

1. CORPORATE INFORMATION

The registered office of Quam Limited is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

During the year, the Group was involved in the following principal activities:

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

During the year ended 31 March 2002, the Group disposed of and discontinued its sales of portfolios, portable cases, luggage products, purses and accessories business, further details of which are included in note 11 to the financial statements.

2. IMPACT OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE ("SSAPs")

The following new and revised SSAPs are effective for the first time for the current year's financial statements:

- | | | |
|---------------------|---|--|
| • SSAP 1 (Revised) | : | "Presentation of financial statements" |
| • SSAP 11 (Revised) | : | "Foreign currency translation" |
| • SSAP 15 (Revised) | : | "Cash flow statements" |
| • SSAP 33 | : | "Discontinuing operations" |
| • SSAP 34 | : | "Employee benefits" |

These SSAPs prescribe new accounting measurement and disclosure practices. The major effects on the Group's accounting policies and on the amounts disclosed in these financial statements of those SSAPs which have had a significant effect on the financial statements, are summarised as follows:

SSAP 1 prescribes the basis for the presentation of financial statements and sets out guidelines for their structure and minimum requirements for the content thereof. The principal impact of the revision to this SSAP is that a consolidated statement of changes in equity is now presented in place of the consolidated statement of recognised gains and losses that was previously required and in place of the Group's reserves note.

SSAP 11 prescribes the basis for the translation of foreign currency transactions and financial statements. The principal impact of the revision of this SSAP on the consolidated financial statements is that the profit and loss accounts of overseas subsidiaries are now translated to Hong Kong dollars at the weighted average exchange rates for the year, whereas previously they were translated at the exchange rates ruling at the balance sheet date. The adoption of the revised SSAP 11 has had no material effect on the financial statements.

SSAP 15 prescribes the revised format for the cash flow statement. The principal impact of the revision of this SSAP is that the consolidated cash flow statement now presents cash flows under three headings, cash flows from operating, investing and financing activities, rather than the five headings previously required. In addition, cash flows from overseas subsidiaries arising during the year are now translated to Hong Kong dollars at the exchange rates at the dates of the transactions, or at an approximation thereto, whereas previously they were translated at the exchange rates at the balance sheet date, and the definition of cash equivalents for the purpose of the consolidated cash flow statement has been revised. Further details of these changes and the prior year adjustments that have resulted from them are included in the accounting policies for "Cash and cash equivalents" and "Foreign currencies" in note 3 and in note 30(a) to the financial statements.

2. IMPACT OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE ("SSAPs") (Continued)

SSAP 33 replaces the existing disclosure requirements for discontinued operations, which were previously included in SSAP 2. The SSAP defines a discontinued operation and prescribes when an enterprise should commence including discontinued operations disclosures in its financial statements and the disclosures required. The principal impact of this SSAP is that more extensive disclosures concerning the Group's discontinued operations are now included in the consolidated profit and loss account, consolidated cash flow statement and note 11 to the financial statements.

SSAP 34 prescribes the recognition and measurement criteria to apply to employee benefits, together with the required disclosures in respect thereof. The adoption of this SSAP has resulted in the recognition of an accrual for paid holiday carried forward by the Group's employees as at the balance sheet date. In addition, disclosures are now required in respect of the Company's share option scheme, as detailed in note 28 to the financial statements. These share option scheme disclosures are similar to the Listing Rules disclosures previously included in the Report of the Directors, which are now required to be included in the notes to the financial statements as a consequence of this SSAP.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with the Hong Kong Statements of Standard Accounting Practice, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for the periodic remeasurement of short term investments, as further explained below.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 March 2003. The results of the subsidiaries acquired or disposed of during the year are consolidated from or to its effective dates of acquisition or disposal, respectively. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Subsidiaries

A subsidiary is a company whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of the subsidiaries are included in the Company's profit and loss account to the extent of dividends received and receivable. The Company's interests in subsidiaries are stated at cost less any impairment losses.

Goodwill

Goodwill arising on the acquisition of subsidiaries represents the excess of the cost of the acquisition over the Group's share of the fair values of the identifiable assets and liabilities acquired as at the date of acquisition.

Goodwill arising on acquisition is recognised in the consolidated balance sheet as an asset and amortised on the straight-line basis over its estimated useful life of 10 years.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Goodwill (Continued)

SSAP 30 "Business combinations" was adopted as at 1 April 2001. Prior to that date, goodwill arising on acquisitions was eliminated against consolidated reserves in the year of acquisition. On the adoption of SSAP 30, the Group applied the transitional provision of SSAP 30 that permitted such goodwill to remain eliminated against consolidated reserves. Goodwill on acquisitions subsequent to 1 April 2001 is treated according to the SSAP 30 goodwill accounting policy above.

On disposal of subsidiaries, the gain or loss on disposal is calculated by reference to the net assets at the date of disposal, including the attributable amount of goodwill which remains unamortised and any relevant reserves, as appropriate. Any attributable goodwill previously eliminated against consolidated reserves at the time of acquisition is written back and included in the calculation of the gain or loss on disposal.

The carrying amount of goodwill, including goodwill remaining eliminated against consolidated reserves, is reviewed annually and written down for impairment when it is considered necessary. A previously recognised impairment loss for goodwill is not reversed unless the impairment loss was caused by a specific external event of an exceptional nature that was not expected to recur, and subsequent external events have occurred which have reversed the effect of that event.

Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

Impairment of assets

An assessment is made at each balance sheet date of whether there is any indication of impairment of any asset, or whether there is any indication that an impairment loss previously recognised for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's value in use or its net selling price.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the profit and loss account in the period in which it arises.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation), had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is credited to the profit and loss account in the period in which it arises.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation and any impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after fixed assets have been put into operation, such as repairs and maintenance, is normally charged to the consolidated profit and loss account in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the fixed asset, the expenditure is capitalised as an additional cost of that asset.

Depreciation is calculated on the straight-line basis to write off the cost of each asset over its estimated useful life. The estimated useful lives used for this purpose are as follows:

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

The gain or loss on disposal or retirement of a fixed asset recognised in the profit and loss account is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Intangible assets

Trading rights

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

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

Database

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

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

Other assets

Other assets held on a long term basis are stated at cost less any impairment losses, on an individual basis.

Leased assets

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases are included in fixed assets and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the profit and loss account so as to provide a constant periodic rate of charge over the lease terms.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leased assets (Continued)

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

Long term investments

Long term investments in unlisted equity securities, intended to be held for a continuing strategic or long term purpose, are stated at cost less any impairment losses, on an individual basis.

When a decline in the fair value of a security below its carrying amount has occurred, unless there is evidence that the decline is temporary, the carrying amount of the security is reduced to its fair value, as estimated by the directors. The amount of the impairment is charged to the profit and loss account for the period in which it arises. When the circumstances and events which led to the impairment in value cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future, the amount of the impairment previously charged is credited to the profit and loss account to the extent of the amount previously charged.

Investments in debt securities intended to be held until maturity are classified as held-to-maturity securities and are stated at amortised cost less any impairment losses.

The carrying amount of held-to-maturity securities is reviewed at the balance sheet date in order to assess the credit risk and appropriate provision is made when the investor is not expected to recover the carrying value of the investment in that security. The amount of the provision is recognised as an expense immediately.

Short term investments

Short term investments in listed and unlisted equity securities are stated at their fair values at the balance sheet date, on an individual investment basis.

The fair values of such listed securities are generally their quoted market prices at the balance sheet date. An appropriate discount to the market prices is made for listed securities not actively traded in a liquid market. The fair values of such unlisted securities are as estimated by the directors having regard to, inter alia, the prices of the most recent reported sales or purchases of the securities, or comparison of price/earnings ratios and dividend yields of the securities with those of similar listed securities, with allowance made for the lower liquidity of the unlisted securities. The gains or losses arising from changes in the fair values of such securities are credited or charged to the profit and loss account in the period in which they arise.

Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and cash equivalents (Continued)

Prior to the adoption of the revised SSAP 15 during the year, as explained in note 2 to the financial statements, cash equivalents in the consolidated cash flow statement also included advances from banks repayable within three months from the date of the advance, in addition to bank overdrafts. This change in definition has resulted in a prior year adjustment relating to short term bank loans, further details of which are included in note 30(a) to the financial statements.

For the purpose of the balance sheet, cash and cash equivalents comprise cash on hand and at bank, including term deposits, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

Deferred tax

Deferred tax is provided, using the liability method, on all significant timing differences to the extent it is probable that the liability will crystallise in the foreseeable future. A deferred tax asset is not recognised until its realisation is assured beyond reasonable doubt.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

- (a) commissions and brokerage income, on a trade date basis;
- (b) advisory and placement fee income, advertising and content fee from the sales of banner advertisements and website content, service fee income from the provision of credit information and management fee income, when the services are provided;
- (c) interest income, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable;
- (d) dividend income, when the shareholders' right to receive payment has been established; and
- (e) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold.

Employee benefits

Paid leave carried forward

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Employee benefits (Continued)

Employment Ordinance long service payments

Certain of the Group's employees have completed the required number of years of service to the Group in order to be eligible for long service payments under the Hong Kong Employment Ordinance in the event of the termination of their employment. The Group is liable to make such payments in the event that such a termination of employment meets the circumstances specified in the Employment Ordinance.

A provision is recognised in respect of the probable future long service payments expected to be made. The provision is based on the best estimate of the probable future payments which have been earned by the employees from their service to the Group to the balance sheet date.

Retirement benefits scheme

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

Share option scheme

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The financial impact of share options granted under the share option scheme is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recorded in the profit and loss account or balance sheet for their cost. Upon the exercise of share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which are cancelled prior to their exercise date, or which lapse, are deleted from the register of outstanding options.

Foreign currencies

Foreign currency transactions are recorded at the applicable exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable exchange rates ruling at that date. Exchange differences are dealt with in the profit and loss account.

On consolidation, the financial statements of overseas subsidiaries are translated into Hong Kong dollars using the net investment method. The profit and loss accounts of overseas subsidiaries are translated into Hong Kong dollars at the weighted average exchange rates for the year, and their balance sheets are translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date. The resulting translation differences are included in the exchange fluctuation reserve.

For the purpose of the consolidated cash flow statement, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies (Continued)

Prior to the adoption of the revised SSAPs 11 and 15 during the year, as explained in note 2 to the financial statements, the profit and loss accounts of overseas subsidiaries and the cash flows of overseas subsidiaries were translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date. These changes have had no material effect on the financial statements.

4. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

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

- (a) the securities broking segment engages in securities and futures dealing, provision of financial advisory and fund management services, margin financing services and money lending;
- (b) the website management segment engages in the management of a website offering advertising and referral tools to online customers;
- (c) the investments segment engages in investment holding and trading; and
- (d) the portfolios segment engaged in the sales of portfolios, portable cases, luggage products, purses and accessories. This segment was discontinued upon disposal of a subsidiary on 14 September 2001, further details of which are set out in notes 11 and 30(b) to the financial statements.

In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

There were no sales or other transactions between the business segments or between the geographical segments.

4. SEGMENT INFORMATION (Continued)

(i) Business segments

The following tables present revenue, profit/(loss) and certain asset, liability and expenditure information for the Group's business segments.

	Continuing operations						Discontinued operations			
	Securities broking		Website management		Investments		Portfolios		Consolidated	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Segment revenue	29,684	29,677	13,636	10,678	(35,242)	15,015	-	11,770	8,078	67,140
Segment results	(15,418)	(2,050)	(175,656)	(38,529)	(38,670)	7,375	-	4,779	(229,744)	(28,425)
Interest income and unallocated gains									278	2,606
Unallocated corporate expenses									(10,023)	(8,427)
Loss from operating activities									(239,489)	(34,246)
Finance costs									(186)	(575)
Loss before tax									(239,675)	(34,821)
Tax									-	61
Net loss from ordinary activities attributable to shareholders									(239,675)	(34,760)
Segment assets	174,353	172,775	14,576	15,151	37,290	104,259	-	-	226,219	292,185
Unallocated assets									3,968	1,681
Total assets									230,187	293,866
Segment liabilities	97,373	94,914	10,611	10,090	-	-	-	-	107,984	105,004
Unallocated liabilities									5,443	19,300
Total liabilities									113,427	124,304
Other segment information:										
Depreciation and amortisation:										
Segmented	7,120	2,889	1,758	4,707	-	-	-	-	8,878	7,596
Unallocated									108	112
									8,986	7,708
Impairment of goodwill	-	-	150,000	809	-	-	-	-	150,000	809
Provision for impairment of long term investments	-	-	-	-	8,563	7,640	-	-	8,563	7,640
Capital expenditure	557	38,510	1,853	1,396	-	-	-	-	2,410	39,906

4. SEGMENT INFORMATION (Continued)

(ii) Geographical segments

The following table presents revenue, and certain asset and expenditure information for the Group's geographical segments.

Group

	Continuing operations		Discontinued operations					
	Hong Kong		USA		Hong Kong and other countries		Consolidated	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Segment revenue:								
Sales to external customers	<u>8,078</u>	<u>55,370</u>	<u>–</u>	<u>7,826</u>	<u>–</u>	<u>3,944</u>	<u>8,078</u>	<u>67,140</u>

All assets of the Group as at 31 March 2003 and 2002 are in Hong Kong.

All capital expenditure of the Group for the years ended 31 March 2003 and 2002 relates to the Hong Kong segment.

5. TURNOVER, OTHER REVENUE AND GAINS

Turnover from continuing operations represents income from securities and futures broking, the provision of website management and related services, advertising and sales of content, the provision of fund management services and the provision of credit information services, dividend income, and realised and unrealised profits/(losses) from short term trading investments.

5. TURNOVER, OTHER REVENUE AND GAINS (Continued)

An analysis of the Group's turnover, other revenue and gains is as follows:

	2003 HK\$'000	2002 HK\$'000
Turnover		
Continuing operations:		
Advertising and content fee income	2,542	6,189
Website management and related services fee income	9,195	4,489
Commission income on securities and futures broking	12,232	9,158
Advisory and placement fee income	11,646	15,056
Interest income from margin financing and money lending operations	5,315	3,403
Dividend income	–	504
Fund management fee income	491	2,060
Credit information service fee income	1,899	–
	<u>43,320</u>	<u>40,859</u>
Net realised and unrealised gains/(losses) on short term investments	<u>(35,242)</u>	<u>14,511</u>
Total continuing operations turnover	<u>8,078</u>	<u>55,370</u>
Discontinued operations:		
Sales of portfolios, portable cases, luggage products, purses and accessories	<u>–</u>	<u>11,770</u>
Total discontinued operations turnover	<u>–</u>	<u>11,770</u>
Total turnover	<u><u>8,078</u></u>	<u><u>67,140</u></u>
Other revenue and gains		
Interest income from banks and others	278	2,606
Exchange gains, net	119	–
Sundry income	<u>356</u>	<u>–</u>
	<u><u>753</u></u>	<u><u>2,606</u></u>

6. LOSS FROM OPERATING ACTIVITIES

The Group's loss from operating activities is arrived at after charging/(crediting):

	Notes	2003 HK\$'000	2002 HK\$'000
Cost of inventories sold		–	11,216
Depreciation	14	5,117	5,848
Amortisation of intangible assets	15	1,841	725
Goodwill:			
Amortisation for the year	16	2,028	1,135
Impairment arising during the year	16	150,000	809
Total		152,028	1,944
Minimum lease payments under operating leases in respect of land and buildings		7,668	5,917
Auditors' remuneration:			
Provision for the year		740	1,240
Underprovision in prior years		261	–
Staff costs (including directors' remuneration (note 8)):			
Wages and salaries		37,066	37,409
Provision for long service payments		192	–
Retirement benefits scheme contributions		1,209	1,241
Less: Forfeited contributions		(81)	–
Net retirement benefits scheme contributions		1,128	1,241
Total		38,386	38,650
Exchange losses/(gains), net		(119)	12
Loss on disposal of fixed assets		212	224
Net realised losses on disposal of short term investments included in turnover		15,257	4,591
Net unrealised losses/(gains) on revaluation of short term investments included in turnover		19,985	(19,102)

7. FINANCE COSTS

	Group	
	2003	2002
	HK\$'000	HK\$'000
Interest on other loans	1,554	1,290
Interest on finance leases	42	125
Interest on convertible note payable	144	216
Interest on other borrowings	—	12
	<hr/>	<hr/>
Total interest expenses	1,740	1,643
Less: Interest expenses incurred for financial service operations	(1,554)	(1,068)
	<hr/>	<hr/>
	186	575
	<hr/>	<hr/>

8. DIRECTORS' REMUNERATION

Director's remuneration, disclosed pursuant to the Listing Rules and Section 161 of the Companies Ordinance, is as follows:

	Group	
	2003	2002
	HK\$'000	HK\$'000
Fees:		
Executive Directors	—	56
Non-executive Directors	120	64
Independent Non-executive Directors	238	240
	<hr/>	<hr/>
	358	360
	<hr/>	<hr/>
Other emoluments to Executive Directors:		
Salaries, allowances and benefits in kind	4,848	4,612
Retirement benefits scheme contributions	168	162
	<hr/>	<hr/>
	5,016	4,774
	<hr/>	<hr/>
	5,374	5,134
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8. DIRECTORS' REMUNERATION (Continued)

The number of directors whose remuneration fell within the following bands is as follows:

	Number of directors	
	2003	2002
Nil – HK\$1,000,000	6	7
HK\$1,000,001 – HK\$1,500,000	2	–
HK\$1,500,001 – HK\$2,000,000	–	2
HK\$2,000,001 – HK\$2,500,000	1	–
	<u>9</u>	<u>9</u>

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

During the year, 10,630,758 (2002: Nil) share options were granted to the directors in respect of their services to the Group, further details of which are set out in note 28 to the financial statements. No value in respect of these share options granted during the year has been charged to the profit and loss account, or is otherwise included in the above directors' remuneration disclosures.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two (2002: three) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining three (2002: two) non-director, highest paid employees are as follows:

	Group	
	2003	2002
	HK\$'000	HK\$'000
Salaries, allowances and benefits in kind	4,118	2,531
Retirement benefits scheme contributions	40	44
	<u>4,158</u>	<u>2,575</u>

The number of non-director, highest paid employees whose remuneration fell within the following band is as follows:

	Number of individuals	
	2003	2002
HK\$1,000,001 – HK\$1,500,000	<u>3</u>	<u>2</u>

10. TAX

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the year (2002: Nil). The tax credit for the prior year ended 31 March 2002 which represented an overprovision in prior year.

Provision for deferred tax liabilities of HK\$36,000 (2002: HK\$36,000) calculated at the rate of 17.5% (2002: 16%) in respect of the timing differences arising from the accelerated depreciation allowances was made at 31 March 2003.

The principal components of the Group's unprovided deferred tax asset/(liabilities) calculated at 17.5% (2002: 16%) on the cumulative timing differences at the balance sheet date are analysed as follows:

	2003 HK\$'000	2002 HK\$'000
Accelerated depreciation allowances	(20)	49
Tax losses	28,206	15,441
Other timing differences	386	(2,079)
	<u>28,572</u>	<u>13,411</u>

11. DISCONTINUED OPERATIONS

During the year ended 31 March 2002, on 14 September 2001, the Company discontinued the sale of portfolios, portable cases, luggage products, purses and accessories upon disposal of a wholly-owned subsidiary, Elegant Handicraft (2000) Limited, to an independent third party at HK\$2. The gain on disposal of this subsidiary was credited to the consolidated profit and loss account for the year ended 31 March 2002 (note 30(b)). There was no tax arising from the disposal.

Turnover, other revenue, expenses and results of the sales of portfolios, portable cases, luggage products, purses and accessories business for the year ended 31 March 2002 were as follows:

	2003 HK\$'000	2002 HK\$'000
TURNOVER	–	11,770
Cost of sales	–	(11,215)
Gross profit	–	555
Other revenue	–	3
Staff costs	–	(1,664)
Other operating expenses	–	(204)
Gain on disposal of discontinued operations	–	6,089
PROFIT FROM OPERATING ACTIVITIES	–	4,779
Finance costs	–	–
PROFIT BEFORE TAX	–	4,779
Tax	–	–
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	–	4,779

There were no assets and liabilities relating to the discontinued operations as at 31 March 2002.

12. NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net loss from ordinary activities attributable to shareholders for the year ended 31 March 2003 dealt with in the financial statements of the Company, was HK\$218,481,000 (2002: HK\$62,502,000).

13. LOSS PER SHARE

The calculation of basic loss per share is based on the net loss from ordinary activities attributable to shareholders for the year of HK\$239,675,000 (2002: HK\$34,760,000) and the weighted average number of 90,176,684 (2002: 63,393,898 as restated) ordinary shares in issue during the year, as adjusted to reflect the consolidation of shares during the year and as if the event had occurred at the beginning of the earlier period reported.

Diluted loss per share amounts for the years ended 31 March 2003 and 2002 have not been disclosed as the share options outstanding during these years had an anti-dilutive effect on the basic loss per share for these years.

14. FIXED ASSETS**Group**

	Leasehold improvements HK\$'000	Furniture, fixtures and equipment HK\$'000	Total HK\$'000
Cost:			
At beginning of year	7,265	31,061	38,326
Additions	314	854	1,168
Disposals	—	(713)	(713)
At 31 March 2003	<u>7,579</u>	<u>31,202</u>	<u>38,781</u>
Accumulated depreciation:			
At beginning of year	5,567	19,560	25,127
Provided during the year	1,015	4,102	5,117
Disposals	—	(337)	(337)
At 31 March 2003	<u>6,582</u>	<u>23,325</u>	<u>29,907</u>
Net book value:			
At 31 March 2003	<u>997</u>	<u>7,877</u>	<u>8,874</u>
At 31 March 2002	<u>1,698</u>	<u>11,501</u>	<u>13,199</u>

The net book value of the Group's fixed assets held under finance leases included in the total amount of furniture, fixtures and equipment at 31 March 2002, amounted to HK\$1,327,000.

14. FIXED ASSETS (continued)**Company**

	Leasehold improvements HK\$'000	Furniture, fixtures and equipment HK\$'000	Total HK\$'000
Cost:			
At beginning of year	291	150	441
Disposals	—	(50)	(50)
At 31 March 2003	291	100	391
Accumulated depreciation:			
At beginning of year	169	24	193
Provided during the year	98	10	108
Disposals	—	(9)	(9)
At 31 March 2003	267	25	292
Net book value:			
At 31 March 2003	24	75	99
At 31 March 2002	122	126	248

15. INTANGIBLE ASSETS**Group**

	Trading rights HK\$'000	Database HK\$'000	Total HK\$'000
Cost:			
At beginning of year	14,150	—	14,150
Additions	—	1,242	1,242
At 31 March 2003	14,150	1,242	15,392
Accumulated amortisation:			
At beginning of year	725	—	725
Provided during the year	1,768	73	1,841
At 31 March 2003	2,493	73	2,566
Net book value:			
At 31 March 2003	11,657	1,169	12,826
At 31 March 2002	13,425	—	13,425

16. GOODWILL

The amount of goodwill capitalised as an asset, arising from the acquisition of subsidiaries, is as follows:

	Group
	HK\$'000
Cost:	
At beginning of year and at 31 March 2003	20,641
Accumulated amortisation:	
At beginning of year	1,944
Amortisation provided during the year	2,028
At 31 March 2003	3,972
Net book value:	
At 31 March 2003	16,669
At 31 March 2002	18,697

As detailed in note 3 to the financial statements, on the adoption of SSAP 30, the Group applied the transitional provision of SSAP 30 that permitted goodwill in respect of acquisitions which occurred prior to 1 April 2001, to remain eliminated against consolidated reserves.

The amount of goodwill remaining in consolidated reserves as at 31 March 2003, arising from the acquisition of subsidiaries prior to 1 April 2001, is as follows:

	Group
	HK\$'000
Cost:	
At beginning of year and at 31 March 2003	197,398
Accumulated impairment:	
At beginning of year	–
Provided during the year	150,000
At 31 March 2003	150,000
Net amount:	
At 31 March 2003	47,398
At 31 March 2002	197,398

Due to the continuing loss performance of certain subsidiaries of the Group, the directors considered that the carrying amount of the goodwill arising from the acquisition of these subsidiaries exceeded their recoverable amounts and a provision for impairment of HK\$150,000,000 was made for the Group's goodwill which remained eliminated against the consolidated reserves as at 31 March 2003.

17. INTERESTS IN SUBSIDIARIES

	Company	
	2003 HK\$'000	2002 HK\$'000
Unlisted shares, at cost	159,929	159,929
Due from subsidiaries	237,666	198,456
Due to a subsidiary	(16,223)	(13,541)
	381,372	344,844
Provision for impairment	(231,301)	(51,538)
	150,071	293,306
Less: Portion classified under current assets	(10,000)	—
	140,071	293,306

Except for an amount due from a subsidiary of HK\$10,000,000 (2002: Nil) which bears interest at 4.4375% (2002: Nil) per annum and is repayable within one year and included in the Company's current assets, all the other balances with subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation and operations	Nominal value of issued ordinary capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Quam Capital (Holdings) Limited	Hong Kong	HK\$78,260,002	100	—	Investment holding
Wolf Holdings Limited	British Virgin Islands	US\$1,000	100	—	Investment holding
Quam.net Limited	Hong Kong	HK\$8,119,974	100	—	Investment holding

17. INTERESTS IN SUBSIDIARIES (Continued)

Particulars of the Company's principal subsidiaries (continued):

Name	Place of incorporation and operations	Nominal value of issued ordinary capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Quam Asset Management Limited	Hong Kong	HK\$1,000,000	–	100	Investment adviser
Quam Capital Limited	Hong Kong	HK\$2,000,000	–	100	Corporate finance and investment adviser
Quam Corporate Services Limited	Hong Kong	HK\$2	–	100	Secretarial services
Quam Finance Limited	Hong Kong	HK\$50,000,000	–	100	Finance and money lending
Quam Futures Limited	Hong Kong	HK\$6,500,000	–	100	Futures trading
Quam Securities Company Limited	Hong Kong	HK\$40,000,000	–	100	Securities dealing
Quam (H.K.) Limited	Hong Kong	HK\$5,000,000	–	100	Website management and other related services
Quam (IA) Limited	Hong Kong	HK\$2,000	–	100	Investment adviser and restricted securities dealer
Quam Ventures (BVI) Limited	British Virgin Islands	US\$1	–	100	Investment holding
Well Foundation Company Limited	Hong Kong	HK\$20	–	100	Investment holding
Quam (China) Limited	Hong Kong	HK\$100	–	100	Website management and other related services
Quam Data Services Limited	Hong Kong	HK\$1,000	–	94	Provision of credit information services

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

18. LONG TERM INVESTMENTS

	Group	
	2003	2002
	HK\$'000	HK\$'000
Club debenture	653	653
Unlisted equity investments, at cost	18,964	29,130
Unlisted held-to-maturity securities, at amortised cost	5,000	5,000
	<u>24,617</u>	<u>34,783</u>
Provision for impairment	(8,563)	(7,640)
	<u>16,054</u>	<u>27,143</u>

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

Name	Place of incorporation	Percentage of issued share capital held by the Group
Angel Ventures II Limited*	British Virgin Islands	47.7
Global Web Inc.*	Samoa	49
Greenwich Investment Universal Limited*	British Virgin Islands	50

* In the opinion of the directors, the Group does not have control or exercise any significant influence on these investee companies.

At 31 March 2003, the unlisted held-to-maturity securities of HK\$5 million (2002: HK\$5 million) was pledged to a bank to secure a bank loan of HK\$2.5 million (2002: HK\$2.5 million) granted to the Group (note 25).

19. OTHER ASSETS

	Group	
	2003	2002
	HK\$'000	HK\$'000
Deposits with stock and futures exchanges and clearing companies	<u>3,935</u>	<u>4,130</u>

20. TRADE RECEIVABLES

The Group's trade receivables as at 31 March 2003 mainly consisted of receivables for money lending business, and receivables of the securities and future broking businesses. The Group grants credit periods of 60 to 180 days to its customers for money lending business, while for the securities and futures broking businesses, the Group allows a credit period up to the settlement dates of their respective securities transactions except for margin client receivables which are repayable on demand. The Group seeks to maintain strict control over its outstanding receivables and has a credit control policy to minimise the credit risk. Overdue balances are reviewed regularly by senior management.

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

	Group	
	2003 HK\$'000	2002 HK\$'000
Repayable on demand	27,346	53,395
Within 180 days	52,089	32,701
Over 180 days	6	—
	<u>79,441</u>	<u>86,096</u>

Included in the Group's margin clients receivables was an amount due from a director of HK\$2,234,000 (2002: HK\$848,000) in respect of transactions in securities as at 31 March 2003, further details of which are set out in note 31 to the financial statements.

21. SHORT TERM INVESTMENTS

	Group		Company	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Hong Kong listed equity investment, at fair value [#]	8,414	—	8,414	—
Listed equity investments, at market value:				
Hong Kong	8,716	76,038	6,725	69,679
Elsewhere	—	1,078	—	—
Overseas unlisted equity investments, at fair value	6,036	—	—	—
	<u>23,166</u>	<u>77,116</u>	<u>15,139</u>	<u>69,679</u>

[#] It was considered that the fair value of this listed equity investment as at 31 March 2003 was the acquisition cost in view of the low trading volume of this listed equity investment in the market. The market value of this listed equity investment was approximately HK\$70 million at 31 March 2003.

The aggregate market values of the Group's short term investments as at 31 March 2003 and at the date of approval of these financial statements were approximately HK\$84.8 million and HK\$64.6 million, respectively.

21. SHORT TERM INVESTMENTS (Continued)

Particulars of the investee company, disclosed pursuant to Section 129(2) of the Companies Ordinance as the Group held equity interest exceeding 20% of the issued share capital of the investee company, is as follows:

Name	Place of incorporation	Percentage of issued share capital held by the Group
Quam Equity Growth Fund Limited*	British Virgin Islands	52.6

* In the opinion of directors, this investment, which was incorporated as an investment fund to be managed by a subsidiary of the Group, was held for the purpose of subsequent subscription by independent investors in the near future. As this intention had been established at the time of incorporation, the Group's interests in this investment was accounted for as a short term investment.

22. CASH AND CASH EQUIVALENTS

	Group		Company	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Cash and bank balances	11,062	6,836	3,048	446
Time deposits	5,939	6,702	—	238
	17,001	13,538	3,048	684

23. TRADE PAYABLES

Included in the Group's trade payables as at 31 March 2003 were margin clients payables of HK\$15,092,000 (2002: HK\$17,166,000) for which funds had been or would be segregated to the Group's trust bank/time deposits accounts for settlements in accordance with the securities and futures broking industry practice, and were repayable on demand.

An aged analysis of the trade payables as at balance sheet date, based on due date, is as follows:

	Group	
	2003 HK\$'000	2002 HK\$'000
Repayable on demand	15,092	17,166
Within 180 days	43,299	32,794
Over 180 days	261	—
	58,652	49,960

Included in the above margin clients payables was an amount due to a director of HK\$617,000 (2002: Nil) in respect of transactions in securities as at 31 March 2003, further details of which are set out in note 31 to the financial statements.

24. CONVERTIBLE NOTE PAYABLE

During the year ended 31 March 2002, the Company entered into an agreement with Asia Pacific Creation Limited ("APC"), of which a director of the Company is also a director and substantial shareholder, to acquire all the equity interests in APC Capital (Holdings) Limited and its subsidiaries from APC at a cash consideration of HK\$78.26 million and a convertible note of HK\$11.74 million (the "Note") issued by the Company.

The Note was unlisted, unsecured, bore interest at 3.25% per annum and had a maturity date on 6 September 2002 (the "Maturity Date"). According to the terms of the Note, APC had the right, during the period from 6 March 2002 to 6 September 2002, to convert the whole or part of the principal amount of the Note into ordinary shares of HK\$0.01 each of the Company at a conversion price of HK\$0.072 per share, while the Company had the right, during the period from 6 September 2001 (date of issue of the Note) to the Maturity Date, to require APC to convert the whole or part of the principal amount of the Note into shares of the Company.

During the year, on 12 August 2002, the Company called for a conversion of the Note into 163,055,555 ordinary shares at an adjusted conversion price of HK\$0.0585, which was adjusted by the share capital transactions as detailed in note 27 to the financial statements, for settlement of part of the Note of HK\$9,538,750 (note 27). The remaining balance of the Note of HK\$2,201,250 was settled by cash.

25. INTEREST-BEARING BANK LOANS, SECURED

At 31 March 2003, the Group's bank loans of HK\$29.9 million (2002: HK\$36 million) were secured by marketable securities of HK\$557.5 million (2002: HK\$74.6 million) pledged to the Group by margin clients and money lending clients, and the Group's held-to-maturity securities of HK\$5 million (2002: HK\$5 million) (note 18).

26. FINANCE LEASE PAYABLES

The Group leased certain of its computer equipment for the provision of website management services. This lease was classified as a finance lease and was fully repaid during the year.

At 31 March 2003, the total future minimum lease payments under finance leases and their present values were as follows:

Group

	Minimum lease payments	Minimum lease payments	Present value of minimum lease payments	Present value of minimum lease payments
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Amounts payable within one year	—	357	—	316
Total minimum finance lease payments	—	357	—	316
Future finance charges	—	(41)		
Total net finance lease payables classified as current liabilities	—	316		

27. SHARE CAPITAL**Company**

	2003 HK\$'000	2002 HK\$'000
Authorised: 200,000,000 (2002: 10,000,000,000) ordinary shares of HK\$0.01 (2002: HK\$0.01) each	2,000	100,000
Issued and fully paid: 106,413,998 (2002: 3,223,527,717) ordinary shares of HK\$0.01 (2002: HK\$0.01) each	1,064	32,235

27. SHARE CAPITAL (Continued)

During the year, the movements in share capital were as follows:

- (a) A rights issue of three rights share for every five existing shares held by members on the register of members on 29 July 2002 was made, at an issue price of HK\$0.015 per rights share, resulting in the issue of 1,934,116,629 ordinary shares of HK\$0.01 each for a total cash consideration, before expenses, of HK\$29,011,000. The rights issue was completed on 21 August 2002.
- (b) On 12 August 2002, the Company called for the partial conversion of the Note into 163,055,555 ordinary shares at a conversion price of HK\$0.0585 for an amount of HK\$9,538,750 (note 24).
- (c) Pursuant to a shareholders' special resolution passed on 3 October 2002, the par value for each ordinary shares were reduced from HK\$0.01 to HK\$0.0002 each. Immediately after the capital reduction, 50 ordinary shares with par value of HK\$0.0002 each were consolidated into one ordinary share with par value of HK\$0.01 each. Correspondingly, the authorised share capital was also reduced from 10,000,000,000 ordinary shares to 200,000,000 ordinary shares.

The reduced amount of issued share capital of HK\$52,143,000 was transferred to the contributed surplus account.

- (d) Pursuant to a shareholders' special resolution on 3 October 2002, an amount of HK\$120 million was transferred from the share premium account to the contributed surplus account for the set-off against accumulated losses of the Company in the future.

A summary of the transactions during the year with reference to the above movements in the Company's issued ordinary share capital is as follows:

	Number of shares in issue	Issued share capital HK\$'000	Share premium account HK\$'000	Total HK\$'000
At 1 April 2001	3,168,759,392	31,688	475,177	506,865
Issue of shares for acquisition of subsidiaries (note 30(c))	82,540,325	825	4,390	5,215
Repurchase of own shares	(27,772,000)	(278)	(1,119)	(1,397)
At 31 March 2002 and at 1 April 2002	3,223,527,717	32,235	478,448	510,683
Rights issue (a)	1,934,116,629	19,341	9,670	29,011
Redemption of convertible note (b)	163,055,555	1,631	7,908	9,539
Capital reduction (c)	(5,214,285,903)	(52,143)	–	(52,143)
Transfer to contributed surplus (d)	–	–	(120,000)	(120,000)
	(3,117,113,719)	(31,171)	(102,422)	(133,593)
Share issue expenses	–	–	(1,677)	(1,677)
At 31 March 2003	106,413,998	1,064	374,349	375,413

28. SHARE OPTION SCHEME

SSAP 34 was adopted during the year, as explained in note 2 and under the heading "Employee benefits" in note 3 to the financial statements. As a result, the following detailed disclosures relating to the Company's share option schemes are now included in the notes to the financial statements. In the prior year, these disclosures were included in the Report of the Directors, as their disclosure is also a requirement of the Listing Rules.

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

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

The maximum number of shares which can be granted under the Old Scheme may not exceed 10% of the issued share capital of the Company from time to time. At 31 March 2003, the number of shares issuable under share options granted under the Old Scheme were 2,367,376 which represented approximately 2.2% of the Company's shares in issue as at that date. The maximum number of shares in respect of which options may be granted to any employee or director may not exceed 25% of the aggregate number of shares in respect of which options are issued and issuable under the Scheme.

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

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

Pursuant to an agreement dated 3 January 2001 entered into between the Company and the holder of certain share options of Quam.net Limited, a subsidiary acquired by the Company in January 2001, certain share options of the Company were granted to the holder as consideration for the cancellation of the share options of Quam.net Limited held. These share options were included under the category of "Others".

28. SHARE OPTION SCHEME (Continued)

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

The maximum number of shares which can be granted under the New Scheme may not exceed 10% of the issued share capital of the Company from time to time. The maximum number of shares which can be granted under the Old Scheme and the New Scheme may not in aggregate exceed 30% of the issued share capital of the Company from time to time. At 31 March 2003, the number of shares issuable under share options granted under the New Scheme were 10,630,758, which represents approximately 10% of the Company's shares in issue. Under the New Scheme, the maximum number of shares issuable under share options to each eligible participant within any 12-month period, is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval.

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

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

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

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

28. SHARE OPTION SCHEME (Continued)

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

Name or category of participant	Number of share options [#]						Date of grant of share options*	Exercise period of share options	Exercise price of share options [#] HK\$
	At 1 April 2002 [#]	Granted during the year	Adjusted during the year [#]	Lapsed during the year	Cancelled during the year	At 31 March 2003			
Options granted under the Old Scheme									
Directors									
Mr. Bernard Pouliot	200,000	–	120,000	–	(320,000)	–	31-5-2000	31-5-2000	6.8750
								to 3-9-2007	
	300,000	–	180,000	–	(480,000)	–	1-8-2000	1-8-2000	3.4375
								to 3-9-2007	
	100,000	–	60,000	–	(160,000)	–	9-3-2001	9-9-2001	1.1875
								to 8-9-2011	
	<u>600,000</u>	<u>–</u>	<u>360,000</u>	<u>–</u>	<u>(960,000)</u>	<u>–</u>			
Mr. Yip Tai Him	100,000	–	60,000	(160,000)	–	–	31-5-2000	31-5-2000	6.8750
								to 3-9-2007	
	100,000	–	60,000	(160,000)	–	–	5-3-2001	5-9-2001	1.1875
								to 4-9-2011	
	<u>200,000</u>	<u>–</u>	<u>120,000</u>	<u>(320,000)</u>	<u>–</u>	<u>–</u>			
Mr. Chow Wai Lap	200,000	–	120,000	–	–	320,000	1-8-2000	1-8-2000	3.4375
								to 3-9-2007	
	<u>200,000</u>	<u>–</u>	<u>120,000</u>	<u>–</u>	<u>–</u>	<u>320,000</u>			
Employees									
In aggregate	40,000	–	–	(40,000)	–	–	31-5-2000	31-5-2000	6.8750
								to 3-9-2007	
	1,193,000	–	475,800	(604,160)	–	1,064,640	5-3-2001	5-9-2001	1.1875
								to 8-9-2011	
	<u>1,233,000</u>	<u>–</u>	<u>475,800</u>	<u>(644,160)</u>	<u>–</u>	<u>1,064,640</u>			
Others									
In aggregate	614,200	–	368,536	–	–	982,736	12-1-2001	30-1-2001	5.9375
								to 29-1-2004	
	<u>2,847,200</u>	<u>–</u>	<u>1,444,336</u>	<u>(964,160)</u>	<u>(960,000)</u>	<u>2,367,376</u>			

28. SHARE OPTION SCHEME (Continued)

Name or category of participant	Number of share options [#]						Date of grant of share options*	Exercise period of share options	Exercise price of share options [#] HK\$	Price of Company's shares**
	At 1	Granted	Adjusted	Lapsed	Cancelled	At 31				At grant date
	April	during	during	during	during	March				of options
	2002	the year	the year	the year	the year	2003				HK\$
Option granted under the New Scheme										
Directors										
Mr. Bernard Pouliot	-	3,543,586	-	-	-	3,543,586	29-7-2002	29-7-2002 to 28-7-2012	0.6700	0.6500
Mr. Kenneth Lam Kin Hing	-	3,543,586	-	-	-	3,543,586	29-7-2002	29-7-2002 to 28-7-2012	0.6700	0.6500
Mr. Richard David Winter	-	3,543,586	-	-	-	3,543,586	29-7-2002	29-7-2002 to 28-7-2012	0.6700	0.6500
	-	10,630,758	-	-	-	10,630,758				

* The vesting period of the share options is from the date of the grant until the commencement of the exercise period.

** The price of the Company's shares disclosed as at the date of the grant of the share options is the Stock Exchange closing price on the trading day immediately prior to the date of the grant of the options.

The number of share options and the exercise price of the share options have been adjusted to reflect the rights issue and consolidation of shares of the Company during the year, further details of which are set out in note 27 to the financial statements.

At the balance sheet date, the Company had 2,367,376 and 10,630,758 share options outstanding under the Old Scheme and the New Scheme, respectively. The exercise in full of the remaining share options would, under the present capital structure of the Company, result in the issue of 12,998,134 additional ordinary shares of the Company and additional share capital of HK\$129,981 and share premium of HK\$15,191,882 (before issue expenses).

29. RESERVES**(a) Group**

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 19 of the financial statements.

The Group's contributed surplus of HK\$204,223,000 as at 31 March 2003 represents:

- (i) an amount of HK\$2,225,000 (2002: HK\$2,225,000) representing the difference between the nominal value of the shares of the subsidiaries acquired pursuant to the Group's reorganisation prior to the listing of the Company's shares over the nominal value of the Company's shares issued in exchange thereof;
- (ii) an aggregate amount of HK\$81,998,000 (2002: HK\$29,855,000) transferred from the share capital account on capital reduction of the Company; and
- (iii) an amount of HK\$120,000,000 (2002: Nil) transferred from the share premium account.

A certain amount of goodwill arising on the acquisition of subsidiaries in prior years remains eliminated against consolidated reserves as explained in notes 3 and 16 to the financial statements.

(b) Company

		Share premium account	Contributed surplus	Capital redemption reserve	Accumulated losses	Total
	Notes	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2001		475,177	81,193	654	(182,198)	374,826
Issue of shares		4,390	–	–	–	4,390
Repurchase of shares		(1,119)	–	278	(278)	(1,119)
Net loss for the year		–	–	–	(62,502)	(62,502)
At 31 March 2002 and at 1 April 2002		478,448	81,193	932	(244,978)	315,595
Rights issue	27	9,670	–	–	–	9,670
Share issues expenses		(1,677)	–	–	–	(1,677)
Redemption of convertible note payable	27	7,908	–	–	–	7,908
Capital reduction	27	–	52,143	–	–	52,143
Transfer from share premium account	27	(120,000)	120,000	–	–	–
Net loss for the year		–	–	–	(218,481)	(218,481)
At 31 March 2003		<u>374,349</u>	<u>253,336</u>	<u>932</u>	<u>(463,459)</u>	<u>165,158</u>

29. RESERVES (Continued)**(b) Company (Continued)**

The Company's contributed surplus of HK\$253,336,000 as at 31 March 2003 represents:

- (i) an amount of HK\$51,338,000 (2002: HK\$51,338,000) representing the excess of the fair value of the shares of the subsidiaries acquired pursuant to the same reorganisation referred to in note 29(a), over the nominal value of the Company's shares issued in exchange therefor. Under the Companies Act 1981 of Bermuda (as amended), a company may make distributions to its members out of the contributed surplus in certain circumstances;
- (ii) an aggregate amount of HK\$81,998,000 (2002: HK\$29,855,000) transferred from the share capital account on capital reduction of the Company; and
- (iii) an amount of HK\$120,000,000 (2002: Nil) transferred from the share premium account.

30. NOTE TO THE CONSOLIDATED CASH FLOW STATEMENT**(a) Prior year adjustments**

SSAP 15 (Revised) was adopted during the current year, as detailed in note 2 to the financial statements, which has resulted in a change to the layout of the consolidated cash flow statement. The consolidated cash flow statement is now presented under three headings: cash flows from operating activities, investing activities and financing activities. Previously five headings were used, comprising the three headings listed above, together with cash flows from returns on investments and servicing of finance and from taxes paid. The significant reclassifications resulting from the change in presentation are that cash flows for taxes are now included in cash flows from operating activities, interest and dividends received are now included in cash flows from investing activities and interest expenses are now included in cash flows from financing activities. The presentation of the 2002 comparative consolidated cash flow statement has been changed to accord with the new layout.

Also, the definition of "cash equivalents" under the revised SSAP 15 has been revised from that under the previous SSAP 15, as explained under the heading "Cash and cash equivalents" in note 3 to the financial statements. This has resulted in short term bank loans no longer qualifying as cash equivalents. The amount of cash equivalents in the consolidated cash flow statement at 31 March 2002 has been adjusted to remove short term bank loans amounting to HK\$22,500,000, previously included at that date. This year's movement in short term bank loans is now included in cash flows from financing activities and the comparative cash flow statement has been changed accordingly.

30. NOTE TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

(b) Disposal of a subsidiary (discontinued operations)

	2003 HK\$'000	2002 HK\$'000
Net assets disposed of:		
Trade receivables, prepayments, deposits and other receivables	-	11,760
Cash and bank balances	-	992
Trade payables, accrued liabilities and other payables	-	(18,841)
	-	(6,089)
Gain on disposal of a subsidiary	-	6,089
	-	-
Satisfied by:		
Cash	-	-

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

	2003 HK\$'000	2002 HK\$'000
Cash and cash equivalents disposed of and net cash outflow in respect of the disposal of a subsidiary	-	(992)

The cash flows contributed by the subsidiary disposed of during the prior year were not material.

30. NOTE TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

(c) Acquisition of subsidiaries

	2003 HK\$'000	2002 HK\$'000
Net assets acquired:		
Fixed assets	-	4,286
Trading rights in exchanges in Hong Kong	-	14,150
Deposits with securities and futures clearing companies	-	3,900
Investment securities	-	652
Other investments	-	3,561
Trade receivables, prepayments, deposits and other receivables	-	94,346
Tax recoverable	-	244
Bank balances held on behalf of customers	-	26,491
Cash and bank balances	-	17,622
Trade payables, accrued liabilities and other payables	-	(49,052)
Bank loans	-	(27,500)
	-	88,700
Goodwill arising on acquisition (note 16)	-	20,641
	-	109,341
Satisfied by:		
Allotment of shares	-	5,215
Issue of convertible note payable	-	11,740
Cash	-	92,386
	-	109,341

An analysis of the net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries is as follows:

	2003 HK\$'000	2002 HK\$'000
Cash and bank balances	-	17,622
Short term bank loans with original maturity within three months	-	(13,500)
Cash and cash equivalents acquired	-	4,122
Consideration for the acquisition payable in cash	-	(92,386)
Consideration payable included in other payable	-	3,016
Net cash outflow in respect of the acquisition of subsidiaries	-	(85,248)

The subsidiaries acquired in the prior year contributed HK\$29.7 million to turnover and HK\$2.1 million to the consolidated loss for the year ended 31 March 2002.

30. NOTE TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)**(d) Major non-cash transaction**

During the year, a portion of the convertible note payable of HK\$11.74 million, amounting to HK\$9,538,750, was redeemed by the issuance of 163,055,555 ordinary shares at an adjusted conversion price of HK\$0.0585 (note 24).

31. LOANS TO DIRECTORS

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

Group

Name	At 31 March 2003 HK\$'000	Maximum outstanding during the year HK\$'000	At 1 April 2002 HK\$'000	Margin finance facilities approved HK\$'000	Securities held
Mr Bernard Pouliot (note 20)	2,234	4,780	845	5,000	Marketable Securities
Mr Kenneth Lam Kin Hing (note 23)	(617)	2,738	3	5,000	Marketable Securities
	<u>1,617</u>		<u>848</u>		

The loans granted under margin finance facilities to the directors are secured by the marketable securities collaterals, bear interest at prime rate plus 3% (2002: prime rate plus 3%) and are repayable on demand.

The amount due to the director is unsecured, interest-free (2002: interest-free) and repayable on demand.

32. ASSETS HELD AS COLLATERAL

The market value of securities pledged by clients to the Group as collateral against the receivables from clients at 31 March 2003 was HK\$727,285,000 (2002: HK\$192,398,000).

33. OPERATING LEASE ARRANGEMENTS

The Group leases certain of its office premises and retail branches under operating lease arrangements. Leases for these premises are negotiated for terms ranging from one to three years.

At 31 March 2003, the Group and the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group		Company	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Within one year	4,888	4,504	1,450	1,959
In the second to fifth years, inclusive	4,464	855	561	406
	<u>9,352</u>	<u>5,359</u>	<u>2,011</u>	<u>2,365</u>

34. RELATED PARTY TRANSACTIONS

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

	Notes	2003 HK\$'000	2002 HK\$'000
Consultancy fees received from a related company	(i)	3,760	2,734
Consideration paid for the acquisition of subsidiaries	(ii)	<u>-</u>	<u>90,000</u>

Notes:

- (i) Consultancy fees of THB2,000,000 for the period from April 2002 to September 2002 and THB1,000,000 for the period from October 2002 to March 2003 (2002: THB 2,000,000) per month were received from a related company for the provision of advisory services and were charged based on mutually agreed terms.
- (ii) On 7 June 2001, the Group entered into agreement to acquired all the equity interests in APC Capital (Holdings) Limited and its subsidiaries from APC at an aggregate consideration of HK\$90 million, further details of which are set out in note 30(c) to the financial statements. Such acquisition was completed on 6 September 2002. Mr. Bernard Pouliot, an Executive Director and a substantial shareholder of the Company, and Mr. Kenneth Lam Kin Hing, a then Director of a subsidiary of the Group, have equity interests in APC.

35. POST BALANCE SHEET EVENT

Subsequent to the balance sheet date, on 23 April 2003, a lawsuit was brought by an independent third party alleging that the content of an article published on the Group's website on 26 March 2003 was defamatory. The third party is claiming for unspecified damages from the author of that article and a subsidiary of the Group, Quam (H.K.) Limited. In June 2003, the author of the article and the subsidiary separately filed their defence against the claim. In the opinion of the Group's legal counsel, it is unable to form any conclusion on the outcome of the claim and the ultimate liability, if any, because the legal proceedings are in their early stage. In the opinion of the directors, based on the information available at the date of approval of these financial statements, the financial impact of the above lawsuit, if any, could not be reliably estimated.

36. COMPARATIVE AMOUNTS

As further explained in note 2 to the financial statements, due to the adoption of certain new and revised SSAPs during the current year, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain comparative amounts have been reclassified to conform with the current year's presentation.

37. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 24 July 2003.