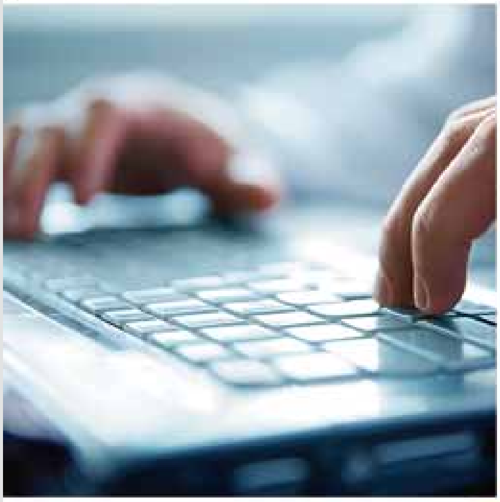
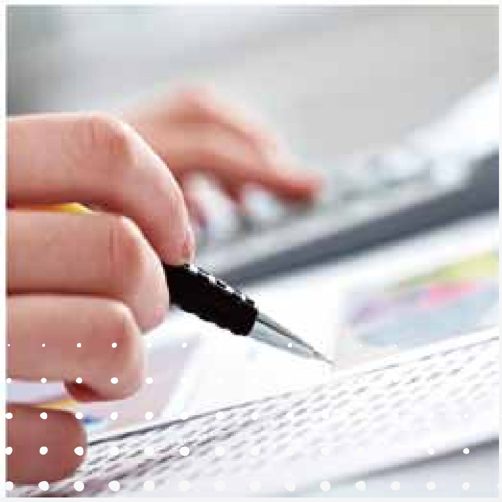



Annual Report 2011





CL GROUP (HOLDINGS) LIMITED
昌利(控股)有限公司

(Incorporated in the Cayman Islands with limited liability)
Stock Code : 8098

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate companies to which a high investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

This report, for which the directors (the "Directors") of CL Group (Holdings) Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

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CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Lau Ka Lung Ali *(Chairman)*
Mr. Kwok Kin Chung *(Chief Executive Officer)*
Mr. Lau Kin Hon
Ms. Yu Linda

Independent Non-executive Directors

Mr. Au-Yeung Tai Hong Rorce
Mr. Chee Kwok Wing Waymond
Ms. Choy Wing Man

AUTHORISED REPRESENTATIVES

Mr. Lau Kin Hon
Mr. Chan Kam Wah

AUDIT COMMITTEE MEMBERS

Ms. Choy Wing Man *(Chairman)*
Mr. Au-Yeung Tai Hong Rorce
Mr. Chee Kwok Wing Waymond

NOMINATION COMMITTEE MEMBERS

Mr. Chee Kwok Wing Waymond *(Chairman)*
Ms. Choy Wing Man
Mr. Lau Ka Lung Ali

REMUNERATION COMMITTEE MEMBERS

Mr. Au-Yeung Tai Hong Rorce *(Chairman)*
Ms. Choy Wing Man
Mr. Lau Kin Hon

COMPLIANCE OFFICER

Lau Kin Hon, *Practicing solicitor in Hong Kong*

COMPANY SECRETARY

Chan Kam Wah *FCCA, CPA*

AUDITORS

HLM & Co.
Certified Public Accountants

COMPLIANCE ADVISOR

VC Capital Limited

REGISTERED OFFICE

Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

HEADQUARTERS, HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1106, 11th Floor
MassMutual Tower
38 Gloucester Road
Wanchai, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Codan Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman
KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
26th Floor, Tesbury Centre
28 Queen’s Road East
Hong Kong

PRINCIPAL BANKERS

Bank of China
Bank of Communications
Dah Sing Bank Limited
Hang Seng Bank
HSBC
Standard Chartered Bank

STOCK CODE

8098

WEBSITE OF THE COMPANY

www.cheongleesec.com.hk

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors (the "Board") of CL Group (Holdings) Limited (the "Company"), I am pleased to present the annual results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 March 2011 to all the shareholders.

The year of 2011 has been definitely meaningful for the development of the Group. The Group was successfully listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited on 8 March 2011. The successful listing strengthened the financial position of the Group and the encouraging results of placing also enable the Group to implement its business plans.

In financial year 2011, the Group recorded revenue of approximately HK$91.6 million, representing an increase of 24.9% as compared with last financial year. Profit attributable to the owners of the Company in financial year 2011 amounted to approximately HK$36.2 million. With increasing financial activities in Hong Kong stock market in financial year 2011, there was major contribution by placing and underwriting activities to the Group. As a financial services group in Hong Kong, the Group will keep on reviewing existing market and industry development to identify and provide more comprehensive services to customers in the future.

In light of the volatile in existing market, the Group is focusing its efforts to expand its business by broadening the customer base and by strengthening its trading platform. The Group aims to become leading financial service group in Hong Kong. The Group will actively review future business opportunities to develop into various financial services in Hong Kong, which include the assets management and wealth management areas, in anticipating to bring in new sources of income and to further increase the profitability of the Group.

On behalf of the Board, I would like to take this opportunity to thank the shareholders, customers and business partners for their trust in, understanding of and support to the Group over the years. Moreover, I would also like to thank all staff for their tremendous effort and contribution. With a focused senior management and professional team, I believe the Group will succeed in achieving our business goals. We will continue to explore new business opportunities in the challenging year ahead and strive for the best returns for our shareholders.

On behalf of the Board

Lau Ka Lung Ali
Chairman

Hong Kong, 27 June 2011

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

Since early 2010 debt crisis occurred in the European market, under the uncertainties of the financial market, the market sentiment was volatile at the beginning of the financial year.

As various governments continue to procure measures to support the economy as well as the quantitative easing measures launched by US government, the corporate finance activities continued to grow quickly.

In Hong Kong, the IPO and fundraising activities increased and the market sentiment returned to good pace. The financial markets achieved a sustainable recovery in the second half of 2010.

As at 31 March 2011, the Hang Seng Index record as 23,528 representing 10.8% increase as compared with 31 March 2010. The total value of transaction of the Hong Kong stock Market for the year ended 31 March 2011 increased by approximately 7.0% as compared with the year ended 31 March 2010. The average daily value of transaction was approximately HK$71.4 billion.

BUSINESS REVIEW

Turnover

The Group's turnover for the year was approximately HK$91.6 million, as compared with 2010 of approximately HK$73.3 million, increasing by approximately 24.9% or approximately HK$18.3 million. The breakdown of turnover by business activities of the Group is set out below:–

	Year ended 31 March				**Increase/**
	2011		2010		**(decrease)**
	HK$	*%*	*HK$*	*%*	*%*
Commission and brokerage fee from securities dealings	**31,665,322**	**34.6%**	29,941,974	40.9%	5.8%
Commission and brokerage fee from dealing in futures contracts	**1,115,820**	**1.2%**	1,317,406	1.8%	(15.3%)
Placing and underwriting commission	**50,893,635**	**55.6%**	32,288,270	44.0%	57.6%
Clearing and settlement fee	**6,014,597**	**6.5%**	8,219,488	11.2%	(26.8%)
Handling service and dividend collection fees	**345,670**	**0.4%**	457,195	0.6%	(24.4%)
Interest income					
from authorised financial institutions	**254,315**	**0.3%**	143,105	0.2%	77.7%
from clients	**1,302,641**	**1.4%**	953,322	1.3%	36.6%
from others	**91**	**0.0%**	5	0.0%	1,720.0%
	91,592,091	**100.00%**	73,320,765	100.00%	

MANAGEMENT DISCUSSION AND ANALYSIS

Securities and Futures Brokerage

The commission and brokerage fee from securities dealings increased by approximately 6.0% from approximately HK$29.9 million for the year ended 31 March 2010 to approximately HK$31.7 million for the year ended 31 March 2011. The total value of transaction decreased by approximately 27.5% from approximately HK$402,321.1 million for the year ended 31 March 2010 to approximately HK$291,859.2 million for the year ended 31 March 2011. Despite there was a decrease in the total value of transactions, as a result of the increase in fixed commission charged to certain clients with high trading volume, the Group's commission and brokerage fee from securities dealings for the year ended 31 March 2011 increased as compared with 2010.

During the year, the Group offered more competitive pricing for futures contracts dealings. The commission and brokerage fee from dealing in futures contracts decreased by approximately 15.3% from approximately HK$1.3 million for the year ended 31 March 2010 to approximately HK$1.1 million for the year ended 31 March 2011.

The total value of transactions for securities dealings carried out by the Group for the year ended 31 March 2011 decreased as compared with 2010. As a result, income relating to clearing and settlement fee and handling services and dividend collection fees also decreased by approximately 26.8% from approximately HK$8.2 million for the year ended 31 March 2010 to approximately HK$6.0 million for the year ended 31 March 2011 and by approximately 24.4% from HK$457,195 for the year ended 31 March 2010 to HK$345,670 for the year ended 31 March 2011 respectively.

Interest income increased from approximately HK$1.1 million to approximately HK$1.6 million mainly because of the interest income from client incurred from overdue amount of approximately HK$4.0 million from client from May to September 2010. Such overdue amount had been settled in September 2010.

Placing and Underwriting Business

Under normal circumstances, the Group acts as an underwriter or a sub-underwriter or a placing agent or a sub-placing agent on best effort basis for fund-raising activities. It would take the role on underwritten basis only if it received special requests from the issuers and/or their respective placing and underwriting agents.

During the year ended 31 March 2011, the placing and underwriting commission increased by approximately 57.6% from approximately HK$32.3 million for the year ended 31 March 2010 to approximately HK$50.9 million for the year ended 31 March 2011. The Group has outstanding performance in placing and underwriting business as a result of the positive sentiment towards IPO, fund raising and corporate exercises in the market.

Administrative Expenses

During the year ended 31 March 2011, the administrative expenses increased by approximately 69.2% from approximately HK$28.7 million for the year ended 31 March 2010 to approximately HK$48.6 million for the year ended 31 March 2011. This was mainly because the Group recognised one-off IPO expenses of approximately HK$8.1 million for the year ended 31 March 2011.

MANAGEMENT DISCUSSION AND ANALYSIS

Moreover, the commission paid increased by approximately 150.0% from approximately HK$3.6 million for the year ended 31 March 2010 to approximately HK$9.0 million for the year ended 31 March 2011. The commission paid includes commission paid to account executives based on their performance of services rendered. Commission paid also includes commission rebate to third parties for referrals of placing and underwriting business. Such amount increased due to improvement of performance of placing and underwriting business during the year.

Liquidity, Financial Resources and Capital Structure

The Group financed its operations by shareholders' equity and cash generated from operations.

The Group maintained a strong financial position, with bank balance and cash in general accounts amounting to approximately HK$161.2 million as at 31 March 2011. This represented an increase of approximately 169.7% as compared with the position as at 31 March 2010 of approximately HK$59.8 million. Most of the Group's cash and bank balances in general accounts were denominated in HK dollars.

The net current assets of the Group as at 31 March 2011 increased from approximately HK$55.5 million to approximately HK$178.9 million which represents an increase of approximately 222.2%.

The current ratio of the Group as at 31 March 2011 was approximately 3.04 times compared with approximately 1.28 times as at 31 March 2010 mainly resulting from the net proceeds raised from the placing of the shares of the Company on GEM on 8 March 2011 (the "Placing"). As at 31 March 2011, the Group has bank and cash balances in general accounts of approximately HK$161.2 million (2010: approximately HK$59.8 million).

The Group had no secured loans (2010: Nil).

As at 31 March 2011, the Group's gearing ratio represented by the total liabilities as a percentage of the Group's total assets amount to approximately 32.5% (2010: approximately 74.2%).

Taking into consideration the existing financial resources available to the Group, it is anticipated that the Group should have adequate financial resources to meet its ongoing operating and development requirements.

Charge on Group Assets and Guarantee

As at 31 March 2011, the Company had provided guarantees in favour of a financial institution in respect of overdraft facilities of Cheong Lee amounting to HK$10.0 million (2010: Nil). As at 31 March 2011, a bank fixed deposit amounted of HK$5,000,000 have been pledged to secure the overdraft facilities granted to Cheong Lee.

MANAGEMENT DISCUSSION AND ANALYSIS

Contingent liabilities

As at 31 March 2011, the Group had no material contingent liabilities.

Capital commitments

Capital commitments outstanding at the end of the reporting period not provided for in the financial statements amount to approximately HK$370,000 which represent decoration expense pending to be paid by the Group for new office.

Staff and remuneration policies

As at 31 March 2011, the Group had 20 (2010: 14) employees, including Directors. Total staff costs (including directors' emoluments) were approximately HK$4.9 million for the year ended 31 March 2011 as compared to approximately HK$3.7 million for the year ended 31 March 2010.

Remuneration is determined based on the individual's qualification, experience, position, job responsibility and market conditions. Salary adjustments and staff promotion are based on evaluation of staff performance by way of annual review, and discretionary bonuses would be paid to staff with reference to the financial performance of the Group of the preceding financial year. Other benefits include contributions to statutory mandatory provident fund scheme to its employees in Hong Kong, pre-IPO share options and options that may be granted under the share option scheme.

Future plans for material investments or capital assets

The Group had no plans for material investments or acquisition of capital assets as at 31 March 2011, but will actively pursue opportunities for investments to enhance the profitability of the Group in its ordinary course of business

Material Acquisitions of subsidiaries and affiliated companies

Other than in connection with the Group's Reorganisation in preparation for the listing of the Company's shares on GEM on 8 March 2011, the Group has not made any material acquisitions and disposal of subsidiaries and associated companies. As at 31 March 2011 and up to the date of this report, the Group did not hold any significant investment.

Significant Investment

During the year under review there was no significant investment held by the Group.

Foreign exchange exposure

The Group's business is principally conducted in Hong Kong dollars, the Directors consider that potential foreign exchange exposure of the Group is limited.

MANAGEMENT DISCUSSION AND ANALYSIS

Comparison between future plans and prospects and actual business progress

An analysis comparing the future plans and prospects as contained in the Prospectus with the Group's actual business progress for the period from 21 February 2011, being the latest practicable date as defined in the Prospectus, to 31 March 2011 (the "Relevant Period") is set out below:

	Future plans and prospects	Actual business progress during the Relevant Period
Entering into the new margin financing business	Contribute funds to conduct margin financing business	The Group has notified the SFC in writing of its engagement in the margin financing business and provided the SFC with certain related documents for reference, as a complementary service to its brokerage clients in March 2011. The Group received the acknowledgement letter from the SFC on 1 April 2011. As a result, the margin financing business was commenced since April 2011.
Maintaining and enhancing efficiency of trading platform	Increase number of throttles for BSS , upgrade and enhance existing computer system and electronic trading platform and maintenance	Plans for computer systems enhancement deferred to the first half of 2011/12 due to heavy workload.
Expanding client network	Conduct initial setup and renovation	Initial renovation in progress.

Use of proceeds

The net proceeds from the Placing were approximately HK$106.9 million, approximately HK$0.4 million higher than what was anticipated in the Prospectus due to the overestimated disbursements and public relation costs although the placing price of HK$0.485 was lower than HK$0.4875 used for calculation of proceeds in Prospects. During the Relevant Period, the net proceeds from the Placing had been applied as follows:–

	Planned use of proceeds as stated in the Prospectus during the Relevant Period *HK$'000*	Actual use of proceeds during the Relevant Period *HK$'000*
Entering into the new margin financing business *(Note 1)*	75,000	–
Maintaining and enhancing efficiency of trading platform *(Note 2)*	1,800	–
Expanding client network *(Note 3)*	1,200	256
Total	78,000	256

MANAGEMENT DISCUSSION AND ANALYSIS

Note:

The future plans and prospects as stated in the Prospectus were based on the best estimation of the future market conditions made by the Group at the time of preparing the Prospectus. The use of proceeds was applied in accordance with the actual development of the market.

1. The Group has notified the SFC in writing of its engagement in the margin financing business and provided related documents for reference to the SFC in March 2011. The Group received the acknowledgement letter from the SFC on 1 April 2011. As a result, the margin financing business was commenced since April 2011 and the fund will be injected to margin financing business in the first quarter of financial year 2012.

2. Due to the heavy workload, the plans for upgrading computer systems and trading platform will be deferred.

3. On expanding client network, the Company is at the initial renovation stage of the office. Part of the renovation cost was paid.

The remaining net proceeds as at 31 March 2011 was placed as interest bearing deposit in licensed banks in Hong Kong.

RISK MANAGEMENT

Credit Risk

Credit risk exposure represents loans to customer, account receivables from brokers, clients and clearing houses which principally arise from our business activities. The Group has a credit policy in place and the credit risk is monitored on on-going basis.

For account receivables from clients, normally clients are required to settle the amount within 2 days (T+2). Responsible officers will regularly review the overdue balance. The credit risk arising from the account receivables from clients is considered as small.

For account receivables from brokers and clearing houses, the Group considered that credit risk is low as those brokers and clearing houses are registered with regulatory bodies.

The Group does not provide any guarantees which would expose the Group to credit risk.

Liquidity Risk

The Group is subject to the statutory liquidity requirements as prescribed by the regulators. The Group has a monitoring system to ensure that it maintains adequate liquid capital to fund its business commitments and to comply with the Securities and Futures (Financial Resources) Rules (Cap.571N).

The Group has maintained stand-by banking facilities to meet any contingency in its operations. The Board believes that the Group's working capital is adequate to meet its long and short term financial obligations.

Foreign Exchange Risk

The Group's business is principally conducted in Hong Kong dollars, the foreign exchange risk exposure of the Group is limited.

MANAGEMENT DISCUSSION AND ANALYSIS

OUTLOOK

The Group has benefited from the listing on 8 March 2011 which has strengthened its capital base and enhanced its profile. There will be a challenging year for the Group to further expand its business. The Group will continue to grow its brokerage business, by broadening client base and by strengthening its trading platform.

The Group has commenced its margin financing business and will continue to put efforts on expanding the margin finance portfolio and on satisfying the needs of clients.

The Group aims to become a leading financial service group in Hong Kong. The Group will actively review future business opportunities to develop into various financial services in Hong Kong, which include the assets management and wealth management areas, in anticipating to bring in new sources of income and to further increase the profitability of the Group.

CORPORATE GOVERNANCE REPORT

Pursuant to Rule 18.44 of the GEM Listing Rules, the Board is pleased to present this corporate governance report for the year ended 31 March 2011. This report highlights the key corporate governance practices of the Company.

CORPORATE GOVERNANCE PRACTICES

The Group is committed to promoting high standards of corporate governance. The Directors of the Company believe that sound and reasonable corporate governance practices are essential for the growth of the Group and for safeguarding the shareholders' interests and the Group's assets.

Throughout the period from the date of listing of the shares of the Company on the GEM of the Stock Exchange on 8 March 2011 (the "Listing Date") to 31 March 2011, the Company has complied with all the code provisions set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 15 of the GEM Listing Rules.

CORPORATE GOVERNANCE STRUCTURE

The Board is primarily responsible for formulating strategies, monitoring performance and managing risks of the Group. At the same time, it also has the duty to enhance the effectiveness of the corporate governance practices of the Group. Under the Board, there are 3 board committees, namely audit committee, remuneration committee and nomination committee. All these committees perform their distinct roles in accordance with their respective terms of reference and assist the Board in supervising certain functions of the senior management.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the code of conduct for securities transactions by the Directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company had made specific enquiry to all the Directors and the Directors have confirmed compliance with this code of conduct throughout the period from the Listing Date to 31 March 2011. No incident of non-compliance was noted by the Company during this period.

BOARD OF DIRECTORS

At present, the Board of the Company comprises seven members as follows:

Executive Directors

Mr. Lau Ka Lung Ali *(Chairman)*
Mr. Kwok Kin Chung *(Chief Executive Officer)*
Mr. Lau Kin Hon
Ms. Yu Linda

Independent non-executive Directors

Mr. Au-Yeung Tai Hong Rorce
Mr. Chee Kwok Wing Waymond
Ms. Choy Wing Man

CORPORATE GOVERNANCE REPORT

Biographical details of the Directors are set out in the section of “Biographical Details of Directors and Senior Management” on pages 17 and 18.

The Board has the responsibility for leadership and control of the Company. They are collectively responsible for promoting the success of the Group by directing and supervising the Group’s affairs. The Board is accountable to shareholders for the strategic development of the Group with the goal of maximizing long-term shareholder value, while balancing broader stakeholder interests.

The Board meets regularly on a quarterly basis. Apart from the regular board meetings of the year, the Board also meets on other occasions when a Board-level decision on a particular matter is required. All Directors are provided with details of agenda items for decisions making with reasonable notice. Directors have access to the advice and services of the Company Secretary who is responsible for ensuring that the Board procedures are complied with and advising the Board on compliance matters. Directors are also provided with access to independent professional advice, where necessary, in carrying out their obligations as Directors of the Company, at the expense of the Company. Directors who are considered to have conflict of interests or material interests in the proposed transactions or issues to be discussed would not be counted in the quorum of meeting and would abstain from voting on the relevant resolution.

Generally, the responsibilities of the Board include:

- Formulation of operational strategies and review of its financial performance and results and the internal control systems;
- Policies relating to key business and financial objectives of the Company;
- Material acquisitions, investments, disposal of assets or any significant capital expenditure;
- Appointment, removal or reappointment of Board members and auditors;
- Remuneration of Directors;
- Communication with key stakeholders, including shareholders and regulatory bodies;
- Recommendation to shareholders on final dividend and the declaration of any interim dividends.

The posts of Chairman and Chief Executive Officer are separated to ensure a clear division between the Chairman’s responsibility to manage the Board and the Chief Executive Officer’s responsibility to manage the Company’s business. The separation ensures a balance of power and authority so that power is not concentrated in any one individual.

CORPORATE GOVERNANCE REPORT

No meeting has been held by the Board from the Listing Date on 8 March 2011 to 31 March 2011.

All Directors assume the responsibilities to the shareholders of the Company for the well-being and success of the Company. They are aware of their duties to act in good faith and in the best interests of the Company.

The Board is responsible for maintaining proper accounting records so as to enable the Directors to monitor the Company's overall financial position. The Board updates shareholders on the operations and financial position of the Group through quarterly, half yearly and annual results announcements as well as the publication of timely announcements of other matters as prescribed by the relevant rules and regulations.

The Company has three independent non-executive Directors, at least one of whom has appropriate financial management expertise, in compliance with the GEM Listing Rules. Each of the independent non-executive Director has made an annual confirmation of his independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company is of the view that all independent non-executive Directors meet the independence guidelines set out in Rule 5.09 of the GEM Listing Rules and are independent in accordance with the terms of the guidelines.

According to the Company's articles of association, newly appointed Directors shall hold office until the next following general meeting and shall be eligible for re-election at that meeting. Every Director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Pursuant to the code provision A.2.1, the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual. The division of responsibilities between the Chairman and Chief Executive Officer should be clearly established and set out in writing.

Mr. Lau Ka Lung Ali plays a leading role and is responsible for effective running of the Board while Mr. Kwok Kin Chung is delegated with the authority and responsibility of overall management, business development and implementation of the Group's strategy determined by the Board in achieving its overall commercial objectives.

The Company has complied with the code provisions as set out in the Code on Corporate Governance Practices contained in Appendix 15 of the GEM Listing Rules throughout the period under review.

CORPORATE GOVERNANCE REPORT

NON-EXECUTIVE DIRECTORS

Under the Code Provision A.4.1, all the non-executive directors should be appointed for a specific term, subject to re-election. Each of the independent non-executive Directors has entered into a service contract with the Company for an initial term of one year commencing from 25 February 2011 renewable for the year upon the expiration of the initial term and each subsequent one year term subject to termination in certain circumstance as stimulated in the relevant service contracts. At each annual general meeting, one third of the Directors for the time being (of if their number is not a multiple of three, then the number nearest to but not less than one third) will retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

REMUNERATION COMMITTEE

A remuneration committee was set up on 21 February 2011 to oversee the remuneration policy and structure for all Directors and senior management.

The remuneration committee comprises one executive Directors and two independent non-executive Directors, namely Mr. Au-Yeung Tai Hong Rorce, Mr. Lau Kin Hon and Ms. Choy Wing Man and is chaired by Mr. Au-Yeung Tai Hong Rorce.

The terms of reference of the Remuneration Committee are aligned with the provisions set out in the CG Code. The role of the Remuneration Committee is to recommend to the Board a framework for remunerating the Directors and key executives and to determine specific remuneration packages for them. They are provided with sufficient resources by the Company to discharge its duties.

No meeting has been held by the remuneration committee from the Listing Date to 31 March 2011.

NOMINATION COMMITTEE

The Board is empowered under the Company's articles of association to appoint any person as a director to fill a casual vacancy on or as an additional member of the Board. Qualified candidates will be proposed to the Board for consideration and the selection criteria are based on the assessment of their professional qualifications and experience, character and integrity.

The Company has established a nomination committee on 21 February 2011 for making recommendations to the Board on appointment of Directors and succession planning for the Directors. The terms of reference of the nomination committee are aligned with the provisions set out in CG Code.

The nomination committee comprises one executive Directors and two Independent non-executive Directors, namely Mr. Chee Kwok Wing Waymond , Mr. Lau Ka Lung Ali and Ms. Choy Wing Man. Mr. Chee Kwok Wing Waymond is the Chairman of the nomination committee.

No meeting has been held by the nomination committee from the Listing Date to 31 March 2011.

CORPORATE GOVERNANCE REPORT

AUDITORS' REMUNERATION

For the year ended 31 March 2011, the professional fees paid or payable to the independent auditors, HLM & Co., for services rendered are set out below:

	HK$'000
Statutory audit	
– 2011 annual results	400
Non-audit services	
– Initial public offerings	1,380
Total	1,780

AUDIT COMMITTEE

The Company has established an Audit Committee on 21 February 2011 with written terms of reference that set out the authorities and duties of the Audit Committee adopted by the Board. The audit committee comprises the three independent non-executive Directors and headed by Ms. Choy Wing Man who has appropriate professional qualifications and experience in financial matters. The terms of reference of the Audit Committee are aligned with the provisions set out in the CG Code. The audit committee performs, amongst others, the following functions:

- ensure that co-operation is given by the Company's management to the external auditors where applicable;
- review the Group's quarterly, half yearly and annual results announcements and the financial statements prior to their recommendations to the Board for approval;
- review the Group's financial reporting process and internal control system; and
- review of transactions with interested persons.

No meeting has been held by the Audit Committee from the Listing Date 8 March 2011 to 31 March 2011. Prior to the date of this report, the Audit Committee has reviewed the consolidated financial statements, including the accounting principles and practices adopted by the Group, which was of the opinion that such reports were prepared in accordance with the applicable accounting standard and requirements. The Audit Committee has also discussed with the Group's independent auditors and considers the system of the internal control of the Group to be effective and that the Group had adopted the necessary control mechanisms to its financial, operational, statutory compliance and risk management functions.

CORPORATE GOVERNANCE REPORT

INTERNAL CONTROLS

The audit committee reviews the adequacy of the Company's internal financial controls, operational and compliance controls, and risk management policies and systems established by the management of the Company (collectively "internal controls").

The Board is responsible for the overall internal control framework and is fully aware of the need to put in place a system of internal controls within the Group to safeguard the interests of the Company's shareholders and the Group's assets, and to manage risks. The Board also acknowledges that no cost effective internal control system will preclude all errors and irregularities. A system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

INTERNAL AUDIT

The Company does not have in place an independent internal audit function as the board is of the view that the appointment is not imminent under current circumstances, taking into account the current operate structure and scope of the Group's operations.

The Group's external auditors, HLM & Co., contribute an independent perspective on relevant internal controls arising from their audit and report findings to the audit committee.

DIRECTORS RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors are ultimately responsible for the preparation of the financial statements for each financial year which gives a true and fair view. In preparing the financial statements, appropriate accounting policies and standard are selected and applied consistently.

The statement of the auditors of the Company about their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditors' Report on page 28 of this annual report.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. LAU Ka Lung Ali, aged 44, is the Chairman of the Company and an executive Director and a director and Responsible Officer of Cheong Lee. Mr. Lau obtained a diploma in China Finance from the Adult Education College of Shenzhen University of the PRC. He is responsible for formulating corporate strategies and overall management of the Group and managing daily operations and supervising dealing staff as well as overseeing and supervising risk control such as monitoring trades and funding. He joined the Group in September 2007. Mr. Lau has over 10 years of experience in securities and commodities dealing.

Mr. KWOK Kin Chung, aged 36, is the Chief Executive Officer of the Company an executive Director and a director and Responsible Officer of Cheong Lee. He has obtained a Master's degree in Finance in 2006 from Curtin University of Technology of Australia and a professional diploma in Corporate Finance from The Hong Kong Management Association. Mr. Kwok is responsible for managing daily operations and supervising dealing staff.

He joined the Group in July 2010. Mr. Kwok has over 10 years of experience in securities and derivatives dealing.

Mr. LAU Kin Hon, age 43, is an executive Director and a director of Cheong Lee. Mr. Lau is a practicing solicitor in Hong Kong. Mr. Lau obtained a bachelor of laws degree with honours from University College, London, U.K.. Mr. Lau is responsible for managing the compliance function of the Group and the provision of advice to the Group on legal and regulatory compliance matters. He joined the Group in January 2008. Mr. Lau has over 15 years experience in legal and compliance. He is currently a partner of Tang Tso & Lau Solicitors. He is a director of three private limited companies namely More Power Trading Limited, Robos Secretarial Limited and Hengyang Wangxiang Ecological Agricultural Development Limited, the principal businesses of which are consultancy, provision of secretarial services and agriculture business respectively in Hong Kong and the PRC. He also a non-executive director of Lisi Group (Holdings) Limited.

Ms. YU Linda, aged 38, is an executive Director and a director and Responsible Officer of Cheong Lee. Ms. Yu is responsible for the Company's business development, marketing, maintenance of clients' relations and such other matters as the Board shall from time to time direct. She joined the Group in October 2007. Ms. Yu has over 15 years of experience in the securities industry.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. AU-YEUNG Tai Hong Rorce, aged 53, is an independent non-executive Director appointed on 21 February 2011. He obtained a Bachelor's Degree in Science (Business Administration (Accounting)) from San Jose State University and a Juris Doctor from Santa Clara University of the United States of America. Mr. Au-Yeung was admitted as an attorney and counselor at law of the State Bar of California on 11 December 1989. He currently is the Chief Executive Officer of Nova Solar Limited.

Ms. CHOY Wing Man, aged 33, is an independent non-executive Director appointed on 21 February 2011. Ms. Choy obtained a Bachelor of Commerce in Accounting and Finance from the University of New South Wales, Australia. She is a member of ISACA, the Information Systems Audit and Control Association, a Certified Practising Accountant of CPA Australia, and a member of the Institute of Internal Auditors. She is also a member of the Hong Kong Institute of Certified Public Accountants. Ms. Choy currently is the Regional Auditor of an international high fashion company.

Mr. CHEE Kwok Wing Waymond, aged 49, is an independent non-executive Director appointed on 21 February 2011. He obtained Bachelor's of Social Sciences from the University of Hong Kong. Mr. Chee currently is a Senior Manager at Nittan Capital Asia Ltd.

SENIOR MANAGEMENT

Mr. CHAN Kam Wah, aged 35, is the Company Secretary and the Finance Manager of the Group. He joined the Group in May 2010 and is responsible for the overall accounting and financial management functions. Mr. Chan has obtained a Bachelor's degree in Accounting from Napier University, Edinburgh of Scotland. He is also a fellow of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants. Mr. Chan has over 10 years of experience in accounting and finance.

REPORT OF DIRECTORS

REPORT OF DIRECTORS

The Directors of the Company ("Directors") submit herewith their annual report together with the audited consolidated financial statements for the year ended 31 March 2011.

REORGANISATION

The Company was incorporated in Cayman Island with limited liability on 27 August 2010. Pursuant to a group reorganisation on 22 February 2011 (the "Reorganisation") in preparation for the listing of shares of the Company on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM of the Stock Exchange") and for the purpose of rationalising the Group's structure, the Company became the holding company of the subsidiaries now comprising the Group on 22 February 2011. Details of the Reorganisation are set out in the prospectus of the Company dated 28 February 2011 (the "Prospectus"). The Company's shares have been listed on the GEM of the Stock Exchange since 8 March 2011.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and the activities of its subsidiaries are set out in note 37 to the consolidated financial statements. There were no significant changes in nature of Group's principal activities during the year.

SEGMENT INFORMATION

An analysis of the Group's consolidated turnover and contribution to operating profit for the year by principal activities is set out in note 9 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2011 and the state of the affairs of the Group at that date are set out in the consolidated financial statements on pages 29 to 88.

An interim dividend of HK$36,000,000 was paid by Cheong Lee Securities Limited to its then shareholder on 8 October 2010. The Directors proposed to declare a final dividend of HK2.0 cents per ordinary share for the year ended 31 March 2011, which will be subject to approval by our Shareholders at the forthcoming annual general meeting of our Company to be held on 4 August 2011. If approved, the proposed final dividend will be paid to our Shareholders on or before 17 August 2011.

PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries of the Company as at 31 March 2011 are set out in note 37 to the consolidated financial statements.

PLANT AND EQUIPMENT

Details of the movements in plant and equipment of the Group and of the Company are set out in note 17 to the consolidated financial statements.

RESERVES

Movements in the reserves of the Group and of the Company during the year are set out in consolidated statement of changes in equity on page 31 and note 29 to the consolidated financial statements.

REPORT OF DIRECTORS

DISTRIBUTABLE RESERVES

At 31 March 2011, the Company's reserve available for distribution, calculated in accordance with the Companies Law of Cayman Islands, amounted to approximately HK$ 139.8 million. This includes the Company's share premium in the amount of approximately HK$112.5 million at 31 March 2011, which may be distributable provided that immediately follow the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

DONATION

The Group's charitable and other donations during the year amounted to HK$1,775,993 (2010: HK$164,920). No donations were made to political parties.

SHARE CAPITAL

Details of the movements in share capital of the Company during the year, together with reasons therefore, are set out in notes 28 to the consolidated financial statements.

SUMMARY OF FINANCIAL INFORMATION

A summary of the results and of the assets and liabilities of the Group for last three financial years is set out on page 89.

MAJOR CUSTOMERS AND SUPPLIERS

The percentage of turnover for the year attributable to the Group's major customers is as follows:

– the largest customer	20.0%
– five largest customers combined	44.9%

To the best of the Directors' knowledge, none of the Directors, their associates or any shareholder who owns more than 5% of the Company's share capital had an interest in any of the major customers above.

The Group had no major supplier due to the nature of principal activities of the Group.

DIRECTORS

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

Mr. Lau Ka Lung Ali *(Chairman)*	(appointed on 18 February 2011)
Mr. Lau Kin Hon	(appointed on 18 February 2011)
Ms. Yu Linda	(appointed on 27 August 2010)
Mr. Kwok Kin Chung	(appointed on 18 February 2011)
Mr. To Hang Ming	(appointed on 18 February 2011 and resigned on 21 February 2011)
Mr. Au Yeung Tai Hong Rorce*	(appointed on 21 February 2011)
Ms. Choy Wing Man*	(appointed on 21 February 2011)
Mr. Chee Kwok Wing Waymond*	(appointed on 21 February 2011)

* *Independent Non-executive Director*

All the Directors shall retire at the forthcoming annual general meeting in accordance with Article 39 of the Company's Articles of Association and, being eligible, offer themselves for re-election.

REPORT OF DIRECTORS

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical information of the Directors and senior management of the Group are set out on pages 17 to 18 of this annual report.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITION IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 March 2011, save for the interest of the directors in share options as below, neither of the Directors nor the Chief Executive of the Company had interests and or short positions in the shares of the Company ("Shares"), underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong) ("SFO") which (i) are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (ii) were recorded in the register required to be kept under Section 352 of the SFO, or (iii) have to be notified to the Company and the Stock Exchange pursuant to the required standards of dealing by directors as referred to in Rule 5.46 of the GEM Listing Rules.

LONG POSITION IN SHARES, UNDERLYING SHARES OF THE COMPANY

Share Option

As at 31 March 2011, there were a total of 4,500,000 outstanding share options of the Company granted to the Directors of the Company, details of which are summarised in the following table:

		Options to Subscribe for Shares of the Company							
Director	Date of grant	Outstanding as at 1 April 2010	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding as at 31 March 2011	Option exercise period	Exercise price per share	Approximate percentage of shareholding
Lau Ka Lung Ali	25/2/2011	–	500,000	–	–	500,000	08/03/2012 to 07/03/2013	HK$0.4850	0.05%
	25/2/2011	–	1,000,000	–	–	1,000,000	08/03/2013 to 07/03/2014		0.10%
						1,500,000			0.15%
Yu Linda	25/2/2011	–	500,000	–	–	500,000	08/03/2012 to 07/03/2013	HK$0.4850	0.05%
	25/2/2011	–	1,000,000	–	–	1,000,000	08/03/2013 to 07/03/2014		0.10%
						1,500,000			0.15%
Lau Kin Hon	25/2/2011	–	500,000	–	–	500,000	08/03/2012 to 07/03/2013	HK$0.4850	0.05%
	25/2/2011	–	500,000	–	–	500,000	08/03/2013 to 07/03/2014		0.05%
						1,000,000			0.10%
Kwok Kin Chung	25/2/2011	–	500,000	–	–	500,000	08/03/2012 to 07/03/2013	HK$0.4850	0.05%
Total		–	4,500,000	–	–	4,500,000			0.45%

REPORT OF DIRECTORS

Note:

The above share options were granted pursuant to the Company's pre-IPO share option scheme adopted on 22 February 2011.

Each of the grantees to whom options have been conditionally granted under the Pre-IPO Share Option Scheme will be entitled to exercise the options in the following manner:

(i) a maximum of 500,000 of share under the options granted to him, or if the number of the shares under the options granted to him is less than 500,000, his maximum entitlements under the options granted to him, at any time during the period on or after from the date falling on the first anniversary of the Listing Date to the date of the second anniversary of the Listing Date; and

(ii) the remaining share, if any, under the options granted to him at any time during the period on or after the date falling on the date of the second anniversary of the Listing Date to the date immediately before the third anniversary of the Listing Date.

Save as disclosed above, none of the Directors or the Chief Executives of the Company had any interest or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations at 31 March 2011.

DIRECTORS' SERVICE CONTRACTS

Each of the independent non-executive Directors has entered into a service contract with the Company for an initial term of one year commencing from 25 February 2011 renewable for the year upon the expiration of the initial term and each subsequent one year term subject to termination in certain circumstance as stimulated in the relevant service contracts.

No Director has a service contract with the Company which is for a duration that may exceed 3 years or which requires the Company to, in order to terminate such contract, give a notice period of more than 1 year or pay compensation or make other payment equivalent to more than 1 years emolument.

As at 31 March 2011, none of the Directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance in relation to the Company's business to which the Company, its holding company, subsidiaries or fellow subsidiaries was a party and in which any Directors of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his independence pursuant to Rule 5.09 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited. The Company considers all of the independent non-executive Directors are independent.

EMOLUMENT POLICY

The Company's policy concerning the remuneration of the Directors is that the amount of remuneration is determined by reference to the relevant Director's experience, responsibilities, workload and the time devoted to the Group.

Employees' remuneration is determined based on the individual's qualification, experience, position, job responsibility and market conditions. Salary adjustments and staff promotion are based on evaluation of staff performance by way of annual review, and discretionary bonuses would be paid to staff with reference to the financial performance of the Group of the preceding financial year.

The Company has adopted a Share Option Scheme as an incentive to Directors and eligible employees details of the scheme is set out in note 31 to the consolidated financial statements.

REPORT OF DIRECTORS

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from as disclosed under the paragraph headed "Directors' and Chief Executives' interests and short positions in shares, underlying shares and debentures" above and the "Share option scheme" below, at no time during the year have rights to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate granted to any director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors, their spouse or children under 18 years of age to acquire such rights in any other body corporate.

SHARE OPTION

The Company adopted the Share Option Scheme on 22 February 2011, which was approved by the shareholders' written resolutions, is valid and effective for a period of 10 years. It is a share incentive scheme and is established to recognize and acknowledge the contribution that the eligible participants have or may have made to the Group. Pursuant to the Share Option Scheme, the Board may, at its discretion, offer to grant an option to any Director, employee, advisor, consultant, distributor, contractor, supplier, customer, agent, business partner, joint venture business partner, promoter, service provider of any member of the Group.

The total number of shares in respect of which share options may be granted under the Share Option Scheme is not permitted to exceed 100,000,000 shares, representing 10% of the total number of shares of the Company as at 31 March 2011.

The total number of shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme to eligible participants in any 12 months period up to the date of grant shall not exceed 1% of the Shares in issue as at the date of grant. Any further grant of options in excess of this 1% limit shall be subject to the approval of shareholders in a general meeting.

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall not be less than the highest of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotation sheets on the date of grant; (ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of grant; or (iii) the nominal value of a Share.

During the year ended 31 March 2011, no share option was granted, exercised or lapsed under the Share Option Scheme.

REPORT OF DIRECTORS

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 March 2011, according to the register of interests kept by the Company under Section 336 of the SFO, the following parties (in addition to those disclosed above in respect of the Directors and Chief Executive of the Company) had interests or short positions in the shares or underlying shares of the Company which were required to be recorded in the register and/or were directly or indirectly interested in 5% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group:

Long position in shares of the Company

Name of shareholder	Number of shares	Approximate percentage holding
Zillion Profit Limited	750,000,000	75%
Ms. Au Suet Ming Clarea *(note i)*	750,000,000	75%

Notes:

(i) Ms. Au Suet Ming Clarea is deemed to be interested in 750,000,000 shares through her controlling interest (100%) in Zillion Profit Limited.

Save as disclosed above, as at 31 March 2011, the Directors are not aware of any other persons who had interests or short positions in the shares or underlying shares of the Company which were interested in 5% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group or any persons (not being a Director) have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions in Divisions 2 and 3 of Part XV of the SFO.

MANAGEMENT CONTRACTS

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

RETIREMENT BENEFIT SCHEME

Particulars of the retirement benefit scheme of the Group are set out in note 32 to the consolidated financial statements.

REPORT OF DIRECTORS

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

Non-exempt One-off Connected Transactions

From the Listing Date to 31 March 2011, the Company has not entered into any non-exempt one-off connected transactions which were subject to the reporting, annual review, announcement and/or independent shareholders' approval requirements under the GEM Listing Rules.

Non-exempt Continuing Connected Transactions

The following is a summary of the non-exempt continuing connected transactions of the Group entered into during the year ended 31 March 2011:

Cheong Lee has entered into a brokerage services agreement ("Ms. Au's Brokerage Services Agreement") with Ms. Au Suet Ming Clarea ("Ms. Au"), the ultimate controlling shareholder of the Company, on 22 February 2011, pursuant to which Cheong Lee may, upon request, provide or Cheong Lee may procure any other company amongst the Group to provide to Ms. Au (including her associates) the brokerage services, from time to time on normal commercial terms and at rates comparable to rates offered to other customers of the Group who are independent third parties (as defined under the GEM Listing Rules) of similar transaction turnover and/or credit standing, trading record and quality of collaterals given, and in accordance with the relevant policy of the Group from time to time. Ms. Au's Brokerage Services Agreement is for a term commencing from the Listing Date and ending on 31 March 2013 and the transaction amount should not exceed HK$4.8 million for each of the three years ending 31 March 2013. The total commission paid by Ms. Au's and/or her associates for the brokerage services provided by the Group amounted to HK$4,771,322 for the year ended 31 March 2011 which is also set out in Note 36(a) in the consolidated financial statements on page 86 of this annual report.

REPORT OF DIRECTORS

Agreed upon procedures performed by the auditor

The Company has engaged its auditor to perform certain agreed-upon procedures in respect of continuing connected transactions of the Group. The procedures, where applicable, were performed solely to assist the Directors of the Company to evaluate, in accordance with Rule 20.38 of the GEM Listing Rules, whether the continuing connected transactions entered into by the Group for the Year:

(i) have been approved by the Board of Directors;

(ii) have been entered into in accordance with the terms of the agreement governing the transactions;

(iii) have been entered into in accordance with the pricing policies in respect of securities trading commissions, futures and options trading commission of the Group; and

(iv) have not exceeded the relevant cap amounts for the year in the Prospectus dated 22 February 2011.

The auditor has issued an unqualified letter containing the findings and conclusions in respect of the continuing connected transactions in accordance with Rule 20.38 of the GEM Listing Rules. A copy of the auditors' letter have been provided by the Company to the Stock Exchange.

CONFIRMATION OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The independent non-executive Directors have reviewed the above continuing connected transactions and confirmed that these 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 (as defined under the GEM Listing Rules); 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.

Save as disclosed above, no contracts of significance to which the Company or its subsidiaries or holding company or a subsidiary of the Company's holding company is a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Significant related party transactions entered by the Group during the year, which do not constitute connected transactions under GEM Listing Rules, are disclosed in note 36 to the consolidated financial statements.

REPORT OF DIRECTORS

COMPETING INTERESTS

For the year ended 31 March 2011, the Directors are not aware of any business or interest of the Directors, the controlling shareholder(s) of the Company and their respective associates (as defined under the GEM Listing Rules) that compete or may compete with the business of the Group and any other conflict of interest which any such person has or may have with the Group.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 March 2011.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Articles of Association and there is no restriction against such rights under the laws of the Cayman Islands.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company as at the date of this report, the Company has maintained the prescribed public float under the GEM Listing Rules.

INTERESTS OF THE COMPLIANCE ADVISER

As notified by VC Capital Limited ("VC Capital"), the compliance adviser of the Company, neither VC Capital nor its directors or employees or associates had any interests in the share capital of the Company or any member of the Group (including options or rights to subscribe for such securities) as at 31 March 2011.

Pursuant to the agreement dated 3 March 2011 entered into between VC Capital and the Company, VC Capital received and will receive fees for acting as the compliance adviser of the Company.

AUDITORS

A resolution to reappoint Messrs. HLM & Co. as auditors of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the board

Lau Ka Lung Ali
Chairman

Hong Kong, 27 June 2011

INDEPENDENT AUDITORS' REPORT

恒健會計師行
HLM & Co.
Certified Public Accountants

Room 305, Arion Commercial Centre
2-12 Queen's Road West, Hong Kong.
香港皇后大道西2-12號聯發商業中心305室
Tel 電話: (852) 3103 6980
Fax 傳真: (852) 3104 0170
E-mail 電郵: hlm@hlm.com.hk

TO THE MEMBERS OF CL GROUP (HOLDINGS) LIMITED
昌利(控股)有限公司
(Incorporated as an exempted company in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of CL Group (Holdings) Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 29 to 88, which comprise the consolidated statement of financial position as at 31 March 2011, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements
The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated 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 Group's state of affairs as at 31 March 2011, and of its profits 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.

HLM & Co.
Certified Public Accountants

Hong Kong, 27 June 2011

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2011

	NOTES	**2011** **HK$**	2010 HK$
Turnover	7	**91,592,091**	73,320,765
Net other income	8	**910,722**	1,855,694
Administrative expenses		**(48,610,071)**	(28,724,167)
Finance costs	10	**–**	(184,536)
Profit before taxation	11	**43,892,742**	46,267,756
Income tax expenses	14	**(7,713,137)**	(7,609,382)
Profit for the year attributable to the owners of the Company		**36,179,605**	38,658,374
Other comprehensive (expenses) income			
Net change in fair value on available-for-sale financial assets		**–**	1,970,116
Release of investments revaluation reserve upon disposal of available-for-sale financial assets		**(1,970,116)**	–
		(1,970,116)	1,970,116
Total comprehensive income for the year attributable to the owners of the Company		**34,209,489**	40,628,490
Dividend	15	**36,000,000**	15,008,000
Earnings per share			
– Basic	16	**4.72 cents**	5.15 cents
– Diluted	16	**4.72 cents**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2011

	NOTES	2011 HK$	2010 HK$
Non-current assets			
Plant and equipment	17	**1,821,997**	2,278,056
Intangible assets	18	**209,340**	279,120
Other assets	19	**1,787,913**	1,775,530
Available-for-sale financial assets	20	**–**	9,723,483
		3,819,250	14,056,189
Current assets			
Trade receivables	21	**18,091,624**	48,921,036
Other receivables, deposits and prepayments	22	**1,784,178**	1,212,872
Financial assets at fair value through profit or loss	23	**7,423,919**	1,930,400
Pledged bank deposit	24	**5,000,000**	–
Bank balances and cash – trust accounts	24	**77,939,538**	142,385,744
Bank balances and cash – general accounts	24	**156,247,333**	59,787,786
		266,486,592	254,237,838
Current liabilities			
Trade payables	25	**80,989,935**	188,991,829
Other payables and accruals	26	**4,475,244**	2,616,024
Tax payable		**2,132,635**	7,101,037
		87,597,814	198,708,890
Net current assets		**178,888,778**	55,528,948
Total assets less current liabilities		**182,708,028**	69,585,137
Non-current liability			
Deferred tax liabilities	27	**220,307**	311,338
Net assets		**182,487,721**	69,273,799
Capital and reserves			
Share capital	28	**10,000,000**	40,000,000
Reserves		**172,487,721**	29,273,799
Total equity		**182,487,721**	69,273,799

The consolidated financial statements on pages 29 to 88 were approved and authorised for issue by the Board of Directors on 27 June 2011 and are signed on its behalf by:

LAU KA LUNG ALI
Director

KWOK KIN CHUNG
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2011

	Share capital	Share premium	Merger reserve	Share option reserve	Investments revaluation reserve	Retained profits	Total
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
At 1 April 2009	20,000,000	–	–	–	–	3,653,309	23,653,309
Profit for the year	–	–	–	–	–	38,658,374	38,658,374
Other comprehensive income for the year	–	–	–	–	1,970,116	–	1,970,116
Total comprehensive income for the year	–	–	–	–	1,970,116	38,658,374	40,628,490
Issue of shares	20,000,000	–	–	–	–	–	20,000,000
Dividend	–	–	–	–	–	(15,008,000)	(15,008,000)
At 31 March 2010 and 1 April 2010	40,000,000	–	–	–	1,970,116	27,303,683	69,273,799
Profit for the year	–	–	–	–	–	36,179,605	36,179,605
Other comprehensive expenses for the year	–	–	–	–	(1,970,116)	–	(1,970,116)
Total comprehensive income (expenses) for the year	–	–	–	–	(1,970,116)	36,179,605	34,209,489
Share swap pursuant to group reorganisation *(Note 28(iii))*	(32,500,000)	–	32,500,000	–	–	–	–
Issue of shares upon listing *(Note 28(iv))*	2,500,000	118,750,000	–	–	–	–	121,250,000
Share issue expenses	–	(6,276,979)	–	–	–	–	(6,276,979)
Recognition of equity-settled share-based payments	–	–	–	31,412	–	–	31,412
Dividend	–	–	–	–	–	(36,000,000)	(36,000,000)
At 31 March 2011	**10,000,000**	**112,473,021**	**32,500,000**	**31,412**	**–**	**27,483,288**	**182,487,721**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2011

	2011 HK$	2010 HK$
Operating activities		
Profit before taxation	**43,892,742**	46,267,756
Adjustments for:		
Depreciation of plant and equipment	**956,080**	1,076,183
Amortisation of intangible assets	**69,780**	69,780
Net change in fair value of financial assets at fair value through profit or loss	**1,291,015**	(1,116,721)
Loss (gain) on trading of financial assets at fair value through profit or loss	**962,089**	(639,608)
Interest income	**(1,557,047)**	(1,096,432)
Interest expenses	**–**	184,536
Dividends income	**–**	(9,758)
Expense recognised in respect of equity-settled share-based payments	**31,412**	–
Realised gain on disposal of available-for-sale financial assets	**(2,945,926)**	–
Loss on disposal of plant and equipment	**13,292**	–
Operating cash flows before movements in working capital	**42,713,437**	44,735,736
Decrease (increase) in trade receivable	**30,829,412**	(43,061,949)
Increase in other receivables, deposits and prepayments	**(571,306)**	(105,061)
Increase in other assets	**(12,383)**	(1,570,530)
Increase in pledged bank deposit	**(5,000,000)**	–
Decrease (increase) in bank balances and cash – trust accounts	**64,446,206**	(89,148,010)
(Decrease) increase in trade payables	**(108,001,894)**	131,343,361
Increase (decrease) in other payables and accruals	**1,859,220**	(28,585)
Cash generated from operations	**26,262,692**	42,164,962
Hong Kong Profits Tax paid	**(12,772,570)**	(1,070,305)
NET CASH GENERATED FROM OPERATING ACTIVITIES	**13,490,122**	41,094,657

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2011

	2011	2010
	HK$	*HK$*
Investing activities		
Interest received	**1,557,047**	1,096,432
Dividends received	**–**	9,758
Purchase of plant and equipment	**(513,313)**	(1,135,929)
Purchase of intangible assets	**–**	(348,900)
Purchase of financial assets at fair value through profit or loss	**(14,470,057)**	(17,053,858)
Proceeds from disposal of financial assets at fair value through profit or loss	**6,723,434**	18,140,925
Purchase of available-for-sale financial assets	**–**	(7,753,367)
Proceeds from disposal of available-for-sale financial assets	**10,699,293**	–
NET CASH GENERATED FROM (USED IN) INVESTING ACTIVITIES	**3,996,404**	(7,044,939)
Financing activities		
Dividends paid	**(36,000,000)**	(15,008,000)
Interest paid	**–**	(184,536)
Proceeds from issue of shares	**121,250,000**	20,000,000
Share issue expenses	**(6,276,979)**	–
NET CASH GENERATED FROM FINANCING ACTIVITIES	**78,973,021**	4,807,464
NET INCREASE IN CASH AND CASH EQUIVALENTS	**96,459,547**	38,857,182
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF YEAR	**59,787,786**	20,930,604
CASH AND CASH EQUIVALENTS AT THE END OF YEAR	**156,247,333**	59,787,786
ANALYSIS OF THE BALANCE OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	**156,247,333**	59,787,786

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

1. GENERAL

The Company is incorporated in the Cayman Islands as an exempted company with limited liability. The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section of the annual report.

Pursuant to a group reorganisation on 22 February 2011 (the "Reorganisation") in preparation for the listing of shares of the Company on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM of the Stock Exchange") and for the purpose of rationalising the Group's structure, the Company became the holding company of the subsidiaries now comprising the Group on 22 February 2011. Details of the Reorganisation are set out in the prospectus of the Company dated on 28 February 2011.

The Company's shares have been listed on the GEM of the Stock Exchange since 8 March 2011.

The Reorganisation involved business combinations of entities under common control before and immediately after the Reorganisation. Consequently, immediately after the Reorganisation, there was a continuation of the risks and benefits to the controlling parties that existed prior to the Reorganisation. The Group is regarded and accounted for as a continuing group resulting from the Reorganisation since all of the entities which took part in the Reorganisation were under common control in a manner similar to pooling of interests. Accordingly, the financial statements have been prepared on a combined basis by applying the principles of merger accounting. The financial statements has been presented as if the current group structure had been in existence throughout the years ended 31 March 2010 and 2011 or from the respective dates of incorporation of the companies comprising the Group, where there is a shorter period.

Comparative amounts for the Company's statement of financial position have not been presented as the Company was incorporated on 27 August 2010.

The consolidated financial statements are presented in Hong Kong dollars, which is also the functional currency of the Company.

The principal activities of the Company and its subsidiaries (collectively referred to as the "Group") are engaged in the provision of securities, futures and options broking and trading and placing and underwriting services.

The parent and ultimate holding company of the Group is Zillion Profit Limited, a private company incorporated in the British Virgin Islands with limited liability.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The following new and revised Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (HKICPA) have been applied by the Group in the current year and have affected the amounts reported in these consolidated financial statements and/or disclosures set out in these consolidated financial statements. The impact of the application of the new and revised Standards and Interpretations is discussed below.

Application of new and revised standards and interpretations

In the current year, the Group has applied the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the HKICPA.

HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs 2008
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 39 (Amendments)	Eligible Hedged Items
HKFRS 1 (Revised)	First-time Adoption of HKFRSs
HKFRS 1 (Amendments)	Additional Exemptions for First-time Adopters
HKFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (Revised)	Business Combinations
HK – Interpretation ("Int") 5	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners

Amendments to HKFRS 7 Financial Instruments: Disclosures (as part of Improvements to HKFRSs issued in 2010)

The amendments to HKFRS 7 clarify the required level of disclosures about credit risk and collateral held and provide relief from disclosures previously required regarding renegotiated loans. The Group has applied the amendments in advance of their effective date (annual periods beginning on or after 1 January 2011). The amendments have been applied retrospectively.

Amendments to HKAS 1 Presentation of Financial Statement (as part of Improvements to HKFRSs issued in 2010)

The amendments to HKAS 1 clarify that an entity may choose to present the required analysis of items of other comprehensive income either in the consolidated statement of changes in equity or in the notes to the consolidated financial statements. The Group has applied the amendments in advance of their effective date (annual periods beginning on or after 1 January 2011). The amendments have been applied retrospectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (continued)

Application of new and revised standards and interpretations (continued)

HKFRS 3 (as revised in 2008) Business Combinations

HKFRS 3 (as revised in 2008) has been applied in the current year prospectively to business combinations of which the acquisition date is on or after 1 January 2010 in accordance with the relevant transitional provisions. Its application has affected the accounting for business combinations in the current year.

The application of the amendments to HKFRS 3 has had no impact on the consolidated financial statements for the current and prior years.

HKAS 27 (as revised in 2008) Consolidated and Separate Financial Statements

The application of HKAS 27 (as revised in 2008) has resulted in changes in the Group's accounting policies for the Group's changes in ownership interests in subsidiaries of the Group.

The application of the amendments to HKAS 27 has had no impact on the consolidated financial statements for the current and prior years.

Amendments to HKAS 17 Leases

As part of Improvements to HKFRSs issued in 2009, HKAS 17 Leases has been amended in relation to the classification of leasehold land. Before the amendments to HKAS 17, the Group was required to classify leasehold land as operating leases and to present leasehold land as prepaid lease payments in the consolidated statement of financial position. The amendments to HKAS 17 have removed such a requirement. The amendments require that the classification of leasehold land should be based on the general principles set out in HKAS 17, that is, whether or not substantially all the risks and rewards incidental to ownership of a leased asset have been transferred to the lessee.

The application of the amendments to HKAS 17 has had no impact on the reported profit or loss for the current and prior years.

Hong Kong Interpretation 5 Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

Hong Kong Interpretation 5 Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ("HK Int 5") clarifies that term loans that include a clause that gives the lender the unconditional right to call the loans at any time ("repayment on demand clause") should be classified by the borrower as current liabilities. The Group has applied HK Int 5 for the first time in the current year. Hong Kong Interpretation 5 requires retrospective application.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (continued)

Application of new and revised standards and interpretations (continued)

Hong Kong Interpretation 5 Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause *(continued)*

In order to comply with the requirements set out in HK Int 5, the Group has changed its accounting policy on classification of term loans with a repayment on demand clause. In the past, the classification of such term loans were determined based on the agreed scheduled repayment dates set out in the loan agreements. Under HK Int 5, term loans with a repayment on demand clause are classified as current liabilities.

The application of HK Int 5 has had no impact as the Group has no terms loans for the current and prior years.

New and revised Standards and Interpretations issued but not yet effective

The Group has not early applied the following new and revised standards, amendments and interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010 except for the amendments to HKFRS 3 (as revised in 2008), HKFRS 7, HKAS 1 and HKAS 28[1]
HKFRS 1 (Amendments)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[2]
HKFRS 1 (Amendments)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters[4]
HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets[2]
HKFRS 9	Financial Instruments[6]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[5]
HKAS 24 (Revised)	Related Party Disclosures[3]
HK (IFRIC) – Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement[3]
HK (IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments[2]

[1] *Effective for annual periods beginning on or after 1 July 2010 or 1 January 2011, as appropriate.*
[2] *Effective for annual periods beginning on or after 1 July 2010.*
[3] *Effective for annual periods beginning on or after 1 January 2011.*
[4] *Effective for annual periods beginning on or after 1 July 2011.*
[5] *Effective for annual periods beginning on or after 1 January 2012.*
[6] *Effective for annual periods beginning on or after 1 January 2013.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (continued)

New and revised Standards and Interpretations issued but not yet effective (continued)

HKFRS 9 Financial Instruments issued in November 2009 and amended in December 2010 introduces new requirements for the classification and measurement of financial assets and financial liabilities and for derecognition.

- HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

- The most significant effect of HKFRS 9 regarding the classification and measurement of financial liabilities relates to the accounting for changes in fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under HKFRS 9, for financial liabilities that are designated as a fair value through profit and loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability's credit risk in the comprehensive income to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was recognised in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors anticipate that HKFRS 9 that will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013 and that the application of the new standard will have an impact on amounts reported in respect of the Groups' financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

The amendments to HKFRS 7 titled Disclosures – Transfers of Financial Assets increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period. To date, the Group has not entered into transactions involving transfers of financial assets. However, if the Group enters into any such transactions in the future, disclosures regarding those transfers may be affected.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (continued)

New and revised Standards and Interpretations issued but not yet effective (continued)

HKAS 24 Related Party Disclosures (as revised in 2009) modifies the definition of a related party and simplifies disclosures for government-related entities. The disclosure exemptions introduced in HKAS 24 (as revised in 2009) do not affect the Group because the Group is not a government-related entity.

The amendments to HK(IFRIC) – Int 14 require entities to recognise as an economic benefit any prepayment of minimum funding requirement contributions. As the Group has no defined benefit scheme, the amendments are unlikely to have any financial impact on the Group.

HK (IFRIC) – Int 19 provides guidance regarding the accounting for the extinguishment of a financial liability by the issue of equity instruments. To date, the Group has not entered into transactions of this nature. However, if the Group does enter into any such transaction in the future, HK (IFRIC) – Int 19 will affect the required accounting. In particular, under HK (IFRIC) – Int 19, equity instruments issued under such arrangements will be measured at their fair value, and any difference between the carrying amount of the financial liability extinguished and the fair value of equity instruments issued will be recognised in profit or loss.

The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at fair values, as explained in the accounting polices below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the group's equity therein.

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Prior to 1 January 2010, losses applicable to the non-controlling interests in excess of the non-controlling interests in the subsidiary's equity were allocated against the interests of the Group except to the extent that the non-controlling interests had a binding obligation and were able to make an additional investment to cover the losses.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interest in existing subsidiaries on or after 1 January 2010

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

***Changes in the Group's ownership interests in existing subsidiaries** (continued)*

***Changes in the Group's ownership interest in existing subsidiaries on or after 1 January 2010** (continued)*

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Where certain assets of the subsidiary are measured at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Company had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained earnings). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

Business combinations

Business combinations that took place on or after 1 January 2010

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 Income Taxes and HKAS 19 Employee Benefits respectively;

- liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment transactions with share-based payment transactions of the Group are measured in accordance with HKFRS 2 Share-based Payment at the acquisition date; and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations (continued)

Business combinations that took place on or after 1 January 2010 *(continued)*

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or another measurement basis required by another Standard.

Where the consideration the Group transfers in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and considered as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments being made against goodwill or gain on bargain purchase. Measurement period adjustments are adjustments that arise from additional information obtained during the measurement period about facts and circumstances that existed as of the acquisition date. Measurement period does not exceed one year from the acquisition date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations (continued)

Business combinations that took place on or after 1 January 2010 *(continued)*

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with HKAS 39, or HKAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

Changes in the value of the previously held equity interest recognised in other comprehensive income and accumulated in equity before the acquisition date are reclassified to profit or loss when the Group obtains control over the acquiree.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable arising from financial services and is recognised on the following basis:

(i) Commission income for broking business of securities, futures and options dealing is recorded as income on a trade-date basis.

(ii) Underwriting commission income, sub-underwriting commission income, placing commission and related handling fee whether on an underwritten or on a best effort basis are recognised when the shares are allotted to the placees.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

(iii) Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

(iv) Handling service fees and dividend collection fees are recognised when the agreed services have been provided.

(v) Profit and loss from trading in financial assets at fair value through profit or loss are recognised when the relevant contract notes are executed.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they capitalised in accordance with the Group's policy on borrowing costs (see the accounting policy below). Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;

- exchange differences on transactions entered into in order to hedge certain foreign currency risks (see the accounting policies below); and

- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange difference arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of foreign currency translation reserve (attributed to non-controlling interests as appropriate).

Goodwill and fair value adjustments on identifiable assets acquired arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in the foreign currency translation reserve.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowing pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Retirement benefit costs

Retirement benefits are provided to eligible staff of the Group. Hong Kong employees enjoy retirement benefits under the Mandatory Provident Fund Scheme. The employer's monthly contribution is 5% of each employee's monthly salary with maximum amount of HK$1,000 per month for each employee.

Payment to defined contribution retirement benefit plans, state-managed retirement benefit schemes, the Mandatory Provident Fund Scheme, are charged as an expense when employees have rendered service entitling them to the contributions.

Share-based payment transactions

Share options granted by the Company to employees of the Group in an equity-settled share-based payment arrangement

For grants of share options that are conditional upon satisfying specified vesting conditions, the fair value of services received is determined by reference to the fair value of share options granted at the grant date and is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share options reserve).

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share options reserve.

For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to accumulated losses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

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

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary difference associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current or deferred tax for the year is recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax is also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Plant and equipment

Plant and equipment are stated at cost less depreciation and accumulated impairment losses. Depreciation is provided to write off the cost or valuation of items of plant and equipment over their estimated useful lives and after taking into account their estimated residual value, using the straight-line method, at the following rate per annum:

Leasehold improvements	50% or remaining lease term
Furniture & equipment	20%
Computer equipment	20%

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the consolidated statements of comprehensive income in the year/period in which the item is derecognised.

Intangible assets

Intangible assets acquired separately

Intangible assets represent the trading rights, with which the holders have the rights to trade on the Stock Exchange and Hong Kong Futures Exchange Limited ("HKFE"). Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of tangible assets other than goodwill

At the end of each of reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimated of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Provisions

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

Financial assets are classified into the following specified categories: financial assets "at fair value through profit or loss" (FVTPL), "available-for-sale" (AFS) financial assets and "loans and receivables". The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets *(continued)*

Financial assets at FVTPL (continued)

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near future; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earning on the financial asset and is included in the "other gains and losses" line item in the consolidated statement of comprehensive income. Fair value is determined in the manner described in note 6.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets *(continued)*

Available-for-sale financial assets (AFS financial assets)

AFS financial assets are non-derivatives that are either designated as available-for-sale or are not classifies as loans and receivables, held-to-maturity investments or financial assets at FVTPL.

AFS financial assets are measured at fair value at the end of the reporting period. Changes in fair value are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. Where the financial asset is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss (see the accounting policy in respect of impairment loss on financial assets below).

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of the reporting period (see the accounting policy in respect of impairment loss on financial assets below).

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 (including trade and bills receivables, deposits, prepayments and other receivables, bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets *(continued)*

Impairment of financial assets (continued)

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as trade receivables, deposits, prepayments and other receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods (see the accounting policy below).

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets *(continued)*

Impairment of financial assets (continued)

For financial assets measured at amortised cost, if, in a 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 through profit or loss to the extent that the carrying amount of the investment at the date the impairment is revered does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity investments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income and accumulated under the heading of investments revaluation reserve. In respect of AFS debt investment, losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Financial liabilities and equity instruments

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

Equity instruments

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

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Other financial liabilities

Other financial liabilities (including accruals, deposit received and other payables) are subsequently measured at amortised cost using the effective interest method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity instruments *(continued)*

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Group retains an option to repurchase part of a transferred asset or retains a residual interest that does not result in the retention of substantially all the risks and rewards of ownership and the Group retains control), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Derecognition *(continued)*

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Segment reporting

Operating segments, and the amounts of each segment item reported in the Financial Information, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material maybe aggregated if they share a majority of these criteria.

Related parties

For the purposes of the Financial Information, a party is considered to be related to the Group if:

(i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;

(ii) the Group and the party are subject to common control;

(iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;

(iv) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

(v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

(vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Key sources of estimation uncertainty

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

Depreciation and amortisation

The Group depreciates and amortises the plant and equipment and intangible assets over their estimated useful lives respectively and after taking into account their estimated residual values, using the straight line method. The estimated useful lives reflect the directors' estimate of the periods that the Group intends to derive future economic benefits from the use of the Group's plant and equipment and intangible assets. The residual values reflect the directors' estimated amount that the Group would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the assets were already of the age and in the condition expected at the end of its useful life.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

5. CAPITAL RISK MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as debt divided by total capital. Debt is total bank borrowings (including current and non-current bank borrowings). Total capital is calculated as "equity", as shown in the statement of financial position, plus debt.

At the end of each reporting period, the Group has no bank borrowings and, accordingly, the gearing ratio is 0%.

6. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2011	2010
	HK$	*HK$*
Financial assets		
Available-for-sale financial assets	**–**	9,723,483
Financial assets at fair value through profit or loss	**7,423,919**	1,930,400
Loans and receivables (including cash and cash equivalents)	**259,062,673**	252,307,438

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, other receivables, deposits and prepayments, financial assets at fair value through profit or loss, bank balances and cash, trade payables and other payables and accruals. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include credit risk, market risk (currency risk, interest rate risk and equity price risk) and liquidity risk.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

6. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk

The Group's credit risk is primarily attributable to accounts receivable due from clients, brokers and clearing houses. Management has a credit policy in place and the exposure to the credit risk is monitored on an on-going basis.

In respect of accounts receivable due from clients, individual credit evaluations are performed on all clients. Cash clients are required to place deposits as prescribed by the Group's credit policy before execution of any purchase transactions. Receivables due from cash clients are due within the settlement period commonly adopted by the relevant market convention, which is usually within a few days from the trade date. Because of the prescribed deposit requirements and the short settlement period involved, credit risk arising from the accounts receivable due from cash clients is considered small. For futures broking, initial margin is required before opening of a trading position. Market conditions and adequacy of securities collateral and margin deposits of each futures account are monitored by management on a daily basis. Margin calls and forced liquidation are made where necessary.

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

The Group has no significant concentration of credit risk as credits are granted to a large population of clients.

The maximum exposure to credit risk without taking account of any collateral held is represented by the carrying amount of each financial asset in the statement of financial position. The Group does not provide any other guarantees which would expose the Group to credit risk.

Foreign currency risk

The Group's business is principally conducted in Hong Kong dollars ("HK$") and United States dollars ("USD") and most of the Group's monetary assets and liabilities are denominated in HK$. As the HK$ is pegged to the USD, the Group considers the risk of movements in exchange rates between the HK$ and the USD to be insignificant. Accordingly, the directors consider the Group's exposure to foreign currency risk is minimal.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

6. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Interest rate risk

Interest rate profile

The Group charged interest on its cash clients on the basis of its cost of funding plus a mark-up. Financial assets such as deposits with banks are primarily at floating rates. The Group's income and operating cash flows are not subject to significant interest rate risk.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for derivatives and non-derivative instruments at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 1 basis point (2010: 1 basis point) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 1 basis point (2010: 1 basis point) higher/lower and all other variables were held constant, the Group's post tax profit for the year ended 31 March 2011 would increase/decrease by approximately HK$23,900 (2010: increase/decrease by approximately HK$20,200). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

Price risk

The Group is exposed to equity price risk mainly through its investments in listed equity securities. The Group's equity price risk is mainly concentrated on equity instruments quoted in the Stock Exchange.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risks at the reporting date.

If the prices of the respective equity instruments had been 5% (2010: 5%) higher/lower:

Post-tax profit for the year ended 31 March 2011 would increase/decrease by approximately HK$371,196 (2010: increase/decrease by approximately HK$96,520). This is mainly due to the changes in fair value of financial assets at fair value through profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

6. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Interest rate risk *(continued)*

Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the raising of loans to cover expected cash demands, and to ensure compliance with the Financial Resources Rules. The Group's policy is to regularly monitor its liquidity requirement and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and funding in the short and longer term. All of the Group's current liabilities are expected to be settled within one year. And the carrying amounts of all financial liabilities equal to the contractual undiscounted cash outflow.

Financial instruments carried at fair value

The carrying value of financial instruments measured at fair value at 31 March 2011 across the three levels of the fair value hierarchy defined in HKFRS 7, Financial Instruments: Disclosures, with the fair value of each financial instrument categorised in its entirely based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market date (unobservable inputs).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

6. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Financial instruments carried at fair value *(continued)*

At 31 March 2011, the Group had following financial instruments carried at fair value all of which are based on the Level 1 and Level 2 of the fair value hierarchy:–

	2011	2010
	HK$	*HK$*
Assets:		
Level 1: Financial assets at fair value through profit or loss	**7,423,919**	1,930,400
Level 2: Available-for-sale financial assets	**–**	9,723,483
	7,423,919	11,653,883

There were no transfers between Levels 1 and 2 in the current year.

The fair values of financial assets and financial liabilities are determined as follows:

- The fair values of financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted active bid prices and ask prices respectively; and

- The fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions as input.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

7. TURNOVER

An analysis of the Group's revenue for the year is as follows:

	2011	2010
	HK$	*HK$*
Commission and brokerage fees from securities dealing on The Stock Exchange of Hong Kong Limited	**31,665,322**	29,941,974
Commission and brokerage fees on dealing in futures contracts	**1,115,820**	1,317,406
Placing and underwriting commission	**50,893,635**	32,288,270
Clearing and settlement fee	**6,014,597**	8,219,488
Handling service and dividend collection fees	**345,670**	457,195
Interest income from		
– authorised financial institutions	**254,315**	143,105
– clients	**1,302,641**	953,322
– others	**91**	5
	91,592,091	73,320,765

See note 9 of an analysis of revenue by major services.

8. NET OTHER INCOME

	2011	2010
	HK$	*HK$*
(Loss) gain on trading of financial assets at fair value through profit or loss	**(962,089)**	639,608
Gain (loss) on trading in futures contracts	**235**	(3,860)
Dividend income	**–**	9,758
Net change in fair value of financial assets at fair value through profit or loss	**(1,291,015)**	1,116,721
Realised gain on disposal of available-for-sale financial assets	**2,945,926**	–
Other income	**217,665**	93,467
	910,722	1,855,694

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

9. BUSINESS AND GEOGRAPHICAL SEGMENTS

Information reported to the Board, being the chief operating decision maker ("CODM"), for the purposes of resource allocation and assessment of segment performance focuses on types of services provided. In addition, for "Securities and futures broking" and "Placing and underwriting", the information reported to the Board of Directors is further analysed based on the different classes of customers.

Specifically, the Group's reportable segments under HKFRS 8 are as follow:

Securities and futures broking	Provision of securities and futures and other wealth management products broking services
Placing and underwriting	Provision of placing and underwriting services

The reportable segments have been identified on the basis of internal management reports prepared in accordance with accounting policies conforming to HKFRSs that are regularly reviewed by the executive directors of the Company being the CODM of the Group.

Segments profit represents profit earned by each segment without allocation of other revenue, central administration costs and finance costs. This is the basis of measurement reported to the CODM for the purposes of resource allocation and assessment of segment performance.

All of the activities of the Group are based in Hong Kong and all of the Group's revenue is derived from Hong Kong. Accordingly, no analysis by geographical segments is presented.

Business segments

Segment revenues and results

The following is an analysis of the Group's revenues and results by reportable segments:

	2011			2010		
	Securities and futures broking *HK$*	**Placing and underwriting** *HK$*	**Consolidated** *HK$*	Securities and futures broking *HK$*	Placing and underwriting *HK$*	Consolidated *HK$*
Segment revenue	**40,444,050**	**50,893,635**	**91,337,685**	40,889,385	32,288,270	73,177,655
Segment results	**24,772,360**	**36,853,140**	**61,625,500**	24,005,441	26,182,008	50,187,449
Gain from investments			**693,057**			1,762,227
Other interest income			**254,406**			143,110
Other income			**217,665**			93,467
Unallocated other operating expenses			**(18,897,886)**			(5,907,300)
Finance costs			**–**			(11,197)
Profit before taxation			**43,892,742**			46,267,756
Income tax expenses			**(7,713,137)**			(7,609,382)
Profit for the year			**36,179,605**			38,658,374

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

9. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Business segments (continued)

Revenue reported above represents revenue generated from external customers. There was no inter-segment sale during the year (2010: HK$Nil).

Segment assets and liabilities

	2011			2010		
	Securities and futures broking HK$	Placing and underwriting HK$	Consolidated HK$	Securities and futures broking HK$	Placing and underwriting HK$	Consolidated HK$
Assets						
Segment assets	99,739,576	110,836	99,850,412	195,220,994	418,491	195,639,485
Unallocated assets			170,455,430			72,654,542
Total assets			270,305,842			268,294,027
Liabilities						
Segment liabilities	83,488,942	1,532,600	85,021,542	191,474,275	31,200	191,505,475
Unallocated liabilities			2,796,579			7,514,753
Total liabilities			87,818,121			199,020,228

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to reportable segments other than financial assets at fair value through profit or loss, available-for-sale financial assets, bank balances and cash – general accounts and other receivable. Assets used jointly by segments are allocated on the basis of the revenues earned by individual segments; and

- all liabilities are allocated to reportable segments other than other payables and accruals and current and deferred tax liabilities. Liabilities for which segments are jointly liable are allocated in proportion to segment assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

9. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Other information

	2011		
	Securities and futures broking	**Placing and underwriting**	**Consolidated**
	HK$	***HK$***	***HK$***
Additions to plant and equipment	**513,313**	**–**	**513,313**
Depreciation of plant and equipment	**956,080**	**–**	**956,080**
Amortisation of intangible assets	**69,780**	**–**	**69,780**

	2010		
	Securities and futures broking	Placing and underwriting	Consolidated
	HK$	*HK$*	*HK$*
Additions to plant and equipment	1,135,929	–	1,135,929
Depreciation of plant and equipment	1,076,183	–	1,076,183
Additions to intangible assets	348,900	–	348,900
Amortisation of intangible assets	69,780	–	69,780

Information on major customer

A major customer of the Group accounted for approximately 20% (2010: 11%) of the total revenue for the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

10. FINANCE COSTS

	2011	2010
	HK$	*HK$*
Interest on:		
– bank loans for IPO financing	**–**	173,339
– other bank loans and overdraft	**–**	11,197
	–	184,536

11. PROFIT BEFORE TAXATION

	2011	2010
	HK$	*HK$*
Profit before taxation has been arrived at after charging:		
Staff costs *(note 12)*	**4,886,019**	3,678,234
Auditors' remuneration	**400,000**	50,000
Depreciation of plant and equipment	**956,080**	1,076,183
Amortisation of intangible assets	**69,780**	69,780
Loss on disposal of plant and equipment	**13,292**	–
Operating lease payments in respect of:		
Rented premises	**3,061,160**	2,896,992
Equipment	**–**	8,666
Equity-settled share-based payments	**31,412**	–

12. STAFF COSTS (INCLUDING DIRECTORS' REMUNERATION)

	2011	2010
	HK$	*HK$*
Salaries and allowances	**4,738,145**	3,561,694
Defined contribution retirement benefit scheme contributions	**147,874**	116,540
	4,886,019	3,678,234

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

13. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' remunerations

Year ended 31 March 2011

	Fees *HK$*	Salaries, allowances and benefit in kind *HK$*	Discretionary bonuses *HK$*	Defined contribution retirement benefit scheme contributions *HK$*	Share based payment *HK$*	Total *HK$*
Executive directors						
Kwok Kin Chung	–	365,339	86,000	9,460	2,493	463,292
Lau Ka Lung Ali	–	487,000	100,000	12,000	7,479	606,479
Lau Kin Hon	–	16,973	–	–	4,986	21,959
To Hang Ming *(note 1)*	–	–	–	–	–	–
Yu Linda	–	520,000	–	12,000	7,479	539,479
Independent non-executive directors						
Au Yeung Tai Hong Rorce	11,429	–	–	–	–	11,429
Choy Wing Man	11,429	–	–	–	–	11,429
Chee Kwok Wing Waymond	11,429	–	–	–	–	11,429
	34,287	1,389,312	186,000	33,460	22,437	1,665,496

Year ended 31 March 2010

	Fees *HK$*	Salaries, allowances and benefit in kind *HK$*	Discretionary bonuses *HK$*	Defined contribution retirement benefit scheme contributions *HK$*	Total *HK$*
Executive directors					
Kwok Kin Chung	–	–	–	–	–
Lau Ka Lung Ali	–	316,500	63,500	12,000	392,000
Lau Kin Hon	–	–	–	–	–
To Hang Ming *(note 1)*	–	–	–	–	–
Yu Linda	–	357,260	88,000	11,533	456,793
Independent non-executive directors					
Au Yeung Tai Hong Rorce	–	–	–	–	–
Choy Wing Man	–	–	–	–	–
Chee Kwok Wing Waymond	–	–	–	–	–
	–	673,760	151,500	23,533	848,793

Note 1: Mr. To Hang Ming appointed as executive Director on 18 February 2011 and resigned with effect from 21 February 2011.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

13. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS (continued)

(a) Directors' remunerations (continued)

During the reporting period, no director received any emoluments from the Group as an inducement to join or leave the Group or paid or received any compensation for loss of office and, no director waived or has agreed to waive any emoluments.

(b) Five highest paid individuals

During the year, of the five highest paid individuals in the Group, three (2010: two) executive directors of the Company whose emoluments are set out above. The emoluments of the remaining individuals are as follows:

	2011	2010
	HK$	*HK$*
Salaries, allowances and benefit in kind	**804,235**	952,928
Discretionary bonuses	**145,000**	476,500
Defined contribution retirement benefit scheme contributions	**22,395**	35,450
Share-based payment	**4,986**	–
	976,616	1,464,878

The emoluments of the aforementioned two (2010: three) highest paid individuals were within the band of nil to HK$1,000,000 for both years.

No emoluments were paid to the directors of the Company or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation paid or receivable for loss of office during each of the two years ended 31 March 2011 and 2010.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

14. INCOME TAX EXPENSES

	2011	2010
	HK$	*HK$*
Hong Kong Profits Tax		
– current year	**7,804,168**	7,562,044
Deferred tax		
– current year	**(91,031)**	47,338
	7,713,137	7,609,382

The tax expenses for the year can be reconciled to the profit before taxation per the consolidated statements of comprehensive income as follows:

	2011	2010
	HK$	*HK$*
Profit before taxation	**43,892,742**	46,267,756
Tax at the domestic income tax rate of 16.5% (2010: 16.5%)	**7,242,303**	7,634,179
Tax effect of expenses not deductible for tax purpose	**949,113**	425
Tax effect of income not taxable for tax purpose	**(528,040)**	(25,222)
Tax effect of tax loss not recognised	**49,761**	–
Tax expenses for the year	**7,713,137**	7,609,382

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

15. DIVIDEND

Dividends for the year ended 31 March 2011 and 2010 were declared and paid by the Company's subsidiary, namely Cheong Lee Securities Limited ("Cheong Lee") to its then shareholder prior to the Reorganisation.

	2011	2010
	HK$	*HK$*
2011 First quarter, paid – HK$nil per share (2010: HK$10 per share)	**–**	2,500,000
2011 Interim, paid – HK$90 per share (2010: HK$16.68 per share)	**36,000,000**	5,004,000
2011 Third quarter, paid – HK$nil per share (2010: HK$16.68 per share)	**–**	5,004,000
2010 Final, paid – HK$nil per share (2010: 2009 Final, HK$10 per share)	**–**	2,500,000
	36,000,000	15,008,000

The Board of Directors proposed a final dividend of HK$0.02 per ordinary share for the year ended 31 March 2011 (2010: HK$Nil). This proposed final dividend is not reflected as a dividend payable as of 31 March 2011, but will be recorded as a distribution of retained earning for the year ending 31 March 2012.

16. EARNINGS PER SHARE

The calculation of basic earnings per share for the year ended 31 March 2011 was based on the Group's profit attributable to the owners of the Company of approximately HK$36,179,605 (2010: HK$38,658,374) and the weighted average number of ordinary shares of 766,438,357 (2010: 750,000,000) during the year.

The weighted average number of 750,000,000 ordinary shares used to calculate the basic earnings per share for the year ended 31 March 2010, as if the shares are in issue since 1 April 2009, comprising:

i. 1 ordinary shares of the Company allotted and issued at HK$0.01 paid on 27 August 2010 *(note 28(i))*;

ii. 749,999,999 ordinary shares of the Company issued as consideration for the acquisition of subsidiaries pursuant to the Reorganisation *(note 28(iii))*; and

The weighted average number of shares used to calculate the basic earnings per share for the year ended 31 March 2011 includes the weight average of 16,438,357 shares after the listing of the Company's shares of the GEM of the Stock Exchange on 8 March 2011.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

16. EARNINGS PER SHARE (continued)

The calculation of diluted earnings per share for the year ended 31 March 2011 is based on the profit attributable to the owners of the Company of HK$36,179,605 and the weighted average number of ordinary shares of 767,166,017 outstanding during the year calculated based on the weighted average of 766,438,357 ordinary shares in issue during the year as used in the calculation of basic earnings per share plus the effects of all dilutive potential ordinary share of 727,660 ordinary shares as if all the Company's pre-IPO share options had been exercised.

Diluted earnings per share for the year ended 31 March 2010 was not presented as there was no dilutive potential ordinary share.

17. PLANT AND EQUIPMENT

	Leasehold improvement *HK$*	Furniture & equipment *HK$*	Computer equipment *HK$*	Total *HK$*
COST				
At 1 April 2009	1,278,232	267,845	2,662,475	4,208,552
Additions	401,000	53,052	681,877	1,135,929
Disposals	(649,831)	–	–	(649,831)
At 31 March 2010 and 1 April 2010	1,029,401	320,897	3,344,352	4,694,650
Additions	87,200	62,465	363,648	513,313
Disposals	–	(31,550)	(3,998)	(35,548)
At 31 March 2011	1,116,601	351,812	3,704,002	5,172,415
ACCUMULATED DEPRECIATION				
At 1 April 2009	1,040,831	102,002	847,409	1,990,242
Charge for the year	343,133	64,180	668,870	1,076,183
Written back upon disposal	(649,831)	–	–	(649,831)
At 31 March 2010 and 1 April 2010	734,133	166,182	1,516,279	2,416,594
Charge for the year	178,555	67,336	710,189	956,080
Written back upon disposal	–	(20,990)	(1,266)	(22,256)
At 31 March 2011	912,688	212,528	2,225,202	3,350,418
NET BOOK VALUES				
At 31 March 2011	**203,913**	**139,284**	**1,478,800**	**1,821,997**
At 31 March 2010	295,268	154,715	1,828,073	2,278,056

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

18. INTANGIBLE ASSETS

	Futures trading right *HK$*
COST	
At 1 April 2009	–
Addition	348,900
At 31 March 2010, 1 April 2010 and 31 March 2011	348,900
AMORTISATION	
At 1 April 2009	–
Charge for the year	69,780
At 31 March 2010 and 1 April 2010	69,780
Charge for the year	69,780
At 31 March 2011	139,560
NET BOOK VALUES	
At 31 March 2011	**209,340**
At 31 March 2010	279,120

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

19. OTHER ASSETS

	2011	2010
	HK$	*HK$*
Admission fee paid to Hong Kong Securities Clearing Company Limited	**50,000**	50,000
Stamp duty deposit with The Stock Exchange of Hong Kong Limited	**75,000**	75,000
Contributions in cash to a guarantee fund with Hong Kong Securities Clearing Company Limited	**50,000**	50,000
Compensation fund with The Stock Exchange of Hong Kong Limited	**50,000**	50,000
Fidelity fund with The Stock Exchange of Hong Kong Limited	**50,000**	50,000
Deposit with HKFE Clearing Corporation Limited in contribution to the reserve fund	**1,512,913**	1,500,530
	1,787,913	1,775,530

20. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2011	2010
	HK$	*HK$*
Unlisted investment fund in Hong Kong, at fair value	**–**	9,723,483

The balance represents an investment in Galaxy China Special Situations Fund. It was disposed during the year with a gain of approximately HK$2,945,926.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

21. TRADE RECEIVABLES

	2011	2010
	HK$	*HK$*
Trade receivables from the business of dealing in futures contracts:		
Clearing houses	**323,367**	4,038,570
Trade receivables from the business of dealing in securities:		
Cash clients	**14,143,861**	1,170,900
Clearing houses	**3,513,560**	43,293,075
Trade receivables from placing and underwriting	**110,836**	418,491
	18,091,624	48,921,036

The settlement terms of trade receivables arising from the business of dealing in securities are two days after the trade date, and trade receivables arising from the business of dealing in futures contracts are one day after the trade date.

The aged analysis of the trade receivables are as follows:

	2011	2010
	HK$	*HK$*
Less than 1 month past due	**13,446,980**	48,880,014
1 to 3 months past due	**4,125,351**	13
Over 3 months but less than 1 year past due	**510,878**	7,437
Over 1 year past due	**8,415**	33,572
	18,091,624	48,921,036

The Directors consider that the carrying amounts of trade receivables approximate their fair values at the end of the reporting period, no impairment need to be made.

The Group held the stock on behalf of those clients who overdue payment more than one month amounted HK$35,601,144 (2010: HK$164,941,190) as at 31 March 2011.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

22. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2011	2010
	HK$	*HK$*
Other receivables	**195,333**	895
Rental and other deposits	**1,347,083**	965,988
Prepayments	**241,762**	245,989
	1,784,178	1,212,872

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to deposits and receivables for which there was no recent history of default.

23. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2011	2010
	HK$	*HK$*
Listed securities		
– Equity securities in Hong Kong, at fair value	**5,088,425**	1,930,400
– Equity securities in Overseas, at fair value	**2,335,494**	–
	7,423,919	1,930,400

24. BANK BALANCES AND CASH/PLEDGED BANK DEPOSIT

	2011	2010
	HK$	*HK$*
Bank balances and cash		
– trust accounts	**77,939,538**	142,385,744
– general accounts	**156,247,333**	59,787,786
Pledge bank deposit	**5,000,000**	–
	239,186,871	202,173,530

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

24. BANK BALANCES AND CASH/PLEDGED BANK DEPOSIT (continued)

The Group maintains segregated trust accounts with licensed banks to hold clients' monies arising from its normal course of business. The Group has classifies the clients' monies as cash held on behalf of customers under the current assets section of the statement of financial position and recognised the corresponding accounts payable to respective clients on the grounds that it is liable for any loss or misappropriation of clients' monies. The Group is not allowed to use the clients' monies to settle its own obligations.

The general accounts and cash comprise cash held by the Group and bank deposits bearing interest at commercial rates with original maturity of three months or less. The fair values of these assets at the end of the reporting period approximate their carrying amounts.

Pledge bank deposit represents deposit pledged to bank to secure bank facilities granted to the Group. Deposits amounting to HK$5,000,000 (2010: HK$Nil) have been pledged to secure bank overdrafts and is therefore classified as current assets.

25. TRADE PAYABLES

	2011	2010
	HK$	*HK$*
Trade payables from the business of dealing in futures contracts:		
Margin clients	**5,744,122**	6,559,834
Trade payables from the business of dealing in securities:		
Cash clients	**75,245,813**	182,431,995
	80,989,935	188,991,829

The settlement terms of trade payables arising from the business of dealing in securities are two days after trade date, and trade payables arising from the business of dealing in futures contracts are one day after trade date. No aged analysis is disclosed as in the opinion of the directors, the aged analysis does not give additional value in view of the nature of this business.

Included in trade payables to cash and margin clients attributable to dealing in securities and futures transaction is an amount of HK$77,939,538 (2010: HK$142,385,744) representing these clients' undrawn monies/excess deposits placed with the Company. The balances are repayable on demand.

The directors consider that the carrying amounts of trade payables approximate their fair values.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

26. OTHER PAYABLES AND ACCRUALS

	2011	2010
	HK$	*HK$*
Accrued charges	**1,637,166**	839,690
Stamp duty, trading levy and trading fee payables	**2,820,669**	1,774,834
Other payables	**17,409**	1,500
	4,475,244	2,616,024

All accrued expenses and other payables are expected to be settled or recognised as expenses within one year.

27. DEFERRED TAX LIABILITIES

The following is the major deferred tax liabilities recognised by the Group and movements thereon during the current and prior reporting years:

	Depreciation allowance in excess of the related depreciation	**Amortisation of intangible assets**	**Total**
	HK$	*HK$*	*HK$*
At 1 April 2009	264,000	–	264,000
Charge to statement of comprehensive income	1,283	46,055	47,338
At 31 March 2010 and 1 April 2010	265,283	46,055	311,338
Credit to statement of comprehensive income	(79,517)	(11,514)	(91,031)
As at 31 March 2011	**185,766**	**34,541**	**220,307**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

28. SHARE CAPITAL

The Company

	NOTES	**Number of shares**	*HK$*
Authorised:			
Upon incorporation	(i)	39,000,000	390,000
Increase in authorised ordinary shares	(ii)	4,961,000,000	49,610,000
As at 31 March 2011, ordinary shares of HK$0.01 each		**5,000,000,000**	**50,000,000**

	NOTES	**Number of shares**	*HK$*
Issued and fully paid:			
Upon incorporation	(i)	1	0.01
Issue of shares upon Reorganisation	(iii)	749,999,999	7,499,999.99
Issue of shares upon listing	(iv)	250,000,000	2,500,000.00
As at 31 March 2011, ordinary shares of HK$0.01 each		**1,000,000,000**	**10,000,000.00**

Note:

(i) On 27 August 2010, the Company was incorporated in Cayman Islands with an authorised share capital of HK$390,000 divided into 39,000,000 ordinary shares of HK$0.01 each. 1 ordinary share was issued and paid up by Ms. Au Suet Ming Clarea ("Ms. Au").

(ii) Pursuant to the written resolutions of all the shareholders of the Company passed on 22 February 2011, the authorised share capital of the Company was increased from HK$390,000 divided into 39,000,000 shares to HK$50,000,000 divided into 5,000,000,000 shares by the creation of an additional 4,961,000,000 shares.

(iii) Pursuant to the agreement for sale and purchase of the entire issued share capital of Cheong Lee on 22 February 2011, the Company acquired 400,000 ordinary shares of HK$100 each in Cheong Lee, being its entire issued share capital, from Ms. Au. In consideration thereof, an aggregate of 749,999,999 new ordinary shares of HK$0.01 each of the Company, credited as fully paid, were evenly allotted and issued to Zillion Profit Limited which is wholly owned by Ms. Au.

(iv) On 8 March 2011, the Company's shares have been listed on the GEM of the Stock Exchange and 250,000,000 ordinary shares of HK$0.01 each were issued at HK$0.485 each.

The Group

The Group's share capital balance as at 31 March 2010 represented the issued and paid up share capital of Cheong Lee.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

29. RESERVES

The Company

	Share capital HK$	Share premium HK$	Merger reserve HK$	Share option reserve HK$	Accumulated losses HK$	Total HK$
At 27 August 2010 (date of incorporation)	1	–	–	–	–	1
Loss and total comprehensive expenses for the year	–	–	–	–	(5,239,261)	(5,239,261)
Share swap pursuant to group Reorganisation	7,499,999	–	32,500,000	–	–	39,999,999
Issue of shares upon listing	2,500,000	118,750,000	–	–	–	121,250,000
Share issue expenses	–	(6,276,979)	–	–	–	(6,276,979)
Recognition of equity-settle share-based payments	–	–	–	31,412	–	31,412
At 31 March 2011	**10,000,000**	**112,473,021**	**32,500,000**	**31,412**	**(5,239,261)**	**149,765,172**

The Company's reserves available for distribution to shareholders as at 31 March 2011 was approximately HK$139.8 million.

The Group

The movements in the Group's reserves for the reporting period are presented in the consolidated statement of changes in equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

30. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2011
	HK$
Non-current asset	
Investment in CL Group (BVI) Limited	8
Current assets	
Amount due from CL Group (BVI) Limited	40,534,769
Pledged bank deposit	5,000,000
Bank balances and cash – general accounts	104,355,395
	149,890,164
Current liability	
Other payables and accruals	(125,000)
Net current assets	149,765,164
Total assets less current liability	149,765,172
Capital and reserve	
Share capital	10,000,000
Reserve	139,765,172
	149,765,172

The Company issued aggregate of 749,999,999 shares to Zillion Profit Limited which is wholly owned by Ms. Au, as consideration to acquire the entire equity interests in Cheong Lee amounted for HK$40,000,000. And a merger reserve amounted for HK$32,500,000 being generated.

The Company incorporated at 27 August 2010, one share of HK$0.01 has been issued and fully paid up.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

31. SHARE OPTION SCHEME

The Company has two share option schemes namely, the Pre-IPO Share Option Scheme and the IPO Share Option Scheme which were adopted on 22 February 2011.

(a) Pre-IPO Share Option Scheme

The Company has adopted a Pre-IPO Share Option Scheme (the "Pre-IPO Share Option Scheme") on 22 February 2011 under which the Company has conditionally granted options to certain Directors, senior management and employees of the Group to purchase shares of the Company with an exercise price equal to the placing price as defined in the Prospectus.

The total number of shares in respect of which share options granted under the Pre-IPO Share Option Scheme as at 31 March 2011 was 6,300,000 which represented approximately 0.63% of the issued share capital of the Company as at 31 March 2011.

As at 31 March 2011, details of the share option granted under the Pre-IPO Share Option Scheme are as follows:

Grantees		Date of Grant *(Note 1)* *(dd/mm/yyyy)*	Exercise price per share *HK$*	Exercisable period *(Note 2)* *(dd/mm/yyyy)*	Number of underlying shares	Approximate percentage of shareholding *(%)*
(i)	Lau Ka Lung Ali, Executive Director	25/02/2011	0.485	08/03/2012 – 07/03/2013	500,000	0.05%
				08/03/2013 – 07/03/2014	1,000,000	0.10%
					1,500,000	0.15%
(ii)	Yu Linda, Executive Director	25/02/2011	0.485	08/03/2012 – 07/03/2013	500,000	0.05%
				08/03/2013 – 07/03/2014	1,000,000	0.10%
					1,500,000	0.15%
(iii)	Lau Kin Hon, Executive Director	25/02/2011	0.485	08/03/2012 – 07/03/2013	500,000	0.05%
				08/03/2013 – 07/03/2014	500,000	0.05%
					1,000,000	0.10%
(iv)	Kwok Kin Chung, Executive Director	25/02/2011	0.485	08/03/2012 – 07/03/2013	500,000	0.05%
				Sub-total	4,500,000	0.45%
(v)	Employees	25/02/2011	0.485	08/03/2012 – 07/03/2013	1,600,000	0.16%
				08/03/2013 – 07/03/2014	200,000	0.02%
					1,800,000	0.18%
				Total	6,300,000	0.63%

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For the year ended 31 March 2011

31. SHARE OPTION SCHEME (continued)

(a) Pre-IPO Share Option Scheme (continued)

Notes:

(1) It was the date when the Company offered to the grantees the options under the Pre-IPO Share Option Scheme.

(2) Each of the grantees to whom options have been conditionally granted under the Pre-IPO Share Option Scheme will be entitled to exercise the options in the following manner:

(i) a maximum of 500,000 of shares under the options granted to him, or if the number of the shares under the options granted to him is less than 500,000, his maximum entitlement under the options granted to him, at any time during the period on or after from the date falling on the first anniversary of the Listing Date to the date immediately before the second anniversary of the Listing Date; and

(ii) the remaining shares, if any, under the options granted to him at any time during the period on or after the date falling on the second anniversary of the Listing Date to the date immediately before the third anniversary of the Listing Date.

The fair value of the options granted was determined by independent third party by using Binomial Option Pricing Model, the assumptions used to determine the value for the Scheme were as follows:

Spot price *HK$*	Exercise price *HK$*	Risk-free rate	Nature of the share options	Expected life of the share option	Expected Volatility	Expected dividend yield
0.4522	0.48	0.667%	Call	3 years	64.273%	0%

The fair value of the granted option amounted for HK$1,130,841. The average fair value of the granted option per month was HK$31,412 which has been recognised by the vesting period as share based payment to employees during the year ended 31 March 2011.

(b) Share Option Scheme

The Company adopted the Share Option Scheme (the "Share Option Scheme") on 22 February 2011, which was approved by the shareholders' written resolutions, is valid and effective for a provide of 10 years. It is established to attract and retain the best available personnel, to provide additional incentive to employees (full-time and part-time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners and service providers of the Group and to promote the success of the business of the Group. Pursuant to the Share Option Scheme, the Board may, at its discretion and on such terms as it may think fit, offer to grant an option to any employee (full-time or part-time), director, consultant or adviser of the Group, or any substantial shareholder of the Group, or any distributor, contractor, supplier, agent, customer, business partner or service provider of the Group.

The total number of shares in respect of which share options may be granted under the Share Option Scheme is not permitted to exceed 100,000,000 shares, representing 10% of the total number of shares of the Company as at 31 March 2011.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

31. SHARE OPTION SCHEME (continued)

(b) Share Option Scheme (continued)

The total number of shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme to eligible participants in any 12 months period up to the date of grant shall not exceed 1% of the Shares in issue as at the date of grant. Any further grant of options in excess of this 1% limit shall be subject to the approval of shareholders in a general meeting.

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall not be less than the highest of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotation sheets on the date of grant; (ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of grant; or (iii) the nominal value of a Share.

As at 31 March 2011 and up to the date of approval of these financial statements, no share options have been granted under the Share Option Scheme.

32. RETIREMENT BENEFIT PLANS

The Group operates a Mandatory Provident Fund Scheme ("the MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance and not previously covered by the defined benefit retirement plan. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$20,000. Contributions to the plan vest immediately.

33. BANKING FACILITIES

At the end of the reporting period, the Group has the follow overdraft facilities:

	2011	2010
	HK$	*HK$*
Overdraft facilities	**10,000,000**	–

A bank fixed deposit amounted of HK$5,000,000 have been pledged to secure the overdraft banking facilities granted to the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

34. OPERATING LEASES COMMITMENTS

The Group as lessee

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	2011	2010
	HK$	*HK$*
Within one year	**4,012,512**	2,435,808
In the second to fifth year inclusive	**2,671,228**	1,167,264
	6,683,740	3,603,072

35. CAPITAL COMMITMENTS

Capital commitments outstanding at the end of the reporting period not provided for in the financial statements were as follows:

	2011	2010
	HK$	*HK$*
Authorised but not contracted for	**370,000**	–

36. RELATED PARTY TRANSACTIONS

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

36. RELATED PARTY TRANSACTIONS (continued)

(a) During the year, the Group entered into the following transactions with related parties. The transactions were carried out at estimated market prices determined by the directors of the Company.

		2011	2010
		HK$	*HK$*
Commission and brokerage income from securities trading:			
– Au Suet Ming Clarea (“Ms. Au”)	Substantive shareholder	**24,999**	62,766
– CAAL Capital Limited (Formerly known as Cheong Lee Capital Limited)	Owned by Ms. Au	**4,505,976**	3,803,542
– China Merit International Holdings Limited	Owned by Ms. Au	**197,184**	2,382,482
– Au Yik Fei	Associate of Ms. Au	**18,048**	31,214
– Chinacorp International Consultants Limited	50% interest held by associate of Ms. Au	**3,157,389**	4,837,587
– Kitty Au Nim Bing	Associate of Ms. Au	**6,702**	12,091
– Au Yuk Kit	Associate of Ms. Au	**18,047**	8,641
– Chee Kwok Wing Waymand	Director	**1,072**	–
– Lam Wai Hi	Director	**–**	50
– To Hang Ming	Director	**27,517**	43,870
– Yu Linda	Director	**–**	150
– Ang Wing Fung	Director’s spouse	**–**	50
– Li Wai Kwan	Director’s spouse	**–**	40,286
– Hilcrest Management Limited	Owned by a Director	**67,063**	–
Commission and brokerage income from futures contracts trading:			
– China Merit International Holdings Limited	Owned by Ms. Au	**366**	916
– To Hang Ming	Director	**22,960**	3,280
Interest income form IPO loan financing:			
– Au Suet Ming Clarea	Substantive shareholder	**–**	33,756
– CAAL Capital Limited	Owned by Ms. Au	**–**	48,770
– China Merit International Holdings Limited	Owned by Ms. Au	**–**	54,625
– Au Yik Fei	Associate of Ms. Au	**87**	830
– Kitty Au Nim Bing	Associate of Ms. Au	**–**	703
– Au Yuk Kit	Associate of Ms. Au	**–**	703

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

36. RELATED PARTY TRANSACTIONS (continued)

(b) Included in trade receivables and payables arising from the business of dealing in securities and futures contracts are amounts due from/(to) certain related parties, the net balance of which are as follows:

		2011	2010
		HK$	*HK$*
Amount due from/(to) related parties			
– Au Suet Ming Clarea	Substantive shareholder	**(2,491,510)**	(317,889)
– Cheong Lee Capital Limited	Owned by Ms. Au	**(3,533,979)**	(13,560,351)
– China Merit International Holdings Limited	Owned by Ms. Au	**(5,135,420)**	(12,703,997)
– Au Yik Fei	Associate of Ms. Au	**(372,107)**	(197,584)
– Au Yuk Kit	Associate of Ms. Au	**(748,996)**	(385,650)
– Chinacorp International Consultants Limited	50% interest held by associate of Ms. Au	**(4,972,880)**	(5,232,493)
– Kitty Au Nim Bing	Associate of Ms. Au	**(262,099)**	(55,943)
– To Hang Ming	Director	**–**	(1,793,232)

The fair values of the balances included in the accounts at the end of the reporting period approximate the corresponding carrying amounts.

The settlement terms of trade receivables/payables including transactions with related parties arising from the business of dealing in securities are T+2; and trade receivables/payables arising from the business of dealing in futures are T+1. The settlements terms are same as those with third parties. The related parties custodian, cash placed with the Group in it trust account were included in trade payables and would be settled upon request or the related party ceased to trade with the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

36. RELATED PARTY TRANSACTIONS (continued)

(c) The remuneration of directors of the Company and other members of key management during the year was as follows:

	2011	2010
	HK$	*HK$*
Short-term benefits	**1,609,599**	825,260
Post-employment benefits	**33,460**	23,533
Share-based payment	**22,437**	–
	1,665,496	848,793

37. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Name of company	Place of incorporation and operation	Issued and paid up share capital	Attributable equity interest of the Group		Principal activities
			Directly	Indirectly	
CL Group (BVI) Limited	British Virgin Islands	US$1	100%	–	Investment holding
Cheong Lee Securities Limited	Hong Kong	HK$40,000,000	–	100%	Provision of securities and futures brokerage and trading and providing placing and underwriting services
CL Asset Management Limited *(Note i)*	Hong Kong	HK$500,000	–	100%	Inactive

Note i:

CL Asset Management Limited established by CL Group (BVI) Limited on 15 March 2011.

FINANCIAL SUMMARY

For the year ended 31 March 2011

	2011	2010	2009
	HK$	*HK$*	*HK$*
Results			
Turnover	**91,592,091**	73,320,765	21,069,422
Profit from operations	**43,892,742**	46,452,292	4,113,867
Finance cost	**–**	(184,536)	(60)
Profit before taxation	**43,892,742**	46,267,756	4,113,807
Income tax expenses	**(7,713,137)**	(7,609,382)	(674,832)
Profit attributable to the owners of the Company	**36,179,605**	38,658,374	3,438,975
Basic earning per share *(HK cents)*	**4.72**	5.15	0.46
Assets and liabilities			
Total assets	**270,305,842**	268,294,027	84,819,684
Total liabilities	**87,818,121**	199,020,228	61,166,375
Shareholders' funds	**182,487,721**	69,273,799	23,653,309

Notes:

1. The results for the years ended 31 March 2009 and 2010 were extracted from the Prospectus of the Company dated 28 February 2011. The earnings per share for the two years were computed based on 750,000,000 ordinary shares that would have been in issue throughout the two years on the assumption that the Reorganisation has been completed as at 1 April 2008.

2. Total assets and total liabilities of the Group as at 31 March 2009 and 2010 were extracted from the Prospectus of the Company dated 28 February 2011.