You should read this section in conjunction with the audited combined financial information as of and for each of the three years ended 31 March 2008, 2009 and 2010, together with the accompanying notes in the Accountants' Report in Appendix I to this prospectus. The combined financial information is prepared in accordance with HKFRS, which may differ in certain material respects from generally accepted accounting principles in other jurisdictions. The following discussion contains forward-looking statements that involve risks and uncertainties. Accordingly, you should not place undue reliance on any such statements. The future results could differ materially from those discussed in the forward-looking statements as a result of various factors, including those set forth under the section entitled "Risk Factors" in this prospectus.

For the purpose of this section, and unless the context otherwise requires, references to "2008", "2009" and "2010" refer to the Group's financial year ended 31 March of such year.

OVERVIEW

The Group is one of the well-established securities brokerage houses with low brokerage commission rates and primarily focuses on providing online brokerage services in Hong Kong. The Group has now extended its service coverage from securities, futures and options brokerage in Hong Kong to a wide range of financial products traded in the US and Singapore exchanges. The Group also offers credit facilities to its clients who would like to purchase securities on a margin basis.

Leveraging on its efficient and secure online trading system and low brokerage commission rates, the Group has successfully built up its client base rapidly and recorded significant growth in the number of new securities and futures trading clients during the Track Record Period. As at 31 March 2010, the Group has 7,736 Active Securities Trading Client Accounts and 1,177 Active Futures and Options Trading Client Accounts. According to the information from the HKEx, since the first half of 2006, Bright Smart Securities has been qualified as a Constituency B Exchange Participant which represented the group of Exchange Participants ranked fifteenth to sixty-fifth in terms of market share, with the market share of Bright Smart Securities increasing in general since then.

During the Track Record Period, turnover of the Group represented brokerage commissions from securities, commodities and futures broking and interest income from margin and IPO financings. For 2008, 2009 and 2010, turnover derived by the Group were approximately HK$176.4 million, HK$78.7 million and HK$140.2 million respectively, and the net profit and comprehensive income attributable to equity holders of the Company for the same years were approximately HK$60.1 million, HK$21.1 million and HK$60.3 million respectively. Net profit margin of the Group for 2008, 2009 and 2010 were approximately 34.1%, 26.8% and 43.0% respectively.

BASIS OF PRESENTATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 4 August 2009, in preparation for the Share Offer. Following the Reorganisation, the Company became the holding company of all the subsidiaries within the Group.

The financial information of the Group during the Track Record Period has been prepared using the merger basis of accounting as if the Reorganisation had occurred as at the beginning of the Track Record Period. Accordingly, the combined statements of comprehensive income, the combined statements of changes in equity and the combined cash flow statements of the Group as set out in Appendix I to this prospectus for the Track Record Period include the results of operations of the companies now comprising the Group for the Track Record Period as if the current group structure had been in existence throughout the entire Track Record Period. The combined balance sheets of the Group as at 31 March 2008, 2009 and 2010 have been prepared to present the state of affairs of the companies comprising the Group as at the respective dates as if the current group structure had been in existence as at the respective dates. Intra-group balances and transactions have been eliminated in full in preparing the financial information of the Group during the Track Record Period.

Further details are set out in the Accountants' Report of the Group in Appendix I to this prospectus.

KEY FACTORS AFFECTING THE GROUP'S RESULTS OF OPERATIONS

Due to the business nature of the Group, the financial performance of the Group is directly related to the number and size of securities and futures transactions executed by the Group on behalf of its clients. As the Group mainly focuses on the Hong Kong market and relies on its online securities and futures trading systems to conduct its businesses, the Directors believe that the key factors affecting the Group's results of operations include:

(i) performance of the Hong Kong securities and derivatives markets

(ii) capacity of the Group's trading systems

(iii) the intensity of competition in the brokerage industry

(iv) change in regulatory environment in the Hong Kong securities industry

(v) the movement of interest rates

	As at 31 March		
	2008	2009	2010
Key market indicators of the Hong Kong securities and derivatives markets			
Hang Seng Index ("HSI")	22,849.2	13,576.0	21,239.4
Number of listed companies on the Stock Exchange			
Main Board	1,055	1,092	1,158
GEM	189	174	174
	1,244	1,266	1,332
Market capitalisation *($ billion)*			
Main Board	HK$16,825.3	HK$10,080.8	HK$17,920.9
GEM	HK$112.7	HK$47.0	HK$134.7
	HK$16,938.0	HK$10,127.8	HK$18,055.6

	Year ended 31 March		
	2008	2009	2010
Average daily turnover *($ billion)*			
Main Board	HK$99.0	HK$58.7	HK$66.7
GEM	HK$0.7	HK$0.1	HK$0.4
	HK$99.7	HK$58.8	HK$67.1
Annual turnover *($ billion)*			
Main Board	HK$24,147.6	HK$14,378.7	HK$16,679.3
GEM	HK$161.6	HK$34.9	HK$103.1
	HK$24,309.2	HK$14,413.6	HK$16,782.4
Number of IPOs			
Main Board*	79	44	74
GEM	2	2	5
	81	46	79
IPO fund raised *($ billion)*			
Main Board#	HK$303.4	HK$34.3	HK$280.3
GEM	HK$2.0	HK$0.2	HK$0.4
	HK$305.4	HK$34.5	HK$280.7
Average daily contract volume of futures and options	409,907	411,936	404,858
Total annual contract volume of futures and options	99,402,359	100,306,318	100,607,170

* Comprised both newly listed companies and companies transferred from the GEM

\# All funds raised are attributed to the IPOs of newly listed companies

Performance of the Hong Kong securities and derivatives markets

The securities market

The stockbroking industry relies on the securities and derivatives markets in Hong Kong, the performance of which are in turn highly dependent on the domestic and global economic conditions which are beyond the control of the Group.

The global economy was seriously hampered by the financial tsunami which swept across the world from the second half of 2008 to the first half of 2009. The domestic securities market also suffered a significant downturn in 2008 under the global financial crisis.

The HSI declined from approximately 22,849.2 points as at 31 March 2008 to approximately 13,576.0 points as at 31 March 2009, a decrease of approximately 40.6%. On 16 November 2009, the HSI reached its highest level of 2009 at approximately 22,944.0 points and closed at approximately 21,239.4 points as at 31 March 2010, an increase of approximately 56.4% as compared with that as at 31 March 2009.

The total market capitalisation of the securities market, including the Main Board and the GEM, decreased by approximately 40.2%, from approximately HK$16,938.0 billion as at 31 March 2008 to approximately HK$10,127.8 billion as at 31 March 2009, which then increased by approximately 78.3% to approximately HK$18,055.6 billion as at 31 March 2010.

Trading volume on the Main Board and the GEM for the year ended 31 March 2009 also contracted as compared with the previous year. The average daily turnover of the Main Board and the GEM for the year ended 31 March 2009 dropped by approximately 41.0% from approximately HK$99.7 billion for the year ended 31 March 2008 to approximately HK$58.8 billion for the year ended 31 March 2009. For the year ended 31 March 2010, the average daily turnover of the Main Board and the GEM was approximately HK$67.1 billion, representing an increase of approximately 14.1% as compared with the previous year.

Total securities market turnover decreased by approximately 40.7% from HK$24,309.2 billion for the year ended 31 March 2008 to approximately HK$14,413.6 billion for the year ended 31 March 2009, which then increased by approximately 16.4% to approximately HK$16,782.4 billion for the year ended 31 March 2010.

The derivatives market

As for the derivatives (futures and options) market, for the year ended 31 March 2008, the annual trading volume of this market reached approximately 99.4 million contracts. The derivatives market was more active for the year ended 31 March 2009, in which the annual trading volume of the derivatives market increased by approximately 0.9% to approximately 100.3 million contracts. For the year ended 31 March 2010, the annual trading volume of the derivatives market further increased to approximately 100.6 million contracts a slight increase by approximately 0.3%.

Affecting the performance of the Group

As at 1 April 2007, the HSI was approximately 19,801.9 points. It reached a new record closing of approximately 31,638 points on 30 October 2007 and closed at approximately 22,849.2 points as at 31 March 2008. As a result of the growth momentum of the Hong Kong securities and derivative markets in 2007, the Group recorded a net profit attributable to equity shareholders of approximately HK$60.1 million for the year ended 31 March 2008.

However, due to the fact that the securities market was in a downward trend with contracting total market turnover, and less margin financings were offered for subscription of IPOs for the year ended 31 March 2009, total turnover of the Group, including brokerage commission income (net of brokerage commission rebate to clients) deriving from securities and futures trading and interest income from margin and IPO financings, decreased by approximately 55.3% from approximately HK$176.4 million in the year ended 31 March 2008 to approximately HK$78.7 million in the same period in 2009. For the year ended 31 March 2009, the net profit attributable to equity shareholders was approximately HK$21.1 million.

In 2010, the securities market recovered from downturn caused by the global financial crisis. As compared with 2009, the total market turnover increased by approximately 16.4% to approximately HK$16,782.4 billion in 2010. In addition, the increase in both the number of IPOs and the amount of IPO fund raised gave rise to a remarkable increase in interest income from IPO financing for the year ended 31 March 2010. As a result, the Group achieved a net profit attributable to equity shareholders of approximately HK$60.3 million in 2010, representing an increase of approximately 185.2% as compared with the previous year.

Capacity of the Group's trading systems

As the Group highly relies on its online securities and futures trading systems to generate its revenue, the capacity of the Group's trading systems thus plays an important role in ensuring that the Group is capable of executing stock transactions in a prompt and accurate fashion. The trading capacity of the Group can in turn be measured by the throttle rate which determines the rate at which trade orders can be sent through an open gateway to the AMS/3 by the Group. The standard throttle rate is one order per second.

As at the Latest Practicable Date, Bright Smart Securities held 14.25 throttle rates subscribed from the Stock Exchange, which translated to a capacity of processing 14.25 transaction orders per second. During the six months from 1 October 2009 to 31 March 2010, the average utilisation rate of Bright Smart Securities' securities trading capacity in terms of throttle usage was approximately 5.3% calculated based on approximately 12,270 orders a day placed by clients (which is the maximum number of orders placed in a day during the period) divided by Bright Smart Securities' trading capacity of approximately 230,850 orders a day (which is based on its 14.25 throttle rates and assuming 4.5 trading hours). Maximum utilisation of securities trading capacity usually occurs at peak hours when the trading session just starts. Any short of trading capacity of the online trading systems may adversely affect the Group's operations and thus its financial performance. Depending on the business need of the Group in the future, the Directors confirmed that the Group is capable of increasing its throttle rates without substantial costs incurred. As at the Latest Practicable Date, the one-time charge by HKEx for each additional throttle rate was HK$100,000.

The intensity of competition in the brokerage industry

The Group's results of operations are, to some extent, dependent on the intensity of competition among the brokerage industry in Hong Kong. The more intense the competition is, the less likely the Group is able to maintain its market share in the securities and derivatives industry in Hong Kong.

As at 31 March 2010, there were 499 Stock Exchange Participants and 171 Futures Exchange Participants. The industry faces intense competition for its stockbroking, futures and options trading and financing businesses from domestic trading firms as well as licensed banks which offer similar services through their stockbroking arms. Such intense competition may adversely affect the Group's market share in the securities and derivatives industry in Hong Kong and therefore its financial performance.

Change in regulatory environment in the Hong Kong securities industry

The securities market in Hong Kong is highly regulated. The businesses operated by the Group are classified as regulated activities under the SFO and the Group's operating subsidiaries, namely Bright Smart Securities and Bright Smart Futures, and their Responsible Officers and Licensed Representatives are required under the SFO to be licensed by the SFC and be subject to any rules and regulations promulgated by the SFC. As securities and futures trading activities are executed through the Stock Exchange or Futures Exchange, the operating subsidiaries are also subject to the regulations from time to time introduced by the two exchanges. Furthermore, as a licensed corporation, the Group shall at all times maintain liquid capital which is not less than the required liquid capital as stipulated under the FRR. Any changes in these laws, rules and regulations may affect the Group's businesses and therefore and its results of operations.

The movement of interest rates

The fluctuation of interest rates affects the Group's businesses and therefore its results of operations in different ways. An increase in interest rates may generally lead to an increase in the Group's interest income arising from margin and IPO financings as well as an increase in the Group's finance cost on bank borrowings. It would adversely affect the Group's businesses and its financial results if the Group's interest rate spread for the margin and IPO financing businesses is reduced. Moreover, an increase in interest rates may have an adverse impact on the financial markets, especially the securities market, and the market sentiment, which may indirectly affect the Group's results of operations adversely.

CRITICAL ACCOUNTING POLICIES

The preparation of the financial information of the Group in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires the management of the Group to exercise its judgment in the process of applying accounting policies. Therefore, the financial information included in this prospectus may not necessarily reflect the results of operations, financial position and cash flows of the Group in the future or what they would have been had the Group been a separate, stand-alone entity during the periods presented.

Critical accounting policies are those accounting policies that are reflective of significant judgments and uncertainties and that potentially yield materially different results under different assumptions and conditions.

When reviewing the combined financial information of the Group, you should consider (i) the selection of critical accounting policies, (ii) the judgment and other uncertainties affecting the application of such policies, and (iii) the sensitivity of reported results to changes in conditions and assumptions. The Directors believe that the following accounting policies involve the most significant judgment and estimates used in the preparation of the combined financial information of the Group. In addition, the revenue recognition policy is discussed below because of its significance, even though it does not involve significant estimates or judgments.

Revenue recognition

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

(i) *Brokerage commission income*

Brokerage commission income is recognised on a trade date basis when the relevant transactions are executed. Volume rebate to customers is recognised as a reduction in brokerage commission income when payment of the rebate is probable and the amounts can be estimated reliably. The fair value of the consideration received or receivable in respect of the initial trade under customer loyalty programmes is allocated between the award credits and other components of the trade by reference to their relative fair value. The award credits are deferred and revenue is recognised only when the Group fulfils its obligation to provide free or discounted brokerage services.

(ii) *Interest income*

Interest income is recognised as it accrues using the effective interest method.

(iii) *Handling and settlement fee income*

Handling and settlement fee income are recognised when the related services are rendered.

Depreciation of fixed assets

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

—	Leasehold improvements	shorter of the unexpired term of lease and 3 years
—	Motor vehicles	5 years
—	Office equipment	5 years
—	Furniture and fixtures	5 years
—	Computers and software	5 years

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

Impairment of assets

(i) *Impairment of accounts receivables and other receivables*

Accounts receivable and other receivables that are carried at cost or amortised cost are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such evidence exists, any impairment loss is determined and recognised as follows:

— For accounts receivable and other receivables carried at amortised cost, the impairment loss is measured as 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 (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior periods.

(ii) *Impairment of fixed assets*

Internal and external sources of information are reviewed at each balance sheet date to identify indications that fixed assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased.

If any such indication exists, the asset's recoverable amount is estimated.

— Calculation of recoverable amount

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

— Recognition of impairment losses

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

— Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. A reversal of impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior periods. Reversals of impairment losses are credited to profit or loss in the period in which the reversals are recognised.

Income tax

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

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

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

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

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

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

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

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities if the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

— in the case of current tax assets and liabilities, the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

— in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

    — the same taxable entity; or

    — different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

Provisions and contingent liabilities

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

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

RESULTS OF OPERATIONS

The table below is the selected financial data of the Group as extracted from the Accountants' Report included in Appendix I to this prospectus:

Combined statements of comprehensive income

	Year ended 31 March		
	2008	**2009**	**2010**
	HK$	**HK$**	**HK$**
Turnover	176,353,024	78,742,697	140,240,061
Other revenue	13,596,241	13,598,223	15,858,301
Other net (loss)/gain	(451,822)	(388,456)	98,558
	189,497,443	91,952,464	156,196,920
Staff costs	(22,383,705)	(22,618,027)	(36,235,322)
Depreciation	(2,537,556)	(3,506,427)	(3,608,315)
Other operating expenses	(32,733,432)	(38,040,632)	(35,743,667)
Profit from operations	131,842,750	27,787,378	80,609,616
Finance costs	(59,702,174)	(2,775,718)	(8,398,836)
Profit before taxation	72,140,576	25,011,660	72,210,780
Income tax	(12,056,535)	(3,876,306)	(11,926,761)
Net profit and total comprehensive income attributable to equity shareholders for the year	60,084,041	21,135,354	60,284,019
Earnings per share			
Basic and diluted (cents)	12.02	4.23	12.06

Description of selected income statement items

Turnover

The Group generates its turnover from the provision of securities, futures and options brokerage services, margin and IPO financings. Turnover represents the (i) brokerage commission from securities, futures and options brokerage, net of any brokerage commission rebate to clients; (ii) interest income from margin financing; and (iii) interest income from IPO financing. The table below presents, for the years indicated, the Group's turnover in terms of monetary value and as a percentage of the total turnover:

	Year ended 31 March					
	2008		2009		2010	
	HK$	%	HK$	%	HK$	%
Gross brokerage commission — securities brokerage	153,329,580		105,638,208		138,647,023	
Less: brokerage commission rebate	(53,015,618)		(43,313,540)		(45,944,407)	
Net brokerage commission — securities brokerage	100,313,962	56.9%	62,324,668	79.1%	92,702,616	66.1%
Gross brokerage commission — futures and options brokerage	3,836,507		11,413,592		26,586,120	
Less: brokerage commission rebate	(29,258)		(1,201,844)		(4,649,743)	
Net brokerage commission — futures and options brokerage	3,807,249	2.1%	10,211,748	13.0%	21,936,377	15.6%
Total net brokerage commission	104,121,211	59.0%	72,536,416	92.1%	114,638,993	81.7%
Interest income from margin financing	16,226,366	9.2%	6,040,728	7.7%	15,488,669	11.0%
Interest income from IPO financing	56,005,447	31.8%	165,553	0.2%	10,112,399	7.3%
Total interest income from margin and IPO financings	72,231,813	41.0%	6,206,281	7.9%	25,601,068	18.3%
	176,353,024	100%	78,742,697	100%	140,240,061	100%

The Group generates a substantial portion of its turnover from the securities brokerage business. For 2008, 2009 and 2010, the Group's brokerage commission (net of rebate) received from its securities brokerage business amounted to approximately HK$100.3 million, HK$62.3 million and HK$92.7 million respectively, and represented approximately 56.9%, 79.1% and 66.1% respectively of the Group's turnover. The increase in securities brokerage business' portion of turnover during 2009 was mainly due to the significant decrease in the Group's interest income from IPO financing. On the other hand, the decrease in securities brokerage business' portion of turnover during 2010 was mainly due to the significant increase in both the Group's interest income from IPO financing and also the futures and options brokerage commission. At the same time, the Group's futures and options brokerage business were growing fast during the Track Record Period, with the brokerage commission (net of rebate) received from its futures and options brokerage business for 2008, 2009 and 2010 amounted to approximately HK$3.8 million, HK$10.2 million and HK$21.9 million respectively, and represented approximately 2.1%, 13.0% and 15.6% respectively of the Group's turnover. The increase in futures and options brokerage business' portion of turnover during 2009 and 2010 was mainly attributable to (i) the launch of the Group's online trading platform for its futures and options trading in October 2007, which helped to attract more clients and therefore more turnover from them; and (ii) the full-year effect of the operation of the online futures trading platform in 2009.

Brokerage commission rebate represents the amount of brokerage commission returned to client when the trading volume of a particular client reaches certain monetary level, as a type of reward to clients to encourage higher volume of transactions. As at the Latest Practicable Date, effective brokerage commission rate could be as low as 0.01% for individual clients with monthly securities transaction amounts above certain monetary level. For 2008, 2009 and 2010, the Group incurred brokerage commission rebate for its securities brokerage business of approximately HK$53.0 million, HK$43.3 million and HK$45.9 million respectively, and incurred brokerage commission rebate for its futures and options brokerage business of approximately HK$29,000, HK$1.2 million and HK$4.6 million respectively.

The Group runs customer loyalty programmes and the Group accounts for such customer loyalty programmes in accordance with Hong Kong (IFRIC) Interpretation 13 — Customer Loyalty Programmes issued by the Hong Kong Institute of Certified Public Accountants. For details of the accounting policies, please refer to Note 1 to the Accountants' Report contained in Appendix I to this prospectus.

Interest income includes interest income from margin and IPO financings provided to clients for purchase of securities. For 2008, 2009 and 2010, interest income from margin and IPO financings represented approximately 41.0%, 7.9% and 18.3% respectively of the Group's turnover. Interest rates charged by the Group to margin clients and IPO financing clients during the Track Record Period ranged from 3.68% to 7.5% per annum and 0.5% to 6.7% per annum respectively.

Other revenue

Other revenue comprises interest income from authorised institutions, overdue interest from cash clients, handling and settlement fees and sundry income. The following table sets forth the breakdowns of the Group's other revenue during the Track Record Period:

	Year ended 31 March		
	2008	**2009**	**2010**
	HK$	**HK$**	**HK$**
Interest income from			
— Authorised institutions	6,988,646	4,477,199	202,527
— Others	1,032,999	811,862	2,814,588
	8,021,645	5,289,061	3,017,115
Handling and settlement fees	5,435,274	7,998,870	12,418,586
Sundry income	139,322	310,292	422,600
	13,596,241	13,598,223	15,858,301

Interest income from authorised institutions represents mainly interest received from banks. Interest income from others mainly represents interest charged for late settlement of consideration for securities purchase beyond T+2 for cash clients. These overdue interests are usually charged at higher interest rates than normal margin financing interest rates charged by the Group for margin clients.

Handling and settlement fees consist of service fees charged on clients mainly for securities, futures and options settlement, and handling other corporate actions such as script dividends and right issues.

Staff costs

Staff costs of the Group comprise salaries, allowances and benefits in kind, discretionary bonuses and contributions to the mandatory provident fund incurred in relation to the directors and employees of the Group. For 2008, 2009 and 2010, staff costs represented approximately 38.8%, 35.2% and 47.9% of the Group's total operating expenses (which includes staff costs, depreciation and other operating expenses) respectively. Please also refer to the section headed "Directors, senior management and employees" in this prospectus for details of the staff bonus schemes adopted by the Group during the Track Record Period.

Other operating expenses

Other operating expenses comprised primarily advertising and promotion expenses, handling and settlement expenses, information and communication expenses, management fee and operating lease payments. For 2008, 2009 and 2010, other operating expenses accounted for approximately 56.8%, 59.3% and 47.3% of the Group's total operating expenses (which includes staff costs, depreciation and other operating expenses) respectively. Set out below are the breakdowns of the Group's other operating expenses during the Track Record Period.

	Year ended 31 March		
	2008	2009	2010
	HK$	HK$	HK$
Advertising and promotion expenses	4,767,493	8,981,533	3,639,110
Auditors' remuneration	140,800	132,800	500,000
Commission expense to overseas brokers	—	24,378	1,222,037
Handling and settlement expenses	8,941,860	7,622,085	10,157,947
Information and communication expenses	5,929,773	8,026,908	9,009,477
Legal and professional fees	208,393	801,432	300,486
Management fee	1,200,000	—	—
Operating lease payments — property rentals	6,272,274	7,644,646	5,001,547
Rates and building management fee	906,221	939,704	1,005,676
Miscellaneous expenses	4,366,618	3,867,146	4,907,387
	32,733,432	38,040,632	35,743,667

Advertising and promotion expenses mainly represent marketing expenses associated with placing advertisements through various media including newspapers, magazines, television and radio. For 2008, 2009 and 2010, advertising and promotion expenses accounted for approximately 8.3%, 14.0% and 4.8% of the Group's total operating expenses (which includes staff costs, depreciation and other operating expenses) respectively.

Handling and settlement expenses represent service fees charged by CCASS mainly for securities, futures and options settlement, which accounted for approximately 15.5%, 11.9% and 13.4% of the Group's total operating expenses (which includes staff costs, depreciation and other operating expenses) for 2008, 2009 and 2010 respectively.

Information and communication expenses mainly represent usage fees paid for the securities and futures trading systems, and subscription fees paid for real-time price quotation service, which accounted for approximately 10.3%, 12.5% and 11.9% of the Group's total operating expenses (which includes staff costs, depreciation and other operating expenses) for 2008, 2009 and 2010 respectively.

Management fee represents the amount paid to a related company for routine liaison, secretarial and accounting services received, which was only incurred for the year ended 31 March 2008 for an amount of HK$1.2 million.

Operating lease payments mainly represent the amount paid to a related party for rental associated with its head office located at the 10th floor of Wing On House in Central, which accounted for approximately 10.9%, 11.9% and 6.6% of the Group's total operating expenses (which includes staff costs, depreciation and other operating expenses) for 2008, 2009 and 2010 respectively.

Finance costs

Finance costs consist of interest expense on bank loans for IPO financing, other bank loans and overdrafts as well as interest expense charged by related companies:

	Year ended 31 March		
	2008	2009	2010
	HK$	HK$	HK$
Interest expense on			
— Bank loans for IPO financing	52,180,923	77,633	5,543,040
— Other bank loans and overdrafts	2,407,333	1,640	1,884,742
— Loans from related companies.	5,113,918	2,696,445	971,054
	59,702,174	2,775,718	8,398,836

Interest expense charged by related companies represents interest on loan from Perfection Corporation and China Finance. The loan facilities offered to the Group by Perfection Corporation and China Finance were both terminated on or before 31 December 2009, and all outstanding amounts had been settled as at 31 December 2009. Interest rates charged by Perfection Corporation and China Finance ranged from 2.68% to 8% during the Track Record Period.

Income tax

All of the income tax expenses of the Group during the Track Record Period represent current and deferred tax provision for the Hong Kong profits tax, as all of the assessable profits of the Group during the Track Record Period were derived in Hong Kong. The provision for Hong Kong profits tax for 2008, 2009 and 2010 are calculated at 17.5%, 16.5% and 16.5% respectively of the estimated assessable profits for each year.

Net profit and total comprehensive income attributable to equity shareholders

Net profit and total comprehensive income attributable to equity holders for the year 2008, 2009 and 2010 were approximately HK$60.1 million, HK$21.1 million and HK$60.3 million respectively.

Net profit margin of the Group, defined as net profit and total comprehensive income attributable to equity shareholders divided by turnover, were approximately 34.1%, 26.8% and 43.0% respectively for the year 2008, 2009 and 2010.

2009 compared to 2008

Turnover

	Year ended 31 March		Increase/(decrease)	
	2008	2009		
	HK$	HK$	HK$	%
Gross brokerage commission — securities brokerage	153,329,580	105,638,208	(47,691,372)	(31.1%)
Less: brokerage commission rebate	(53,015,618)	(43,313,540)	(9,702,078)	(18.3%)
Net brokerage commission — securities brokerage	100,313,962	62,324,668	(37,989,294)	(37.9%)
Gross brokerage commission — futures and options brokerage	3,836,507	11,413,592	7,577,085	197.5%
Less: brokerage commission rebate	(29,258)	(1,201,844)	1,172,586	4,007.7%
Net brokerage commission — futures and options brokerage	3,807,249	10,211,748	6,404,499	168.2%
Total net brokerage commission	104,121,211	72,536,416	(31,584,795)	(30.3%)
Interest income from margin financing	16,226,366	6,040,728	(10,185,638)	(62.8%)
Interest income IPO financing	56,005,447	165,553	(55,839,894)	(99.7%)
Total interest income from margin and IPO financings	72,231,813	6,206,281	(66,025,532)	(91.4%)
	176,353,024	78,742,697	(97,610,327)	(55.3%)

The turnover of the Group decreased significantly by approximately 55.3% from approximately HK$176.4 million in 2008 to approximately HK$78.7 million in 2009, which was mainly contributed by (i) the decrease in brokerage commission income from securities brokerage, net of brokerage commission rebate to clients; (ii) decrease in interest income from margin financing; and (iii) decrease in interest income from IPO financing. During the same period, there was a decrease in turnover in Main Board and GEM, from approximately HK$24,309.2 billion for the year ended 31 March 2008 to approximately HK$14,413.6 billion for the year ended 31 Mach 2009, representing a decrease of approximately 40.7%.

As set out in the sub-section headed "Performance of the Hong Kong securities and derivatives markets" of this section, the Hong Kong securities market was in a downward trend for the year ended 31 March 2009. The total market turnover of the Main Board and the GEM decreased from HK$24,309.2 billion for the year ended 31 March 2008 to HK$14,413.6 billion for the year ended 31 March 2009. This led to a decrease in the trading activities of the Group, and thus a decrease in the brokerage income on securities dealing, net of brokerage commission rebate to clients, of approximately HK$38.0 million and a decrease in interest income from margin financing (excluding IPO margin financing) of approximately HK$10.2 million for the year ended 31 March 2009 as compared to the corresponding period in 2008.

Moreover, there were numerous IPOs in 2008 and the Group had offered financings to its clients for the subscription of shares in such IPOs. For the year ended 31 March 2009, the IPO activities in Hong Kong decreased remarkably. The amount of IPO financing provided by the Group for IPO subscription was therefore reduced in 2009. As a result, interest income from IPO financing decreased by approximately HK$55.8 million for the year ended 31 March 2009 as compared with the corresponding period in 2008.

However, brokerage income derived from futures trading increased remarkably by approximately HK$6.4 million for the year ended 31 March 2009, as compared with the year ended 31 March 2008. It was attributable to (i) the launch of the Group's online trading platform for its futures and options trading in October 2007, which helped to attract more clients and therefore more turnover from them; and (ii) the full-year effect of the operation of the online futures trading platform in 2009.

Other revenue

	Year ended 31 March		Increase/(decrease)	
	2008	2009		
	HK$	HK$	HK$	%
Interest income from				
— Authorised institutions	6,988,646	4,477,199	(2,511,447)	(35.9%)
— Others	1,032,999	811,862	(221,137)	(21.4%)
	8,021,645	5,289,061	(2,732,584)	(34.1%)
Handling and settlement fees	5,435,274	7,998,870	2,563,596	47.2%
Sundry income	139,322	310,292	170,970	122.7%
	13,596,241	13,598,223	1,982	0%

For each of the two years ended 31 March 2008 and 2009, other revenue of the Group was both approximately HK$13.6 million, which was due to the net effect of (i) a decrease of interest income from authorised institutions of approximately HK$2.5 million and (ii) an increase in handling and settlement fees of approximately HK$2.6 million. The former was mainly attributed to lower interest rates prevailing during 2009 while the later was due to the fact that the Group had adjusted upward on settlement fees charged on clients from 0.002% (with minimum and maximum charges of HK$2 and HK$100 respectively) to 0.006% (with minimum and maximum charges of HK$5 and HK$200 respectively) of transaction amounts on 1 June 2008.

Staff costs

Staff costs increased by approximately 1.0% from approximately HK$22.4 million in 2008 to approximately HK$22.6 million in 2009, which was primarily attributable to the net effect of (i) an increase in salaries, allowances and benefits in kind of approximately HK$5.1 million from approximately HK$14.9 million in 2008 to approximately HK$20.0 million in 2009, resulting from a general increase in both the number of staff and the recruitment of senior management in 2009; and (ii) a decrease in discretionary bonuses of approximately HK$4.9 million from approximately HK$6.8 million in 2008 to HK$1.9 million in 2009 mainly due to less profits earned for the year 2009 as compared to the prior year.

Other operating expenses

	Year ended 31 March		Increase/(decrease)	
	2008	2009		
	HK$	HK$	HK$	%
Advertising and promotion expenses	4,767,493	8,981,533	4,214,040	88.4%
Auditors' remuneration	140,800	132,800	(8,000)	(5.7%)
Commission expense to overseas brokers	—	24,378	24,378	N/A
Handling and settlement expenses	8,941,860	7,622,085	(1,319,775)	(14.8%)
Information and communication expenses	5,929,773	8,026,908	2,097,135	35.4%
Legal and professional fees	208,393	801,432	593,039	284.6%
Management fee	1,200,000	—	(1,200,000)	(100.0%)
Operating lease payments — property rentals	6,272,274	7,644,646	1,372,372	21.9%
Rates and building management fee	906,221	939,704	33,483	3.7%
Miscellaneous expenses	4,366,618	3,867,146	(499,472)	(11.4%)
	32,733,432	38,040,632	5,307,200	16.2%

Other operating expenses increased by approximately 16.2% from approximately HK$32.7 million in 2008 to approximately HK$38.0 million in 2009. The net increase in other operating expenses was primarily due to the net effect of (i) an increase in advertising and promotion expenses of approximately HK$4.2 million, mainly attributed to an increase in advertisements placed on television during 2009 for the purpose of increasing the market share; (ii) an increase in information and communication expenses of approximately HK$2.1 million, mainly due to an increase in usage of the securities and futures trading systems resulting from the relocation of the Group's head office to Wing On House in Central to accommodate a bigger size of operation in June 2007 and thus bigger usage fees incurred for the whole year of 2009; (iii) an increase in operating lease payments of approximately HK$1.4 million, as the Group started to rent its head office located at the 10th floor of Wing On House in Central in June 2007, and less than one-year rental was charged in 2008 while a full-year rental expense was charged in 2009; (iv) a decrease in handling and settlement expenses of approximately HK$1.3 million, resulting from a decrease in the securities market activities and thus a decrease in the turnover of the Group, and so did the securities settlement fees charged by CCASS; and (v) a decrease in management fee of HK$1.2 million, as no service was provided by the related company starting from 2009.

Finance costs

Finance costs decreased significantly by approximately 95.4% from approximately HK$59.7 million in 2008 to approximately HK$2.8 million in 2009 because much less bank loans were drawn for the purpose of IPO financing during the year ended 31 March 2009, coupled with the downward trend of interest rates. For the year ended 31 March 2008, there were numerous IPOs on the market. The Group had participated in more financing activities for the subscription of a number of IPOs in 2008, and therefore drew more bank loans to support these financing activities. The increase in these loans contributed to the finance cost significantly on bank loans for the year ended 31 March 2008. However, the remarkable decrease in IPO activities gave rise to less bank loans drawn for IPO financing and thus less finance cost incurred for the year ended 31 March 2009.

Income tax

Income tax expense of the Group decreased from approximately HK$12.1 million in 2008 to approximately HK$3.9 million in 2009. For the years 2008 and 2009, the effective tax rates of the Group were approximately 16.7% and 15.5% respectively. The decrease in income tax expense and effective tax rate was a net effect of (i) a decrease in profit before taxation of approximately HK$47.1 million for the year ended 31 March 2009 as compared with the previous year; (ii) a decrease of Hong Kong profits tax rate from 17.5% in 2008 to 16.5% in 2009; and (iii) a decrease in tax effect of non-taxable income arising from bank interest income, from approximately HK$626,000 in 2008 to approximately HK$169,000 in 2009.

Net profit and total comprehensive income attributable to equity shareholders

As a result of the foregoing, net profit and total comprehensive income attributable to equity shareholders decreased by approximately 64.8% from approximately HK$60.1 million for the year ended 31 March 2008 to approximately HK$21.1 million for the year ended 31 March 2009, and the Group's net profit margin, defined as net profit and total comprehensive income attributable to equity holders divided by turnover, decreased from approximately 34.1% in 2008 to approximately 26.8% in 2009.

2010 compared to 2009

Turnover

	Year ended 31 March			
	2009	2010	Increase/(decrease)	
	HK$	HK$	HK$	%
Gross brokerage commission — securities brokerage	105,638,208	138,647,023	33,008,815	31.2%
Less: brokerage commission rebate	(43,313,540)	(45,944,407)	2,630,867	6.1%
Net brokerage commission — securities brokerage	62,324,668	92,702,616	30,377,948	48.7%
Gross brokerage commission — futures and options brokerage	11,413,592	26,586,120	15,172,528	132.9%
Less: brokerage commission rebate	(1,201,844)	(4,649,743)	3,447,899	286.9%
Net brokerage commission — futures and options brokerage	10,211,748	21,936,377	11,724,629	114.8%
Total net brokerage commission	72,536,416	114,638,993	42,102,577	58.0%
Interest income from margin financing	6,040,728	15,488,669	9,447,941	156.4%
Interest income from IPO financing	165,553	10,112,399	9,946,846	6,008.3%
Total interest income from margin and IPO financings	6,206,281	25,601,068	19,394,787	312.5%
	78,742,697	140,240,061	61,497,364	78.1%

The Group recorded turnover of approximately HK$140.2 million for the year ended 31 March 2010 as compared to approximately HK$78.7 million for the previous year. The significant increase in turnover of approximately 78.1% was attributable to the increase in the trading volume of the overall securities market as well as IPO activities during 2010.

For the year ended 31 March 2010, the Hong Kong securities market was generally in an upward trend, as set out in the sub-section headed "Performance of the Hong Kong securities and derivatives markets" in this section of this prospectus above. The increase in total market turnover, including those of the Main Board and the GEM, of approximately 16.4% from approximately HK$14,413.6 billion in

2009 to approximately HK$16,782.4 billion in 2010, resulted in a significant increase in the trading activities of the Group and thus an increase in net brokerage commission income on securities, futures and options dealing of approximately HK$42.1 million and an increase in interest income from margin financing of approximately HK$9.4 million, as compared to the previous year.

Compared with the net brokerage commission derived from securities dealing (which increased by approximately 48.7%), the net brokerage commission on futures and options trading increased at a greater extent by approximately HK$11.7 million (or by approximately 114.8%) for the year ended 31 March 2010 as compared to the previous year, which was mainly attributable to (i) the increase in gross brokerage commission income derived from trading of the US's futures products of approximately HK$4.4 million resulting from the full-year effect of the provision of brokerage services covering trading of global futures on exchanges in the US and Singapore in March 2009 and September 2009 respectively; and (ii) the general improvement in the Hong Kong futures market in 2010.

In addition, IPO activities increased significantly in 2010. The number of IPOs, comprising both newly listed companies and companies transferred from the GEM to the Main Board, increased remarkably from 46 in 2009 to 79 in 2010 returning back to similar level in 2008 which was 81. Concerning the amount of IPO fund raised, it also increased sharply by approximately 713.6% from approximately HK$34.5 billion in 2009 to approximately HK$280.7 billion in 2010. Owing to the increase in both the number of IPOs and the amount of IPO fund raised, the amount of IPO financing provided by the Group for IPO subscription rose in 2010. As a result, interest income from IPO financing increased notably by approximately HK$9.9 million for the year ended 31 March 2010 as compared with the corresponding period in 2009.

Other income

	Years ended 31 March			
	2009	**2010**	**Increase/(decrease)**	
	HK$	**HK$**	**HK$**	**%**
Interest income from				
— Authorised institutions	4,477,199	202,527	(4,274,672)	(95.5%)
— Others	811,862	2,814,588	2,002,726	246.7%
	5,289,061	3,017,115	(2,271,946)	(43.0%)
Handling and settlement fees	7,998,870	12,418,586	4,419,716	55.3%
Sundry income	310,292	422,600	112,308	36.2%
	13,598,223	15,858,301	2,260,078	16.6%

For the year ended 31 March 2010, other revenue of the Group increased by approximately HK$2.3 million as compared to the previous year, which was due to the net effect of (i) a decrease of interest income from authorised institutions of approximately HK$4.3 million, resulting from a decrease in average bank balances (since more margin financing is provided to clients) as well as lower bank saving interest rates in 2010 as compared to the previous year; (ii) an increase of interest income from others of approximately HK$2.0 million attributable to more late settlement by cash clients for securities purchase beyond T+2 resulting from more transactions conducted in 2010; and (iii) an increase in handling and settlement fees of approximately HK$4.4 million as a result of the increase in overall securities market turnover in 2010.

Staff costs

Staff costs increased by approximately HK$13.6 million (or approximately 60.2%) from approximately HK$22.6 million in 2009 to approximately HK$36.2 million in 2010, which was mainly due to (i) an increase in salaries, allowances and benefits in kind of approximately HK$6.3 million from approximately HK$20.0 million in 2009 to approximately HK$26.3 million in 2010, resulting from an overall increase in the number of staff in 2010; and (ii) an increase in discretionary bonuses of approximately HK$7.2 million from approximately HK$1.9 million in 2009 to approximately HK$9.0 million in 2010 attributed to more profits earned in 2010 as compared to the previous year.

Other operating expenses

	Years ended 31 March			
	2009	2010	Increase/(decrease)	
	HK$	HK$	HK$	%
Advertising and promotion expenses	8,981,533	3,639,110	(5,342,423)	(59.5%)
Auditors' remuneration	132,800	500,000	367,200	276.5%
Commission expense to overseas brokers	24,378	1,222,037	1,197,659	4,912.9%
Handling and settlement expenses	7,622,085	10,157,947	2,535,862	33.3%
Information and communication expenses	8,026,908	9,009,477	982,569	12.2%
Legal and professional fees	801,432	300,486	(500,946)	(62.5%)
Operating lease payments — property rentals	7,644,646	5,001,547	(2,643,099)	(34.6%)
Rates and building management fee	939,704	1,005,676	65,972	7.0%
Miscellaneous expenses	3,867,146	4,907,387	1,040,241	26.9%
	38,040,632	35,743,667	(2,296,965)	(6.0%)

Other operating expenses decreased by approximately 6.0% from approximately HK$38.0 million in 2009 to approximately HK$35.7 million in 2010, which was primarily due to the net effect of (i) the decrease in advertising and promotion expenses of approximately HK$5.3 million, attributable to greater amount of television advertisement incurred in the previous year for increasing the market share; (ii) an increase in commission expense paid to overseas brokers of approximately HK$1.2 million resulting from the full year effect of the provision of brokerage services covering global futures in 2010 as the Group extended its brokerage services to futures products traded on exchanges in the US and Singapore Exchange, in March 2009 and September 2009 respectively; (iii) an increase of handling and settlement expenses of approximately HK$2.5 million as a result of the increase in the overall securities market turnover and so did the turnover of the Group; and (iv) a decrease in the operating lease payments of approximately HK$2.6 million since the monthly rental of the Group's head office located at Wing On House in Central was revised from HK$670,000 to HK$335,000 in November 2008 and thus a higher rent was charged for seven months in the previous year.

Finance costs

Finance costs increased remarkably by approximately 202.6% from approximately HK$2.8 million in 2009 to approximately HK$8.4 million in 2010, which was primarily attributable to the increase in interest expense on bank loans for IPO financing of approximately HK$5.5 million. Due to the general increase in IPO activities in terms of the number of IPO as well as the amount of IPO fund raised, more bank loans were drawn for the purpose of IPO financing and thus more finance costs were incurred during the year ended 31 March 2010.

Income tax

Income tax expense of the Group increased from approximately HK$3.9 million in 2009 to approximately HK$11.9 million in 2010. The increase in income tax expense was mainly attributed to the increase in profit before taxation of approximately HK$47.2 million for the year ended 31 March 2010 as compared with the previous year. For the years 2009 and 2010, the effective tax rates of the Group were approximately 15.5% and 16.5% respectively.

Net profit and total comprehensive income attributable to equity shareholders

As a result of the foregoing, net profit and total comprehensive income attributable to equity shareholders increased by approximately 185.2% from approximately HK$21.1 million for the year ended 31 March 2009 to approximately HK$60.3 million for the year ended 31 March 2010, and the Group's net profit margin, defined as net profit and total comprehensive income attributable to equity shareholders divided by turnover, increased from approximately 26.8% in 2009 to approximately 43.0% in 2010.

FINANCIAL POSITION

The table below is the selected financial data of the Group as extracted from the Accountants' Report included in Appendix I to this prospectus:

Combined balance sheets

	As at 31 March		
	2008	**2009**	**2010**
	HK$	**HK$**	**HK$**
Non-current assets			
Fixed assets	9,206,313	7,165,834	7,191,201
Deferred tax assets	—	—	464,985
Other non-current assets	2,400,000	2,320,000	4,582,607
Total non-current assets	11,606,313	9,485,834	12,238,793
Current assets			
Accounts receivable	247,943,542	222,332,823	763,133,465
Other receivables, deposits and prepayments	5,066,425	3,276,168	9,420,641
Cash and cash equivalents	164,324,949	163,041,822	157,531,612
Total current assets	417,334,916	388,650,813	930,085,718
Current liabilities			
Accounts payable	139,779,811	153,366,495	189,095,829
Accrued expenses and other payables	13,031,346	6,669,184	151,256,284
Amount due to a related company	80,000,000	29,100,000	—
Bank loans	—	—	441,000,000
Current taxation	9,340,847	895,908	8,920,966
Total current liabilities	242,152,004	190,031,587	790,273,079
Net current assets	175,182,912	198,619,226	139,812,639
Total assets less current liabilities	186,789,225	208,105,060	152,051,432
Non-current liabilities			
Deferred tax liabilities	107,175	287,656	—
Net assets	186,682,050	207,817,404	152,051,432
Equity			
Share capital	110,000,000	110,000,000	130,000,009
Retained profits	76,682,050	97,817,404	22,051,423
Total equity	186,682,050	207,817,404	152,051,432

DESCRIPTION OF SELECTED BALANCE SHEET ITEMS

Fixed assets

Fixed assets of the Group consist of leasehold improvements, computers and software, office equipment, furniture and fixtures and motor vehicles, which are stated in the combined balance sheets at cost less accumulated depreciation and any impairment losses. As at 31 March 2008, 2009 and 2010, the Group had fixed assets with aggregate net book values of approximately HK$9.2 million, HK$7.2 million and HK$7.2 million respectively.

Leasehold improvements represent primarily decoration expenditures incurred when the headquarter of the Group was moved from World-wide House in Central to Wing On House in Central during the year ended 31 March 2008. Computer and software represent mainly the Group's online securities and futures trading systems, the back-office computer system and other computer softwares and hardwares.

The decrease in carrying values of fixed assets in 2009 was primarily due to the depreciation charged to profit or loss during the periods. The net book values of fixed assets as at 31 March 2010 remained more or less the same as the previous year as the additions were almost offset by the depreciation charge in 2010.

Accounts receivable

Accounts receivable includes receivables from cash clients, margin clients, clearing houses and brokers and dealers. The following table presents the composition of accounts receivable for the years indicated:

	As at 31 March		
	2008	2009	2010
	HK$	HK$	HK$
Accounts receivable from			
— Cash clients	10,319,468	30,182,031	55,447,328
— Margin clients	152,477,901	132,709,428	608,568,325
— Clearing houses	85,146,173	57,273,098	91,775,026
— Brokers and dealers	—	2,168,266	7,342,786
	247,943,542	222,332,823	763,133,465

Accounts receivable from cash clients relates to purchase transactions by clients that are executed but not yet settled in cash pursuant to the T+2 settlement basis. For cash client balances not settled 2 days after execution of transactions, the Group charges overdue interests at interest rates higher than the normal margin financing interest rates. The increase in accounts receivables from cash clients in 2009 was mainly attributed to the increase in purchase transactions executed by cash clients in the last two trading days in March 2009 as compared with the same period in March 2008. Due to the recovery of the securities market in 2010 and thus more purchase transactions executed in 2010, the accounts receivable from cash clients as at 31 March 2010 increased significantly as compared with the previous year end.

Accounts receivable from margin clients relate to securities purchases on credit by clients having margin accounts with the Group. The margin loans, repayable to the Group on demand, are normally pledged with securities as collateral to the Group. There is no specific repayment term for margin loans. The amount of credit facilities granted to margin clients is determined by the discounted value of securities accepted by the Group. As at 31 March 2008, 2009 and 2010, the total market values of securities pledged as collateral in respect of the margin loans were approximately HK$649.6 million, HK$435.3 million and HK$1,934.2 million respectively, which represented approximately 4.3 times, 3.3 times and 3.2 times of the margin loan balances respectively. The decrease in accounts receivable from margin clients in 2009 was mainly attributable to the outbreak of the financial tsunami during the year ended 31 March 2009 which in turn led to less margin financing provided by the Group to its clients. However, as the securities market in Hong Kong recovered from downturn caused by the global financial crisis and a low interest rate environment was prevailing in 2010, more margin financing was provided by the Group, thus resulting in a remarkable increase in accounts receivable from margin clients as at 31 March 2010.

Accounts receivable from clearing houses represents amount receivable from CCASS for sell transactions executed by clients but not yet settled in CCASS pursuant to the T+2 settlement basis. The decrease in accounts receivable from clearing houses in 2009 was mainly attributed to the decrease in sell transactions executed by clients in the last two trading days in March 2009 as compared with the same period in March 2008, and so did the accounts receivable from clearing houses as at 31 March 2009. However, the Hong Kong securities market in 2010 was on an upward trend and the HSI was at a higher level as at 31 March 2010 as compared with the previous year end. Due to the increase in the securities market turnover in 2010 and the high level of the HSI at the end of 2010, more sale transactions were executed by clients in the last two days in March 2010 as compared with the same period in March 2009, therefore giving rise to a significant increase in accounts receivable from clearing houses as at 31 March 2010. The change in accounts receivable from clearing houses was consistent with that in accounts payable to cash and margin clients, as described below.

Accounts receivable from brokers and dealers represent deposits placed with the two independent local brokers which provide brokerage services for futures products traded on exchanges in the US and Singapore. As trading of futures products on exchanges in the US and Singapore was just launched in March 2009 and September 2009 respectively, only a balance of approximately HK$2.2 million was noted as at 31 March 2009. The balance as at 31 March 2010 increased significantly mainly attributable to an increase in transaction volume as well as a significant increase in turnover derived from trading of futures in 2010.

Accounts receivable from clearing houses, brokers and dealers arise from the ordinary business of the Group and are therefore treated as "accounts receivable".

Other receivables, deposits and prepayments

The following table presents the breakdown of other receivables, deposits and prepayments for the years indicated:

	As at 31 March		
	2008	2009	2010
	HK$	HK$	HK$
Rental and utility deposits	2,477,876	1,481,651	2,973,574
Prepayments	1,738,178	1,474,037	6,127,716
Other receivables	850,371	320,480	319,351
	5,066,425	3,276,168	9,420,641

Rental and utility deposits as at 31 March 2010 represented mainly rental, management fee and rate deposits paid for the Group's headquarter at Wing On House in Central (to a related company owned by Mr. Yip), the backup office in Wan Chai (to a related company owned by Mr. Yip) and the two branches at Hang Seng Tsuen Wan Building in Tsuen Wan (to independent third party) and Peter Building in Central (to a related company owned by Mr. Yip). The decrease in rental and utility deposits in 2009 was primarily attributable to the reduction of monthly rental of the Group's head office in Wing On House in Central and thus the rental deposits required. The increase in the balance in 2010 was, however, mainly resulted from the rental deposits of approximately HK$1.4 million paid for the new branches located at Tsuen Wan, Yuen Long, Central, Causeway Bay, Mong Kok and Tai Wai.

Prepayments as at 31 March 2010 comprised mainly prepaid professional fees of approximately HK$4.0 million in relation to the Share Offer, prepayment for the Group's advertising expenses to various media companies in Hong Kong for advertisements not yet broadcasted or published, and an amount paid to Wong Wing Man ("Mr. Wong"), the present head of Information Technology Department of the Group, as an inducement upon joining the Group. These prepayments recorded in the Group's combined balance sheets will be reversed and recognised in profit or loss when the advertising services have been provided to the Group or when Mr. Wong has provided the services as stated in his employment contract. The decrease in prepayments as at 31 March 2009 as compared with the previous year end was a net effect of (i) a decrease in advertising prepayment of approximately HK$0.7 million, as more advertising services have been rendered to the Group for the year ended 31 March 2009 and (ii) a bonus of approximately HK$1.0 million which was prepaid to Mr. Wong (who was hired in March 2009) as at 31 March 2009 (2008: Nil). As at 31 March 2010, the balance increased significantly as compared to the previous year end, mainly attributable to the prepaid professional fees in relation to the Share Offer of approximately HK$4.0 million and the increase in rental prepayment of approximately HK$0.5 million.

Other receivables as at 31 March 2008 mainly represented equipment deposits, decoration deposits and the amount due from a director, which was fully settled as at 31 March 2010. The decrease of the balance as at 31 March 2009 as compared with the previous year end was mainly attributable to a decrease in decoration deposits due to the completion of part of decoration work in the back-up office in Wan Chai during 2009. The balance as at 31 March 2010 remained more or less the same as the previous year end and mainly represented deposits paid for Internet trading services.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, and demand deposits with banks. As part of its normal course of business, the Group maintains segregated accounts with banks to hold clients' money, which are not included in the combined balance sheets of the Group. As at 31 March 2008, 2009 and 2010, these clients' money maintained in segregated accounts amounted to approximately HK$411.1 million, HK$364.1 million and HK$624.6 million respectively.

Accounts payable

Accounts payable includes payables to cash clients, margin clients and clearing houses. The table below presents, for the years indicated, the breakdown of the Group's accounts payable:

	As at 31 March		
	2008	2009	2010
	HK$	HK$	HK$
Accounts payable			
— Cash clients	55,515,584	32,855,685	68,825,766
— Margin clients	64,962,594	71,492,575	112,830,849
— Clearing houses	19,301,633	49,018,235	7,439,214
	139,779,811	153,366,495	189,095,829

Accounts payable to cash clients and margin clients represents the amount due in relation to sale transactions made by clients that were executed but not yet settled in cash pursuant to the T+2 settlement basis. The decrease in accounts payable to cash clients in 2009 was primarily due to the decrease in sell transactions executed by cash clients in the last two trading days in March 2009 as compared with the same period in March 2008. Nevertheless, the balance as at 31 March 2010 increased notably as compared with the previous year end, due to the increase in the securities market turnover in 2010 and the high level of the HSI near the end of 2010, thus resulting in more sale transactions executed by cash clients in the last two days in March 2010 as compared with the same period in March 2009. The change in accounts payable to cash clients was consistent with the change in accounts receivable from clearing houses, as described above.

The accounts payable to margin clients increased moderately in 2009 because of the declining securities market in 2009. The outbreak of the financial tsunami during the year ended 31 March 2009 resulted in more liquidation of clients' securities held in margin accounts as those clients were not able to top up their margin deposits to meet the margin calls from the securities house. As a result, the accounts payable to margin clients increased in 2009. However, the remarkable increase in balance as at 31 March 2010 was, on the other hand, attributed to more sale transactions executed by margin clients in the last two trading days in March 2010.

Accounts payable to clearing houses represents amount payable to CCASS for purchase transactions executed by clients but not yet settled pursuant to the T+2 settlement basis. The increase in accounts payable to clearing houses in 2009 was attributable to the increase in purchase transactions executed by cash clients in the last two trading days in March 2009 as compared with the same period in March 2008.

Accrued expenses and other payables

The following table presents the breakdown of accrued expenses and other payables for the years indicated:

	As at 31 March		
	2008	**2009**	**2010**
	HK$	**HK$**	**HK$**
Commission rebate payable	5,743,781	2,767,510	4,822,379
Accrued bonuses	3,119,835	715,375	4,289,438
Stamp duty, trading levy and trading fee payables	2,666,355	1,687,291	2,285,525
Dividends payable	—	—	136,050,000
Other payables	1,501,375	1,499,008	3,808,942
	13,031,346	6,669,184	151,256,284

Accrued expenses and other payables decreased as at 31 March 2009 as compared with the previous year, which was mainly attributed to a decrease in commission rebate payables, accrued bonuses and stamp duty, trading levy and trading fee payables. Commission rebate payables represent brokerage commission payable to clients when their trading volumes reach certain monetary levels, the decrease of balance of which in 2009 was mainly due to the decrease in the Group's turnover for the year ended 31 March 2009. As for accrued bonuses, as the bonus paid by the Group was set with reference to the Group's performance and that the financial performance of the Group in 2009 was worse than that in 2008, the accrued bonuses as at 31 March 2009 thus decreased as compared with the previous year end. Regarding stamp duty, trading levy and trading fee payables, they are charged by HKEx and are directly linked to the total trading value of the Group, the balance of which decreased as well in 2009 due to declining securities market activities at the end of 2009 as compared with the same period in 2008.

Nevertheless, the accrued expenses and other payables as at 31 March 2010 increased significantly by approximately HK$144.6 million as compared with the previous year end, largely because of (i) the dividends of approximately HK$136.1 million declared during 2010 which will be settled before Listing; (ii) the significant increase in the commission rebate payables and the stamp duty, trading levy and trading fee payables resulting from the general increase in the Group's trading volume in 2010 (due to the recovery of the overall securities market); and (iii) the remarkable increase in accrued bonuses as the Group recorded a high growth of net profit and total comprehensive income attributable to equity shareholders during 2010.

LIQUIDITY AND CAPITAL RESOURCES

Cash flow data

The following table presents selected cash flow data from the combined cash flow statements of the Group for the three years ended 31 March 2008, 2009 and 2010:

	Year ended 31 March		
	2008	2009	2010
	HK$	HK$	HK$
Net cash generated from/(used in) operating activities	2,563,434,106	48,569,478	(428,838,183)
Net cash (used in)/generated from investing activities	(2,292,862)	3,823,113	(173,200)
Net cash (used in)/generated from financing activities	(2,493,702,174)	(53,675,718)	423,501,173
Net increase/(decrease) in cash and cash equivalents	67,439,070	(1,283,127)	(5,510,210)
Cash and cash equivalents at 1 April	96,885,879	164,324,949	163,041,822
Cash and cash equivalents at 31 March	164,324,949	163,041,822	157,531,612

Operating activities

Net cash generated from operating activities in 2008 was approximately HK$2,563.4 million, which was primarily attributable to (i) the net decrease in accounts receivable of approximately HK$2,324.6 million resulting from margin loans being repaid by clients in relation to an IPO, which were provided in March 2007 and subsequently settled in April 2007; and (ii) increase in accounts payable of approximately HK$103.9 million.

Net cash generated from operating activities in 2009 was approximately HK$48.6 million, which was primarily resulted from (i) profit before taxation of approximately HK$25.0 million earned by the Group during the year; (ii) net decrease in accounts receivable of approximately HK$25.6 million; and (iii) increase in accounts payable of approximately HK$13.6 million.

Net cash used in operating activities in 2010 was approximately HK$428.8 million, which was principally attributable to the net effect of (i) the net increase in accounts receivable of approximately HK$540.8 million resulting from margin loans being borrowed by clients; and (ii) increase in accounts payable of approximately HK$35.7 million.

The net cash generated from operating activities decreased from approximately HK$2,563.4 million in 2008 to approximately HK$48.6 million in 2009 was principally resulted from the net decrease in accounts receivable of approximately HK$2,324.6 million resulting from margin loans being repaid by clients in relation to an IPO during March 2007 and April 2007 as mentioned above.

The change from net cash generated from operating activities in 2009 of approximately HK$48.6 million to net cash used in operating activities in 2010 of approximately HK$428.8 million was mainly due to the net increase in accounts receivable of approximately HK$540.8 million resulting from margin loans being borrowed by clients as mentioned above.

Investing activities

Net cash used in investing activities in 2008 was approximately HK$2.3 million, which was mainly attributable to the payment for purchase of fixed assets of approximately HK$10.3 million in relation to the decoration expenditures incurred when the headquarter of the Group was moved from World-wide House in Central to Wing On House in Central during the year, and partially offset by interest received from authorised institutions and the Group's cash clients during the year of approximately HK$8.0 million.

Net cash generated from investing activities in 2009 was approximately HK$3.8 million, which was primarily attributable to the interest received from authorised institutions and the Group's cash clients during the year of approximately HK$5.3 million, and partially offset by the purchase of fixed assets mainly comprising computer hardwares and softwares.

Net cash used in investing activities in 2010 was approximately HK$173,000, which was principally resulted from the purchase of fixed asset of approximately HK$3.6 million mainly comprising leasehold improvements, furniture and fixtures, and computer and software, and partially offset by the interest received from authorised institutions and the Group's cash clients during the year of approximately HK$3.0 million.

The change from net cash used in investing activities in 2008 of approximately HK$2.3 million to net cash generated from investing activities in 2009 of approximately HK$3.8 million was mainly due to the decoration expenditures incurred during 2008 for the Group's new headquarter in Wing On House in Central as mentioned above.

The change from net cash generated from investing activities in 2009 of approximately HK$3.8 million to net cash used in investing activities in 2010 of approximately HK$173,000 was primarily due to the purchase of fixed assets during 2010 as mentioned above.

Financing activities

Net cash used in financing activities in 2008 was approximately HK$2,493.7 million, which was primarily attributable to (i) the repayment of bank loans of approximately HK$2,419.0 million in relation to an IPO in April 2007 which were provided in March 2007, as mentioned above; and (ii) the repayment of sub-ordinated loan due to a related company of approximately HK$100.0 million.

Net cash used in financing activities in 2009 was approximately HK$53.7 million, which was resulted from (i) the repayment of amount due to Perfection Corporation of HK$50.9 million; and (ii) the approximately HK$2.8 million interest paid for loans and overdrafts from banks and Perfection Corporation during the year.

Net cash generated from financing activities in 2010 was approximately HK$423.5 million, which was principally the net result of (i) the proceeds from bank loans of HK$441.0 million for the purpose of margin loans; (ii) the proceeds from share issue of approximately HK$20.0 million; (iii) the repayment of amount due to Perfection Corporation of HK$29.1 million; and (iv) the interest of approximately HK$8.4 million paid for loans and overdrafts from banks and Perfection Corporation during the year.

The decrease in net cash used in financing activities of approximately HK$2,493.7 million in 2008 to approximately HK$53.7 million in 2009 was principally due to the repayment of bank loans of approximately HK$2,419.0 million in 2008 in relation to an IPO during March 2007 and April 2007 as mentioned above.

The change from net cash used in financing activities in 2009 of approximately HK$53.7 million to net cash generated from financing activities in 2010 of approximately HK$423.5 million was primarily due to the proceeds from bank loans and the share issue in 2010 as mentioned above.

Net current assets

The following table sets out the Group's current assets, current liabilities and net current assets as at 30 June 2010:

	As at 30 June 2010
2010	**HK$**
Current assets	
Accounts receivable	1,135,579,678
Other receivables, deposits and prepayments	18,393,695
Cash and cash equivalents	322,822,266
Total current assets	1,476,795,639
Current liabilities	
Accounts payable	176,521,752
Accrued expenses and other payables	155,315,564
Amount due to a related company	198,000,000
Bank loans	797,100,000
Current taxation	9,913,116
Total current liabilities	1,336,850,432
Net current assets	139,945,207

Operating lease commitments

The following table sets forth the total future minimum lease payments payable under non-cancellable operating lease on properties:

	As at 31 March		
	2008	2009	2010
	HK$	HK$	HK$
Within one year	8,616,588	4,596,588	8,313,198
After one year but within five years	10,508,482	1,221,894	13,869,757
	19,125,070	5,818,482	22,182,955

The operating lease commitments as at 31 March 2008 and 2009 mainly represented commitments for the rental of the Group's headquarter in Central and the Group's backup office in Wan Chai, both of which are leased from related companies owned by Mr. Yip. The decrease in operating lease commitments in 2009 was mainly due to the reduction of monthly rental of the Group's headquarter in Central when the lease agreement was renewed during the year.

The operating lease commitments as at 31 March 2010 represented commitments for the rental of the Group's headquarter in Central, the Group's backup office in Wan Chai and six new branches with respective rental agreements between November 2009 and March 2010. The significant increase in operating lease commitments in 2010 was mainly attributed to the commitment of the six new branches as mentioned above.

Capital resources and cash management

The Group's cash flow movement during the Track Record Period was mainly affected by the Group's operating performance, purchase of fixed assets, interest income received from financial institutions, financings from banks and a related company, and repayments of bank loans and amount due to a related company.

The Group's primary objective when managing capital is to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost. In addition, certain subsidiaries of the Group licensed by the SFC are obliged to meet the regulatory liquid capital requirements under the FRR at all times.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and make adjustments to the capital structure in light of changes in economic conditions. For the licensed subsidiaries, the Group ensures each of them maintains a liquid capital level adequate to support the activities level with sufficient buffer to accommodate the increase in liquidity requirements arising from potential increases in business activities. FRR returns are filed to the SFC by the licensed subsidiaries on monthly basis as required. During the Track Record Period, all the licensed subsidiaries complied with the liquid capital requirements under the FRR.

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 FRR. 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.

Working capital

The Group's aggregate cash and cash equivalents, as at 31 March 2008, 2009 and 2010, amounted to approximately HK$164.3 million, HK$163.0 million and HK$157.5 million respectively. The Directors are of the opinion that, taking into account its internal resources, available banking facilities and the estimated net proceeds of the Share Offer, the Group will have sufficient working capital for its present requirements and for the next 12 months from the date of this prospectus.

INDEBTEDNESS

	As at 31 March			As at
	2008	2009	2010	30 June 2010
	HK$	HK$	HK$	HK$
Bank loans	—	—	441,000,000	797,100,000
Amount due to a related company	80,000,000	29,100,000	—	198,000,000
	80,000,000	29,100,000	441,000,000	995,100,000

Bank loans

Apart from the loan facilities from Perfection Corporation and China Finance, the Group also obtained various banking facilities from financial institutions to support its margin and IPO financing businesses. The Group normally draws down bank loans, with terms of a couple of days, and rollover them when needed. The bank loans as at 31 March 2010 were interest-bearing at 1.05% per annum and were based on HIBOR plus a fixed interest rate of 1%, representing the market rate which the Group was able to obtain from independent financial institutions. The Directors believe that the decrease in market interest rates, thereby the interest rates applicable to the Group's borrowings, is the main reason for the low financing cost in 2010 despite the increase in bank borrowings. The actual interest rate applicable to the Group's bank loans in future depends on the future change in interest rates. Securities collateral deposited by the Group's margin clients was re-pledged to banks to secure these loan facilities. The fair value of the collateral re-pledged to banks as at 31 March 2010 amounted to HK$757,588,500. As at 31 March 2010 and 30 June 2010, the unutilised banking facilities amounted to HK$575,000,000 and HK$826,000,000 respectively. The loan balance, maturity date, interest rate and the market value of securities pledged (which represented clients' assets) to secure the loans are summarised as follows:

Date	Loan balance	Maturity date	Interest rate	Market value of securities pledged to secure the loans
As at 31 March 2008 . .	Nil	N/A	N/A	N/A
As at 31 March 2009 . .	Nil	N/A	N/A	N/A
As at 31 March 2010 . .	HK$441,000,000	1 April to 7 April 2010	1.05%	HK$757,588,500
As at 30 June 2010 . . .	HK$797,100,000	2 July to 7 July 2010	0.65% to 1.15%	HK$1,180,356,000

The Directors advised that the Group has not experienced any difficulty in rolling-over the bank loans during the Track Record Period and up to the Latest Practicable Date. According to the Section 7 of the Securities and Futures (Client Securities) Rules — Treatment of client securities and securities collateral by intermediaries licensed or registered for dealing in securities and their associated entities, an intermediary licensed or registered for dealing in securities with a standing authority may deposit any of the securities collateral in question with an authorised financial institution as collateral for financial accommodation provided to the intermediary. Accordingly, the Directors are of the view that such arrangement complies with the relevant laws and regulations.

The risks of providing an authority to repledge the clients' securities as collateral have been disclosed in the terms and conditions for trading account. If clients provide the Group with an authority that allows it to apply their securities or securities collateral pursuant to a securities borrowing and lending agreement, repledge their securities collateral for financial accommodation or deposit their securities collateral as collateral for the discharge and satisfaction of its settlement obligations and liabilities with third parties, those third parties will have a lien or charge on their securities or securities collateral. Pursuant to the standing authority annexed to the terms and conditions for trading account, the clients authorize and/or instruct the Group to deal, from time to time, with the securities and/or securities collateral received or held on his/her behalf to (among others) deposit any of the securities collateral with an authorised financial institution as collateral for financial accommodation provided to the Group; or to deposit any of the securities collateral with any clearing house recognized by the SFC or another intermediary licensed or registered for dealing in securities as collateral for the discharge and satisfaction of the client's settlement obligations and liabilities towards the Group. Although the Group is responsible to the clients for securities or securities collateral lent or deposited under their authorities, a default by it could result in the loss of the client's securities or securities collateral. The SFO, which became effective on 1 April 2003, provides for the establishment of a compensation scheme, the Investor Compensation Fund, which allows an investor who suffers pecuniary losses as a result of default of a licensed intermediary or authorised financial institution in relation to exchange traded products in Hong Kong, to recover a maximum compensation of HK$150,000. Default of a licensed intermediary or authorised financial institution means an intermediary, its employee or its associated person is in bankruptcy, winding up, or insolvency, or breach of trust, defalcation, fraud, or misfeasance. All licensed brokerage firms and banks that provide securities and futures contracts trading are covered.

Amount due to related companies

During the Track Record Period, the Group obtained loan facilities from Perfection Corporation and China Finance, mainly for the purpose of being working capital to the Group's operation. These loan facilities amounted to HK$200.0 million and HK$200.0 million as at 31 March 2008 and 2009 respectively, with interest rates of 4.5% and 3.6% respectively. The loan facilities offered to the Group by Perfection Corporation and China Finance were both terminated on or before 31 December 2009, and all outstanding amounts had been settled as at 31 December 2009. The outstanding balance of HK$198.0 million as at 30 June 2010 represented subordinated loan from Manet Good. All subordinated loan from Manet Good will be repaid upon Listing.

Gearing ratio

Gearing ratio, defined as total debts divided by total assets, is a measure of financial leverage, demonstrating the degree to which a firm's activities are funded by shareholders' funds versus creditors' funds. Total debts are calculated by the sum of bank loans and amount due to a related company, as shown in the combined balance sheet.

The following table sets out the gearing ratios as of the dates indicated:

	As at 31 March		
	2008	2009	2010
	HK$	HK$	HK$
Bank loans	—	—	441,000,000
Amount due to a related company	80,000,000	29,100,000	—
Total debts	80,000,000	29,100,000	441,000,000
Total assets	428,941,229	398,136,647	942,324,511
Gearing ratio	18.7%	7.3%	46.8%

The gearing ratio decreased from 18.7% in 2008 to 7.3% in 2009, which was primarily attributable to the repayment of amount due to a related company of HK$50.9 million during 2009. In 2010, the gearing ratio rose to 46.8% due to the bank loans of HK$441.0 million which was outstanding as at the year end date.

Current ratio

Current ratio, calculated by dividing current assets by current liabilities, is a measure of a firm's ability to meet its short-term obligations. As at 31 March 2008, 2009 and 2010, the current ratio of the Group was 1.72, 2.05 and 1.18 respectively. The improvement in the current ratio from 31 March 2008 to 31 March 2009 was primarily attributable to significant decrease in current liabilities, including accrued expenses and other payables, amount due to a related company and tax payable. However, the current ratio of the Group as at 31 March 2010 decreased as compared to the previous year, mainly attributable to the bank loans and the dividends declared during the year.

Disclaimers

Save as disclosed in "Financial Information- Indebtedness" above, and apart from intra-group liabilities, the Group did not have outstanding mortgages, charges, debentures, loan capital, bank overdrafts, loans, debt securities or other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptances or acceptance credits or any guarantees or other material contingent liabilities outstanding at 30 June 2010.

As of 30 June 2010, the Group had no material contingent liabilities. The Group is not involved in any current material legal proceedings, nor is the Group aware of any pending or potential material legal proceedings involving us. If the Group was involved in such material legal proceedings, the Group would record any loss contingencies when, based on information then available, it is likely that a loss has been incurred and the amount of the loss can be reasonably estimated.

The Directors confirm that, up to the Latest Practicable Date, there have been no material changes in the Group's indebtedness and contingent liabilities since 30 June 2010.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

Except for the operating lease commitment set forth above, the Group has neither entered into any other off-balance sheet commitments to guarantee the payment obligations of any third parties nor any off-balance sheet financial guarantees. The Group does not have any variable interest in any uncombined entity that provides financing, liquidity, market risk or credit support to the Group or engages in leasing or hedging or research and development services with the Group.

MARKET RISKS

In the normal course of business, the Group is exposed to market risks relating primarily to interest rate risk and foreign exchange risks.

Interest rates

Interest rate risk of the Group principally relates to its margin loans receivable of approximately HK$152.5 million, HK$132.7 million and HK$608.6 million as at 31 March 2008, 2009 and 2010 respectively, and short-term borrowings of approximately HK$80.0 million, HK$29.1 million and HK$441.0 million as at 31 March 2008, 2009 and 2010 respectively. An increase in prevailing interest rates would lead to an increase in interest income from the Group's margin clients and at the same time an increase in interest cost on the Group's short-term borrowing. Throughout the Track Record Period and up to the Latest Practicable Date, the Group has not entered into any type of interest rate agreements or derivatives, to hedge against interest rate fluctuations.

Foreign exchange

The businesses of the Group are principally operated in Hong Kong. The Group's exposure to exchange rate fluctuations is derived from margin deposits in Japanese yen, Singapore dollars and US dollars with its respective brokerage firms engaged to execute transactions on behalf of its clients in overseas markets. The Group currently does not have a formal hedging policy in place and has not entered into any foreign currency exchange contracts or derivatives to hedge its foreign exchange risk.

Inflation

Hong Kong has not experienced significant inflation in the past few years, and therefore inflation has not had a significant effect on the Group's business during the Track Record Period. According to the Census and Statistics Department of Hong Kong, the overall inflation rate of Hong Kong, as represented by the composite consumer price index, was approximately 2.0%, 4.3% and 0.5% in the calendar years 2007, 2008 and 2009 respectively.

DISCLOSURE REQUIRED UNDER CHAPTER 13 OF THE LISTING RULES

The Directors have confirmed that, as of the Latest Practicable Date, there were no circumstances which would give rise to a disclosure requirement under Rule 13.13 to 13.19 of the Listing Rules upon the listing of the Shares on the Stock Exchange.

DIVIDENDS AND DISTRIBUTABLE RESERVES

Subject to the Companies Law and the Articles, the Company in general meeting may declare dividends in any currency but no dividends shall exceed the amount recommended by the Directors. No dividend may be declared or paid other than out of profits and reserves of the Company lawfully available for distribution, including share premium.

Unless and to the extent that the rights attached to any shares or the terms of issue thereof otherwise provide, all dividends shall (as regards any shares not fully paid throughout the period in respect of which the dividend is paid) be apportioned and paid pro rata according to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. For these purposes no amount paid up on a share in advance of calls shall be treated as paid up on the share.

The Directors may deduct from any dividend or other monies payable to any of the Company's equity holders or in respect of any Shares all sums of money (if any) presently payable by such equity holders to the Company on account of calls or otherwise.

The declaration of dividends is subject to the discretion of the Directors and the amounts of dividends actually declared and paid will depend upon:

- general business conditions;
- results of operations;
- capital requirements and operating cash flow considerations;
- interests of the Shareholders; and
- any other factors that the Board may deem relevant.

The Board has absolute discretion in deciding whether to declare any dividend for any year and how much dividend to declare if it decides to declare a dividend. Any final dividend for a fiscal year will be subject to the Shareholders' approval.

The Company's past dividend payment history is not, and should not be taken as, an indication of its potential future practice on dividend payments. There is no assurance that dividends of any amount will be declared or distributed in any year.

No dividend was paid or declared by the Company since incorporation. Pursuant to the resolutions passed at the respective board of directors' meetings of Bright Smart Securities and Bright Smart Futures on 31 March 2010, dividends of HK$116,050,000 and HK$20,000,000 were declared to respective shareholders of Bright Smart Securities and Bright Smart Futures as at 31 March 2010 and will be settled before Listing.

The amount of final dividends actually distributed to the Shareholders will depend upon the earnings and financial position, operating requirements, capital requirements and any other conditions that the Directors may deem relevant and will be subject to the approval of the Shareholders. There is no assurance that dividends of any amount will be declared or distributed in any year. Historical dividends paid or declared by the Company may not be indicative of future dividend payments.

Distributable Reserves

As of 31 March 2010, the aggregate amount of reserves available for distribution to equity shareholders of the company had approximately HK$22.1 million.

PROPERTY INTERESTS

Particulars of the Group's property interests are set out in Appendix III to this prospectus. DTZ Debenham Tie Leung Limited has valued the properties leased by the Group as at 30 June 2010. A summary of valuations and valuation certificates issued by DTZ Debenham Tie Leung Limited are included in Appendix III to this prospectus.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following is an illustrative and unaudited pro forma statement of adjusted net tangible assets of the Group which has been prepared in accordance with Paragraph 4.29 of the Listing Rules for the purpose of illustrating the effect of the Share Offer as if the Share Offer had been completed on 31 March 2010. It is based on the notes set forth below. The unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the Share Offer been completed as at 31 March 2010 or any future date.

	Combined net tangible assets of the Group as at 31 March 2010	**Estimated net proceeds from the Share Offer**	**Unaudited pro forma adjusted net tangible asset of the Group**	**Unaudited pro forma adjusted net tangible assets per Share**
	(in HK$) *(Note a)*	**(in HK$)** *(Note b)*	**(in HK$)**	**(in HK$)** *(Notes c and d)*
Based on an Offer Price of HK$1.35 per Share.	152,051,432	197,104,950	349,156,382	0.52
Based on an Offer Price of HK$1.62 per Share.	152,051,432	234,259,650	386,311,082	0.58

Notes:

(a) The combined net tangible assets of the Group as at 31 March 2010 have been extracted from the financial information presented in Appendix I to this prospectus.

(b) Estimated net proceeds from the Share Offer.

	Based on indicative Offer Price of HK$1.35 per Share	**Based on indicative Offer Price of HK$1.62 per Share**
	(in HK$)	**(in HK$)**
Gross proceeds from the Share Offer	225,180,000	270,216,000
Underwriting fees and other expenses associated with the Share Offer	(28,075,050)	(35,956,350)
Net proceeds from the Share Offer.	197,104,950	234,259,650

The estimated net proceeds from the Share Offer take no account of any Shares that may be issued upon exercise of the Over-allotment Option.

(c) The unaudited pro forma adjusted net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis of 666,800,000 Shares (being the number of Shares expected to be in issue immediately after completion of the Share Offer). No account has been taken of the Shares which may be issued pursuant to any exercise of Over-allotment Option.

(d) Pursuant to the resolutions passed at the respective board of directors' meetings of Bright Smart Securities and Bright Smart Futures on 31 March 2010, dividends of HK$116,050,000 and HK$20,000,000 were declared to respective shareholders of Bright Smart Securities and Bright Smart Futures as at 31 March 2010, which have been recognised as liabilities in the combined balance sheet of the Group as at 31 March 2010. Subsequent payment of the dividends will not change the Group's net tangible asset position.

SUBSEQUENT EVENTS IN RELATION TO THE SUBORDINATED LOANS FROM MANET GOOD

As at the Latest Practicable Date, Bright Smart Securities had an outstanding subordinated loan balance of approximately HK$100.0 million under the subordinated loan facilities from Manet Good. Please refer to the section headed "Relationship with the Controlling Shareholder — Financial independence" for further background information on the subordinated loans from Manet Good.

The Directors confirmed that all outstanding subordinated loans will be repaid, out of its working capital, to Manet Good upon Listing. The Directors also confirmed that the Group has sufficient liquid capital for the repayment of the HK$100.0 million of subordinated loan from Manet Good without utilising the net proceeds from the Share Offer and at the same time satisfying the FRR in relation to liquid capital of Bright Smart Securities.

NO MATERIAL ADVERSE CHANGE

The Directors confirm that, up to the Latest Practicable Date, there has been no material adverse change in the Group's financial or trading position or prospects since 31 March 2010 and there is no event since 31 March 2010 which would materially affect the information shown in the Company's combined financial information included in the Accountants' Report set out in Appendix I to this prospectus, in each case except as otherwise disclosed herein.