Company held on 18 September 2006 (the "Bonus Issue"). The bonus shares had been credited as fully paid by way of capitalisation of an amount of about HK$292,612 in the share premium account of the Company on 25 September 2006. The bonus shares ranked pari passu in all respects with the share of the Company and the Company did not allot any fractions of bonus shares.

(c) On 21 July 2006, the directors proposed that each of the existing issued and unissued shares of par value of HK$0.01 each in the share capital of the Company be subdivided into two shares of HK$0.005 each (the "Share Subdivision"). Effective from 3 October 2006, each of the existing issued and unissued ordinary shares of par value of HK$0.01 each in the share capital of the Company was subdivided into two ordinary shares of HK$0.005 each.

(d) One of the employees of the Group had exercised his rights to convert his 800,000 share options at the exercise price of HK$0.475 each into 800,000 ordinary shares of HK$0.005 each of the Company on 16 January 2007.

(e) On 5 March 2007, the Company entered into a placing agreement (the "Placing Agreement") with its wholly-owned subsidiary, which acted as the placing agent, to place 30,000,000 new ordinary shares with par value of HK$0.005 each at a price of HK$0.8 each to a number of independent third parties. Pursuant to the Placing Agreement, the Company issued a total of 30,000,000 ordinary shares of HK$0.005 each at a price of HK$0.8 each. The issued share capital of the Company was thus increased from approximately HK$1,467,000 to approximately HK$1,617,000. The excess of the placement proceeds over the nominal value of share capital issued was credited as share premium. The Company has applied the proceeds raised for general working capital purpose.

34. SHARE-BASED COMPENSATION

The Company operates two share option schemes for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations.

(a) On 4 September 1997, the Company adopted a share option scheme (the "Old Scheme") under which the board of directors may, on or before 3 September 2007, at their discretion, grant options to subscribe for shares in the Company to full-time employees, including directors of the Company or any of its subsidiaries to take up options to subscribe for the shares of the Company, and will remain in force for 10 years.

The maximum number of shares which can be granted under the Old Scheme may not exceed 10% of the issued share capital of the Company from time to time. At 31 March 2007, the number of shares issuable under outstanding share options granted under the Old Scheme were 345,600 (2006: 489,600 before restatement for the Bonus Issue and Share Subdivision) which represented approximately of 0.1% (2006: 0.4%) of the Company's shares in issue as at that date. The maximum number of shares in respect of which options may be granted to any employee or director may not exceed 25% of the aggregate number of shares in respect of which options are issued and issuable under the Old Scheme.

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

The exercise price of the share options is determinable by the directors, but may not be less than the higher of (i) the closing price of the Company's shares as quoted on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on the date of the offer of the share options; and (ii) 80% of the average closing price of the Company's shares as quoted on the Stock Exchange for the five trading days immediately preceding the date of the offer, and (iii) the nominal value of a share.

(b) On 30 September 2002, the Company adopted a 2002 share option scheme (the "New Scheme") which also has an option life of 10 years. Pursuant to the annual general meeting of shareholders on 30 September 2002, the directors were authorised to grant further share options not exceeding 10% of the shares in issue as at the date of this meeting. Upon adoption of the New Scheme, the Old Scheme was terminated with no further options granted through the Old Scheme. The options granted prior to such termination shall continue to be valid and exercisable in accordance with the Old Scheme. Eligible participants of the New Scheme include the Company's directors, other employees of the Group, suppliers of goods or services to the Group, customers of the Group, and a person or entity that provides research, development or technological support or other services to the Group or any invested entity and any shareholder or any member of the Group.

34. SHARE-BASED COMPENSATION (Continued)

The maximum number of shares which can be granted under the New Scheme may not exceed 10% of the issued share capital of the Company from time to time. The maximum number of shares which can be granted under the Old Scheme and the New Scheme may not in aggregate exceed 30% of the issued share capital of the Company from time to time. At 31 March 2007, the number of shares issuable under outstanding share options granted under the New Scheme were 69,375,000 (2006: 3,543,586 before restatement for the Bonus Issue and Share Subdivision), which represents approximately 21.45% (2006 : 3%) of the Company's shares in issue as at that date. Under the New Scheme, the maximum number of shares issuable under share options to each eligible participant within any 12-month period, is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval.

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

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

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

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

All share-based compensation will be settled in equity. The Group has no legal or constructive obligation to repurchase or settle the options other than by issuing the Company's ordinary shares.

34. SHARE-BASED COMPENSATION (Continued)

The movements in relation to each share option scheme of the Company are disclosed as follows:

	Number of share options										Price of the Company's shares		
Participants	Outstanding at 1 April 2006	Granted during the year	Lapsed during the year	Adjusted upon Bonus Issue	Adjusted upon Share Subdivision	Exercised during the year	Outstanding at 31 March 2007	Exercisable at 31 March 2007	Date of grant of share options [3]	Exercise period of share options	Exercise price of share options [1] HK$ per share	Immediately before the grant date HK$ per share	Immediately before the exercise date [5] HK$ per share
Share options granted under Old Scheme													
Employees under continuous contract													
In aggregate	489,600	–	(31,360)	114,560	572,800	(800,000)	345,600	345,600	5 March 2001	5 September 2001 to 8 September 2011	0.475	N/A	0.86
Share options granted under New Scheme													
Employees under continuous contract													
In aggregate	–	10,200,000	(850,000)	2,337,500	11,687,500	–	23,375,000	–	9 June 2006	9 June 2007 to 8 June 2016 [4]	0.28	0.28	N/A
Employees under continuous contract granted in excess of the individual limit													
Mr. Stephen Christopher Hill	–	6,000,000	–	1,500,000	7,500,000	–	15,000,000	–	18 September 2006 [2]	9 June 2007 to 8 June 2016 [4,8]	0.28	0.50	N/A
Ms. Katherine Chan Wai Kay	–	1,500,000	–	375,000	1,875,000	–	3,750,000	–	18 September 2006 [2]	9 June 2007 to 8 June 2016 [4]	0.28	0.50	N/A
Directors													
Mr. Bernard Pouliot	–	3,500,000	–	875,000	4,375,000	–	8,750,000	–	18 September 2006 [2]	9 June 2007 to 8 June 2016 [4]	0.28	0.50	N/A
Mr. Kenneth Lam Kin Hing	–	3,500,000	–	875,000	4,375,000	–	8,750,000	–	18 September 2006 [2]	9 June 2007 to 8 June 2016 [4]	0.28	0.50	N/A
Mr. Richard David Winter	3,543,586	–	–	–	–	(3,543,586)	–	–	29 July 2002	29 July 2002 to 28 July 2012	0.268	N/A	0.272
	–	3,500,000	–	875,000	4,375,000	–	8,750,000	–	18 September 2006 [2]	9 June 2007 to 8 June 2016 [4]	0.28	0.50	N/A
Other participant	–	400,000	–	100,000	500,000	–	1,000,000	1,000,000	9 June 2006	9 June 2006 to 8 June 2009 [9]	0.28	0.28	N/A
	3,543,586	28,600,000	(850,000)	6,937,500	34,687,500	(3,543,586)	69,375,000	1,000,000					

34. SHARE-BASED COMPENSATION (Continued)

Notes:

1. The exercise price of the share options disclosed above have been adjusted for the effect of Bonus Issue and the Share Subdivision which became effective on 25 September 2006 and 3 October 2006, respectively.

2. On 9 June 2006, the board of directors conditionally approved the grant of share options to the Company's executive directors and certain senior management of the Group. Pursuant to the Listing Rules, the grant of the share options was subject to the approval of the independent shareholders. Pursuant to the ordinary resolutions passed in a special general meeting held on 18 September 2006, the grant of 18,000,000 share options to the aforesaid Company's executive directors and certain senior management of the Group at HK$0.7 per share (before the restatement for the Bonus Issue and Share Subdivision) was approved. Therefore, the date of grant of these aforesaid 18,000,000 share options was 18 September 2006 in respect to the valuation purpose pursuant to HKFRS 2.

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

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

5. The price of the Company's shares disclosed immediately before the exercise date of the share options is the weighted average of the Stock Exchange closing price immediately before the dates on which the options were exercised over all of the exercises of options within the disclosure line.

6. The share options exercised during the year resulted in an equal number of ordinary shares (see also note 33). The weighted average share price of the Company at the dates of exercise of these share options was HK$0.30 per share, adjusted for the effect of Bonus Issue and Share Subdivision (2006: HK$0.27, restated).

7. Total consideration received from the grantees during the year for taking up the share options granted amounted to HK$420 (2006: Not applicable).

8. The exercise of the share options granted will be subject to the attainment by the participant of a prescribed annual performance target during each of his first 3 years of employment with the Group commencing from 1 April 2006.

9. The share options granted vest immediately from date of grant and are exercisable over duration of 36 months from date of grant.

The share options outstanding at 1 April 2006 were not accounted for under HKFRS 2 because the options were granted before 7 November 2002 and had already been vested as of 1 April 2005. Therefore, they were not subject to the requirements of HKFRS 2.

The fair values of share options granted during the year ended 31 March 2007 were determined using the Black-Scholes option pricing model (the "Model"). The value of an option varies with different variables of certain subjective assumptions. Any change in the variables so adopted may materially affect the estimation of the fair value of an option.

34. SHARE-BASED COMPENSATION (Continued)

The fair value of the options granted during the year determined at the dates of grant on 9 June 2006 and 18 September 2006 using the Model were HK$2,661,000 and HK$8,004,000 respectively.

The following table lists the inputs to the Model used for calculating the fair value of the options granted during the year:

Date of grant	**9 June 2006**	**18 September 2006**
Share price on date of grant (note a)	HK$0.28	HK$0.50
Exercise price (note a)	HK$0.28	HK$0.28
Expected volatility (note b)	61.14%	57.77%
Expected life of option (note c)	1 – 3 years	1 – 3 years
Risk-free interest rate (note d)	4.4% – 4.502%	3.636% – 3.887%
Expected dividend yield	NIL	NIL

Notes:

(a) The share price on date of grant and the exercise price of the share options disclosed above have been adjusted for the effect of Bonus Issue and Share Subdivision which became effective on 25 September 2006 and 3 October 2006, respectively.

(b) Expected volatility: being the approximate historical volatility of closing prices of the shares of the Company in the past one year immediately before the date of grant.

(c) Expected life of option: being the effective life of options estimated from the expected exercising time frame.

(d) Risk-free rate: being the approximate yields to maturity of Hong Kong Exchange Fund Note.

In the current year, share-based compensation of HK$4,113,000 have been recognised as staff costs and HK$123,000 relating to other participant have been recognised as other operating expenses, in the consolidated income statement for the year ended 31 March 2007. The corresponding aggregate amount of HK$4,236,000 had been credited to the Group's share option reserve. No liabilities were recognised due to equity settled share-based payment transactions.

At the balance sheet date, the Company had 345,600 and 69,375,000 share options outstanding under the Old Scheme and the New Scheme, respectively. The exercise in full of the remaining share options, would, under the present capital structure of the Company, result in the issue of 69,720,600 additional ordinary shares of the Company and additional share capital of approximately HK$349,000 and share premium of HK$19,240,000 (before issue expenses).

35. RESERVES

(a) Group

The components of the Group's reserves are as follows:

	2007 **HK$'000**	2006 HK$'000
Share premium	**30,950**	4,677
Contributed surplus	**30,708**	65,708
Share option reserve	**4,236**	–
Capital redemption reserve	**932**	932
Exchange reserve	**50**	31
Retained profits	**108,992**	51,803
Proposed final dividend	**6,468**	–
	182,336	123,151

The movements of the Group's reserves for the current and prior years are presented in the consolidated statement of changes in equity on page 53 of the financial statements.

The Group's contributed surplus of HK$30,708,000 and HK$65,708,000 as at 31 March 2007 and 2006 respectively comprises:

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

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

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

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

(v) an amount of HK$25,000,000 transferred from the contributed surplus account to the retained profits on 30 September 2006 in accordance with the Bye-laws of the Company; and

(vi) an amount of HK$10,000,000 transferred from the contributed surplus account to the retained profits on 31 March 2007 in accordance with the Bye-laws of the Company.

35. RESERVES (Continued)

(b) Company

	Share premium HK$'000	Contributed surplus HK$'000	Share option reserve HK$'000	Capital redemption reserve HK$'000	Retained profits/ (Accumulated losses) HK$'000	Proposed final dividend HK$'000	Total HK$'000
At 1 April 2005	–	114,821	–	932	(7,617)	–	108,136
Exercise of share options	4,677	–	–	–	–	–	4,677
Loss for the year (Total recognised income and expense for the year)	–	–	–	–	(5,115)	–	(5,115)
At 31 March 2006 and 1 April 2006	4,677	114,821	–	932	(12,732)	–	107,698
Exercise of share options	2,716	–	–	–	–	–	2,716
Bonus issue	(293)	–	–	–	–	–	(293)
Issue of shares	23,850	–	–	–	–	–	23,850
Share-based compensation	–	–	4,236	–	–	–	4,236
Transfer of contributed surplus	–	(35,000)	–	–	35,000	–	–
Loss for the year (Total recognised income and expense for the year)	–	–	–	–	(1,454)	–	(1,454)
Interim dividend	–	–	–	–	(4,389)	–	(4,389)
Proposed final dividend	–	–	–	–	(6,468)	6,468	–
At 31 March 2007	**30,950**	**79,821**	**4,236**	**932**	**9,957**	**6,468**	**132,364**

The Company's contributed surplus of HK$79,821,000 and HK$114,821,000 as at 31 March 2007 and 2006 respectively comprises:

(i) an amount of HK$51,338,000 representing the excess of the fair value of the shares of the subsidiaries acquired pursuant to the Reorganisation over the nominal value of the Company's shares issued in exchange thereof. Under the Companies Act 1981 of Bermuda (as amended), a company may make distributions to its members out of the contributed surplus in certain circumstances;

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

35. RESERVES (Continued)

(b) Company (Continued)

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

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

(v) an amount of HK$25,000,000 transferred to accumulated losses on 30 September 2006 in accordance with the Bye-Laws of the Company; and

(vi) an amount of HK$10,000,000 transferred to accumulated losses on 31 March 2007 in accordance with the Bye-Laws of the Company.

36. LOANS TO DIRECTORS

Loans to directors disclosed pursuant to Section 161B of the Hong Kong Companies Ordinance are as follows:

GROUP

Name of directors/ Relationship with directors	Note	**At 31 March 2007 Debit/(Credit)**	**Maximum outstanding during the year**	**At 1 April 2006 Debit/(Credit)**	**Margin finance facilities approved**	**Securities held**
		HK$'000	HK$'000	HK$'000	HK$'000	
Mr. Bernard Pouliot (note 24)	(a)	3,030	4,906	2,662	7,500	Marketable securities
Mr. Kenneth Lam Kin Hing (note 24)	(a)	268	1,766	124	5,000	Marketable securities
Spouse of Mr. Bernard Pouliot	(a)	176	328	77	1,500	Marketable securities
Baroque Investments Limited, a company in which Mr. Bernard Pouliot had indirect interests	(b)	(680)	5,465	1,203	7,000	Marketable securities
Newer Challenge Holdings Limited, a company beneficially owned by Mr. Bernard Pouliot	(a)	884	986	(6)	1,500	Marketable securities

36. LOANS TO DIRECTORS (Continued)

(a) The loans granted under margin finance facilities to the director, spouse of the director and related companies are secured by the marketable securities collateral, bear interest at prime rate plus 3% per annum (2006: prime rate plus 3% per annum) and are repayable on demand.

(b) The amount due to a related company as at 31 March 2007 are unsecured, interest-free and repayable on demand.

37. ASSETS HELD AS COLLATERAL

The market value of securities pledged by clients to the Group as collateral against trade receivables at 31 March 2007 was HK$1,605,633,000 (2006: HK$922,496,000).

38. OPERATING LEASE COMMITMENTS

At 31 March 2007, the total future minimum lease payments under non-cancellable operating leases, in respect of land and buildings, are payable as follows:

	Group		**Company**	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**9,173**	7,209	**926**	561
In the second to fifth years, inclusive	**9,386**	6,662	**–**	–
	18,559	13,871	**926**	561

The Group leases a number of properties under operating leases. The leases run for an initial period of one to three years. None of the leases includes contingent rentals.

39. UNDERWRITING COMMITMENTS

As at 31 March 2007, the Group had an underwriting commitment of HK$3,000,000 in acting as a co-manager in the share offer of a Company which was subsequently listed on The Stock Exchange of Hong Kong Limited. The deal was completed on 25 April 2007 and the underwriting commitment of the Group was then fully discharged.

As at 31 March 2006, the Group had an underwriting commitment of HK$8,899,000 in respect of a rights issue offered by a listed issuer on The Growth Enterprise Market of The Stock Exchange of Hong Kong Limited. The deal was completed on 18 April 2006 and the underwriting commitment was then fully discharged.

40. BUSINESS COMBINATIONS

On 29 September 2006, the Group acquired 100% of the equity interest of Quam Wealth Management Limited ("Quam Wealth"), a company formerly known as Qleap Financial Services Limited, whose principal activity is in the insurance broker business. Quam Wealth contributed revenues of HK$687,000 and net loss of HK$215,000 to the Group for the period from 29 September 2006. If the acquisition had occurred on 1 April 2006, the Group's revenue would have been HK$192,777,000 and profit for the year would have been HK$33,048,000.

Details of net identifiable assets acquired and goodwill arising on acquisition were as follows:

	HK$'000
Total purchase consideration – cash paid	**180**
Fair value of net identifiable assets acquired	**(137)**
Goodwill (note 17)	**43**

The assets and liabilities arising from the acquisition are as follows:

	Fair value HK$'000	**Acquiree's carrying amount** HK$'000
Cash and cash equivalents	**136**	136
Other receivables	**1**	1
Net identifiable assets acquired	**137**	137
Purchase consideration settled in cash		180
Cash and cash equivalents in subsidiary acquired		(136)
Net cash outflow arising on acquisition of Quam Wealth		44

There was no acquisition in the year ended 31 March 2006.

41. RELATED PARTY TRANSACTIONS

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

	Notes	**2007** **HK$'000**	2006 HK$'000
Related companies			
Consultancy fee income received	(a)	**1,643**	2,590
Securities and futures trading fee:			
Baroque Investments Limited, a company in which Mr. Bernard Pouliot has indirect interests	(b)	**25**	51
Porto Global Limited, a company in which Mr. Bernard Pouliot has indirect interests	(b)	**–**	12
New Challenge Holding Limited, a company in which Mr. Bernard Pouliot has indirect interests	(b)	**11**	–
Interest income on margin financing:			
Baroque Investments Limited, a company in which Mr. Bernard Pouliot has indirect interests	(b)	**399**	180
Porto Global Limited, a company in which Mr. Bernard Pouliot has indirect interests	(b)	**–**	38
New Challenge Holding Limited, a company in which Mr. Bernard Pouliot has indirect interests	(b)	**28**	–
Interest expense on margin financing	(c)	**(1,164)**	(299)
Directors			
Securities and futures trading fee:			
Mr. Bernard Pouliot	(b)	**99**	67
Mr. Kenneth Lam Kin Hing	(b)	**3,094**	105
Mr. Richard David Winter	(b)	**8**	1
Mr. Ip Shing Hing, J.P.	(b)	**2**	–
Interest income on margin financing:			
Mr. Bernard Pouliot	(b)	**245**	255
Mr. Kenneth Lam Kin Hing	(b)	**10**	–

41. RELATED PARTY TRANSACTIONS (Continued)

	Notes	2007 HK$'000	2006 HK$'000
Directors			
Performance fee income on broking:			
Mr. Kenneth Lam Kin Hing	(b)	**354**	–
Close family members of the directors			
Securities and futures trading fee:			
Ms. Chan Wai Yin, Elizabeth, spouse of Mr. Bernard Pouliot	(b)	**9**	5
Ms. Chan Chan Yeuk Lan, mother-in-law of Mr. Bernard Pouliot	(b)	**131**	102
Ms. Chan Wai Kay, Katherine, sister-in-law of Mr. Bernard Pouliot	(b)	**7**	60
Ms. Kwok Ka Wai, Mona, spouse of Mr. Kenneth Lam Kin Hing	(b)	**1,497**	16
Interest income on margin financing:			
Ms. Chan Wai Yin, Elizabeth, spouse of Mr. Bernard Pouliot	(b)	**6**	9
Performance fee income on broking:			
Ms. Kwok Ka Wai, Mona, Spouse of Mr. Kenneth Lam Kin Hing	(b)	**177**	–

Notes:

(a) Consultancy fees were received from a related company, which has common directors with the Company, for the provision of advisory services and were charged based on mutually agreed terms.

(b) The trading fee, interest and performance fee charged to the above parties were in accordance with the terms similar to those offered to unrelated customers.

(c) The interest paid to a related company, which has common directors with the Company, was on terms similar to those offered by unrelated brokers.

During the year ended 31 March 2006, a subsidiary of the Group was mandated to arrange a loan of HK$9 million for an independent third party borrower, who was also an existing margin borrowing customer of the Group. The subsidiary arranged a syndicated loan from a group of lenders to this third party borrower. Certain members of the syndication of lenders were directors and their close family members of the Group.

41. RELATED PARTY TRANSACTIONS (Continued)

COMPENSATION OF KEY MANAGEMENT PERSONNEL

Remuneration for key management personnel represents amounts paid to the Company's directors as disclosed in note 15.

42. NOTES TO CONSOLIDATED CASH FLOW STATEMENT

(a) During the year, the Company entered into finance lease arrangements in respect of assets with a total capital value at the inception of the leases of HK$640,000 (2006: Nil).

(b) During the year, the Group disposed of certain property, plant and equipment and intangible assets to its associate for HK$1,001,000 which was settled through the current account with the associate.

43. FINANCIAL GUARANTEE CONTRACTS

The Company has executed guarantees amounting to HK$100 million (2006: HK$100 million) with respect to bank loans to its subsidiaries. Under the guarantee, the Company would be liable to pay the bank if the bank is unable to recover the loans. At the balance sheet date, no provision for the Company's obligation under the guarantee contract has been made as the directors considered that it was not probable that the repayment of the loans would be in default.

44. POST BALANCE SHEET EVENTS

(I) PROPOSED BONUS ISSUE

On 5 July 2007, the directors recommended a bonus issue to the shareholders of the Company (except overseas shareholders) on the basis of one bonus share for every five shares of the Company for approval by the shareholders at the forthcoming annual general meeting of the Company to be held on 14 August 2007. The bonus shares will rank pari passu in all respects with the ordinary shares of the Company and the Company will not allot any fractions of bonus shares.

(II) PROPOSED SUBDIVISION OF SHARES

On 5 July 2007, the directors proposed that two existing issued and unissued shares of par value of HK$0.005 each in the share capital of the Company be subdivided into three ordinary shares of HK one third of one cent each (the "Proposed Share Subdivision"). The Proposed Share Subdivision will become effective upon the passing of an ordinary resolution by the shareholders at the forthcoming annual general meeting of the Company to be held on 14 August 2007 and the Listing Committee of The Stock Exchange of Hong Kong Limited granting the listing of, and permission to deal in, in subdivided shares.

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

MARKET RISK

(i) *Foreign exchange risk*

Foreign exchange risk is the risk of loss due to adverse movements in foreign exchange rate relating to receivables from foreign brokers and foreign currency deposits with banks. To mitigate the foreign currency risk, treasury and settlement division work closely to manage and monitor the foreign exchange exposure arising from broking in foreign shares and commodities.

(ii) *Equity price risk*

The Group is exposed to equity price risk through its investments in equity securities. The board of directors manages the exposure by closely monitoring the portfolio of equity investments.

(iii) *Interest rate risk*

Most of the bank borrowings are secured by margin clients' securities, which carry interest at variable rates. The interest rate risk of the Group is offset by the interest charged on margin finance lending to margin clients which is charged at Hong Kong Dollar Prime rate plus a margin of 3% per annum.

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

CREDIT RISK

The Group's maximum exposure to credit risk in the event of the clients' and foreign brokers' failure to perform their obligations as at the balance sheet date in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet. In order to minimise the credit risk, the senior management including responsible officers of the regulated activity compile the credit and risk management policies, to approve credit limits and to determine any debt recovery action on those delinquent receivables. In addition, the Group reviews the recoverable amount for each individual account receivables at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the board of directors considers that the Group's credit risk is effectively controlled and significantly reduced.

LIQUIDITY RISK

As part of ordinary broking activities, the Group is exposed to liquidity risk arising from timing difference between settlement with Clearing House or brokers and clients. To address the risk, treasury and settlement division work closely to monitor the liquidity gap. The Group utilises a combination of collateralised bank borrowings and clean loan facilities. An internal buffer is maintained on utilisation of such loan facilities in order to accommodate certain liquidity fluctuations.

FAIR VALUES

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

46. COMPARATIVE FIGURES

Certain comparative figures have been adjusted to conform with changes in presentation in the current year where necessary.

Certain reclassification changes that have been made to the comparative figures in the consolidated income statement for the year ended 31 March 2006, to be consistent with the presentation in the current year's consolidated income statement, are the consultancy fee for marketing and promotion of HK$5,508,000 being classified from "Other operating expenses, net" to "Cost of services provided" and the interest on bank loans and other borrowings of HK$4,828,000 being classified from "Interest expenses for financial services operations" to "Finance costs".

Five Year Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years, as extracted from the published audited financial statements, and reclassified as appropriate, is set out below.

	Year ended 31 March				
	2007	2006	2005	2004	2003
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
RESULTS					
Revenue	**192,089**	104,418	86,828	80,874	43,320
Profit/(Loss) from operations	**44,621**	14,260	(10,738)	9,886	(237,935)
Finance costs	**(9,454)**	(4,828)	(3,125)	(2,156)	(1,740)
Share of results of an associate	**631**	–	–	–	–
Profit/(Loss) before income tax	**35,798**	9,432	(13,863)	7,730	(239,675)
Income tax expense	**(2,752)**	(552)	–	–	–
Profit/(Loss) attributable to shareholders	**33,046**	8,880	(13,863)	7,730	(239,675)

	As at 31 March				
	2007	2006	2005	2004	2003
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
ASSETS AND LIABILITIES					
Total assets	**854,005**	545,525	396,836	374,830	230,187
Total liabilities	**(670,052)**	(421,239)	(286,209)	(250,340)	(113,427)
	183,953	124,286	110,627	124,490	116,760