Notes to the Financial Statements

For the year ended 31 March 2006

1. GENERAL INFORMATION

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

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

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

The financial statements on pages 33 to 87 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") as issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The financial statements include the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The financial statements for the year ended 31 March 2006 were approved by the board of directors on 21 July 2006.

2. ADOPTION OF NEW OR REVISED HKFRS

In the year ended 31 March 2005, as permitted by the HKFRS, the Group had early adopted the following new or revised standards:

HKFRS 3	Business Combinations
HKAS 36	Impairment of Assets
HKAS 38	Intangible Assets

From 1 April 2005, the Group has adopted the remaining new or revised standards and interpretations of HKFRS, which are effective for the accounting periods beginning on or after 1 January 2005 and are relevant to its operations. These include the following new, revised and renamed standards:

HKAS 1	Presentation of Financial Statements
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 12	Income Taxes
HKAS 14	Segment Reporting
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 21	The Effects of Changes in Foreign Exchange Rates

2. ADOPTION OF NEW OR REVISED HKFRS (Continued)

HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings per Share
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 39 Amendment	Transitional and Initial Recognition of Financial Assets and Financial Liabilities
HKFRS 2	Share-based Payment

All the standards have been applied retrospectively except where specific transitional provisions require a different treatment.

Significant effects on current, prior or future periods arising from the first-time adoption of the standards listed above with respect to presentation, recognition and measurement of accounts are described in the following notes:

2.1 Adoption of HKFRS 2

Prior to the adoption of HKFRS 2 on 1 April 2005, the Group did not recognise the financial effect of share options until they were exercised.

The principal impact of HKFRS 2 on the Group is in relation to the expensing of the fair value of share options granted to directors and employees of the Company and its subsidiaries, determined at the date of grant of the share options, over the vesting period with a corresponding credit to equity, unless the transaction is a cash settled share-based payment.

According to the transitional provisions of HKFRS 2, all equity-settled share-based payments granted after 7 November 2002 that had not vested at 1 April 2005 are required to be recognised retrospectively in the Group's financial statements.

As all the Group's share options outstanding at 1 April 2005 were granted before 7 November 2002, in accordance with the transitional provisions, the Group is not required to apply the accounting provisions of HKFRS 2 retrospectively.

2.2 Adoption of HKAS 32, HKAS 39 and HKAS 39 Amendment

Prior to the adoption of HKAS 39, the Group has recorded its investment securities at cost less any provision for impairment losses and other securities at fair value with changes in fair value being recognised in the income statement as they arose.

On the adoption of HKAS 39, the Group classified its investments into the following categories: held-to-maturity, available-for-sale and financial assets at fair value through profit or loss and measured its financial assets at either fair value or at amortised cost according to its classification. Further details of how the Group accounts for its investments are set out in note 3.12 to the financial statements.

In accordance with the transitional provisions of HKAS 39, it does not permit the recognition, derecognition and measurement of financial assets and liabilities in accordance with the standard on a retrospective basis. Accordingly, any adjustment to the previous carrying amount is recognised in the opening balance of retained earnings on 1 April 2005 and the comparative figures not restated.

HKAS 32 requires all disclosure and presentation rules regarding financial instruments to be applied retrospectively.

2. ADOPTION OF NEW OR REVISED HKFRS (Continued)

2.3 Other standards adopted

The adoption of other standards did not result in significant changes to the Group's accounting policies. The specific transitional provisions contained in some of these standards were considered. The adoption of these other standards did not result in any material changes to the amounts or disclosures in these financial statements.

2.4 New standards or interpretations that have been issued but are not yet effective

The Group has not early adopted the following standards or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the adoption of these standards or interpretations will not result in substantial changes to the Group's accounting policies.

HKAS 1 (Amendment)	Capital Disclosures[1]
HKAS 19 (Amendment)	Employee Benefits – Actuarial Gains and Losses, Group Plans and Disclosures[2]
HKAS 21 (Amendment)	The Effects of Changes in Foreign Exchange Rates – Net Investment in a Foreign Operation[2]
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions[2]
HKAS 39 (Amendment)	The Fair Value Option[2]
HKAS 39 & HKFRS 4 (Amendment)	Financial Instruments: Recognition and Measurement and Insurance Contracts – Financial Guarantee Contracts[2]
HKFRS 1 & HKFRS 6 (Amendments)	First-time Adoption of Hong Kong Financial Reporting Standards and Exploration for and Evaluation of Mineral Resources[2]
HKFRS 6	Exploration for and Evaluation of Mineral Resources[2]
HKFRS 7	Financial Instruments – Disclosures[1]
HKFRS-Int 4	Determining whether an Arrangement contains a Lease[2]
HKFRS-Int 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds[2]
HK(IFRIC)-Int 6	Liabilities Arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment[3]
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies[4]
HK(IFRIC)-Int 8	Scope of HKFRS 2[5]
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives[6]

[1] *Effective for annual periods beginning on or after 1 January 2007*
[2] *Effective for annual periods beginning on or after 1 January 2006*
[3] *Effective for annual periods beginning on or after 1 December 2005*
[4] *Effective for annual periods beginning on or after 1 March 2006*
[5] *Effective for annual periods beginning on or after 1 May 2006*
[6] *Effective for annual periods beginning on or after 1 June 2006*

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation

The significant accounting policies that have been used in the preparation of these financial statements are summarised below.

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

It should be noted that accounting estimates and assumptions are used in preparation of the financial statements. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

3.2 Basis of consolidation

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

3.3 Subsidiaries

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

Acquired subsidiaries are subject to application of the purchase method. This involves the revaluation at fair value of all identifiable assets and liabilities, including contingent liabilities of the subsidiary, at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition. On initial recognition, the assets and liabilities of the subsidiary are included in the consolidated balance sheet at their revalued amounts, which are also used as the bases for subsequent measurement in accordance with the Group's accounting policies. Goodwill represents the excess of acquisition cost over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisition of subsidiaries is presented separately in the consolidated balance sheet. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.4 Foreign currency translation

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

In the separate financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are recognised in the income statement.

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

In the consolidated financial statements, all separate financial statements of subsidiaries, originally presented in a currency different from the Group's presentation currency, have been converted into Hong Kong dollars. Assets and liabilities have been translated into Hong Kong dollars at the closing rates at the balance sheet date. Income and expenses have been converted into the Hong Kong dollars at the average rates over the reporting period. Any differences arising from this procedure have been dealt with in the exchange reserve in equity. Goodwill and fair value adjustments arising on the acquisition of a foreign entity have been treated as assets and liabilities of the foreign entity and translated into Hong Kong dollars at the closing rates.

3.5 Income and expense recognition

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

(a) commissions and brokerage income, on a trade date basis;

(b) advisory, arrangement and placement fee income, advertising and content fee from the sales of banner advertisements and website content, service fee income from the provision of credit information and management fee income, 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.

Operating expenses are recognised in the income statement upon utilisation of the services.

3.6 Borrowing costs

All borrowing costs are expensed as incurred.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.7 Goodwill

Goodwill arising on acquisition prior to 1 April 2004

Goodwill arising on acquisition of a subsidiary for which the agreement date is before 1 January 2005 represents the excess of the cost of acquisition over the Group's interest in fair value of the identifiable assets and liabilities of the relevant subsidiary at the date of acquisition.

In accordance with the transitional provisions of HKFRS 3, any goodwill previously eliminated against consolidated reserves is not recognised in the income statement when the Group disposes of all or part of the business to which that goodwill relates or when a cash-generating unit to which the goodwill relates becomes impaired. The carrying amount of the goodwill previously eliminated against consolidated reserves on 1 April 2004 is not restated and is transferred to opening balance of accumulated losses as at 1 April 2004.

For previously capitalised goodwill arising on acquisition, the Group has discontinued amortisation from 1 April 2004 onwards, and such goodwill is tested for impairment annually and whenever there is indication that the cash generating unit to which the goodwill relates becomes impaired. The carrying amount of the related accumulated amortisation on 1 April 2004 was eliminated against the gross amount of goodwill.

Goodwill arising on acquisition on or after 1 April 2004

Goodwill arising on acquisition of a subsidiary for which the agreement date is on or after 1 April 2004, the date on which HKFRS 3 was adopted, represents the excess of the cost of acquisition over their fair value of the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the acquired subsidiary at the date of acquisition. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses.

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

3.8 Intangible assets (Other than goodwill)

Trading rights

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

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

Database

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.9 Property, plant and equipment

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

Depreciation on property, plant and equipment is provided to write off the cost over their estimated useful lives, using the straight-line method, at the following rates per annum:

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

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

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

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

3.10 Impairment of assets

Goodwill, other intangible assets, property, plant and equipment and interests in subsidiaries are subject to impairment testing.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill in particular is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which management controls the related cash flows.

Individual assets or cash-generating units that include goodwill and other intangible assets with an indefinite useful life or those not yet available for use are tested for impairment at least annually, irrespective of whether there is any indication that they are impaired. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is higher of fair value, reflecting market conditions less costs to sell, and value in use based on an internal discounted cash flow evaluation. Impairment losses recognised for cash-generating units, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.11 Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the lessor are accounted for as operating leases. Annual rentals applicable to such operating leases are charged to the income statement on a straight-line basis over the lease terms.

3.12 Financial assets

The Group's financial assets include available-for-sale financial assets, trade and other receivables and financial assets at fair value through profit or loss. They are included in the balance sheet under line items such as "Available-for-sale financial assets", "Other assets", "Trade receivables", "Short term loan receivables", "Prepayments, deposits and other receivables" and "Financial assets at fair value through profit or loss".

Prior to 1 April 2005, the Group recognised its investments as investment securities, other equity securities, held-to-maturity debt securities and other investments under the accounting policies set out below:

(a) Investment securities

Investment securities representing 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 income statement 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 income statement to the extent of the amount previously charged.

(b) Other equity securities

All other investments in listed and unlisted equity securities, whether held for trading or otherwise, are stated at their fair values at the balance sheet date, on an individual investment basis.

The fair values of listed securities are generally their quoted market prices at the balance sheet date. An appropriate discount to the market price is made for listed securities not actively traded in a liquid market. The fair values of unlisted securities are estimated by the directors having regard to, inter alia, the prices of the most recent reported sales or purchases 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 income statement in the period in which they arise.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.12 Financial assets (Continued)

(c) Held-to-maturity debt securities

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

The carrying amount of held-to-maturity debt securities is reviewed at the balance sheet date in order to assess the credit risk and appropriate provision is made when the Group 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.

(d) Other investments

Other investments, including club debenture, are stated at cost less any impairment losses at the balance sheet date.

From 1 April 2005 onwards, the Group classifies its financial assets other than hedging instruments, into the following categories: loans and receivables, financial assets at fair value through profit or loss, available-for-sale financial assets and held-to-maturity investments. Management determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and where allowed and appropriate, re-evaluates this designation at every reporting date.

All financial assets are recognised on their trade date. When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

Derecognition of financial assets occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred. An assessment for impairment is undertaken at least at each balance sheet date whether or not there is objective evidence that a financial asset or a group of financial assets is impaired.

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

Financial assets at fair value through profit or loss include financial assets that are either held for trading or are designated by the Group to be carried at fair value through profit or loss on initial recognition.

Subsequent to initial recognition, the financial assets included in this category are measured at fair value with changes in fair value recognised in the income statement. Financial assets originally designated as financial assets at fair value through profit or loss may not subsequently be re-classified.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.12 Financial assets (Continued)

(b) Available-for-sale financial assets

Available-for-sale financial assets include non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. All financial assets within this category are subsequently measured at fair value, with changes in value recognised in equity. Upon disposal, the cumulative gain or loss previously recognised in equity is transferred to the income statement. When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in equity is removed from equity and recognised in the income statement even though the financial asset has not been derecognised. Impairment losses previously recognised in the income statement on equity instruments will not reverse through the income statement in subsequent periods. Impairment losses previously recognised in income statement on debt securities are subsequently reversed through income statement if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition. An impairment loss is recognised in income statement when there is objective evidence that the asset is impaired. The amount of the impairment loss is measured as the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not reverse in subsequent periods.

(c) Loans and receivables

Loan and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any impairment losses. Any changes in their value are recognised in the income statement.

Loans and receivables are provided against when objective evidence is received that the Group will not be able to collect all amounts due to it in accordance with the original terms of the receivables. The amount of the write-down is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.13 Accounting for income taxes

Income tax comprises current tax and deferred tax.

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

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

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

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

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

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

3.14 Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand, demand deposits with banks and short term highly liquid investments with original maturities of three months or less, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

3.15 Share capital and share premium

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.16 Retirement benefit costs and short term employee benefits

(a) Short term employee benefits

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

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

(b) Retirement benefits scheme

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

3.17 Share-based compensation

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.18 Financial liabilities

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

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

(a) Borrowings

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

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

(b) Trade payables

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

3.19 Provisions, contingent liabilities and contingent assets

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

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

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.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.20 Segment reporting

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

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

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

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

3.21 Related parties

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

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

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

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

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

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In the process of applying the Group's accounting policies, the management has made various estimates based on past experience, expectations of the future and other information. The key sources of estimation uncertainty that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are disclosed below.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

Carrying value of available-for-sale financial assets

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

The carrying amount of the Group's available-for-sale financial assets at 31 March 2006 was HK$7,150,000, further details of which are set out in note 20 to the financial statements.

Provision for impairment of receivables

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

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash generating unit and a suitable discount rate in order to calculate the present value. As at 31 March 2006, the carrying amount of goodwill was approximately HK$14,695,000. Details of the assumptions and basis of the recoverable amount calculation are set out in note 16.

5. REVENUE/TURNOVER

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

	2006 HK$'000	2005 HK$'000
Advertising and content fee income	**2,655**	2,706
Website management and related services fee income	**14,996**	14,162
Commission income on securities and futures broking	**44,021**	30,332
Advisory fee income	**12,624**	13,282
Placement and underwriting fee income	**6,423**	5,810
Income from margin financing and money lending operations	**14,879**	15,392
Fund management fee income	**4,658**	1,304
Credit information service fee income	**4,162**	3,840
	104,418	86,828

6. OTHER OPERATING INCOME

	2006 **HK$'000**	2005 HK$'000
Interest income from banks and others	**4,022**	275
Exchange gains, net	**638**	624
Long outstanding trade and other payables written back	**226**	559
Sundry income	**3,045**	2,195
	7,931	3,653

7. SEGMENT INFORMATION

(a) Primary reporting format – business segments

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

Summary details of the business segments are as follows:

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

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

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

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

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

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

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

7. SEGMENT INFORMATION (Continued)

(a) Primary reporting format – business segments (Continued)

The following tables present revenue, results and segment assets, liabilities and capital expenditure information for the Group's business segments.

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

7. SEGMENT INFORMATION (Continued)

(a) Primary reporting format – business segments (Continued)

2005	Securities broking and placement HK$'000	Margin financing and money lending HK$'000	Advisory HK$'000	Asset management HK$'000	Website management HK$'000	Investments HK$'000	Eliminations HK$'000	Total HK$'000
Segment revenue								
Sales to external customers	36,142	15,392	13,282	1,304	20,708	–	–	86,828
Inter-segment sales	–	338	250	–	87	–	(675)	–
Total	36,142	15,730	13,532	1,304	20,795	–	(675)	86,828
Segment results	2,690	4,351	348	465	(7,678)	(7,824)	–	(7,648)
Interest income								275
Unallocated corporate expenses								(6,490)
Loss from operations								(13,863)
Finance costs								–
Loss before income tax								(13,863)
Income tax expense								–
Loss for the year								(13,863)
Segment assets	205,959	129,337	4,909	1,562	8,803	31,591		382,161
Unallocated assets								14,675
Total assets								396,836
Segment liabilities	184,011	88,354	329	258	9,918	–		282,870
Unallocated liabilities								3,339
Total liabilities								286,209
Other segment information								
Depreciation and amortisation:								
Segmented	2,848	–	72	2	3,003	–		5,925
Unallocated								10
								5,935
Capital expenditure	2,476	–	87	–	525	–		3,088

(b) Secondary reporting format – geographical segments

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

8. FINANCE COSTS

	2006 HK$'000	2005 HK$'000
Interest on bank loans and other borrowings wholly repayable within five years	**4,828**	3,125
Less: Interest expenses incurred for financial service operations	**(4,828)**	(3,125)
	–	–

9. STAFF COSTS

	2006 HK$'000	2005 HK$'000
Directors' emoluments *(note 14)*	**7,831**	6,465
Other staff		
Wages and salaries	**36,140**	33,291
Retirement benefits scheme contributions	**1,049**	998
Other staff benefits	**400**	529
	45,420	41,283

Retirement benefits scheme – defined contribution retirement scheme

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

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

The total cost charged to the consolidated income statement of HK$1,085,000 (2005: HK$1,034,000) represents contributions payable to the scheme by the Group at the rate specified in the rules of the scheme.

Contribution payable of HK$86,000 (2005: HK$88,000) to the MPF scheme is included in other payables and accruals.

10. PROFIT/(LOSS) FROM OPERATIONS

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

	2006 HK$'000	2005 HK$'000
Auditors' remuneration:		
Provision for the year	1,216	846
Under/(Over) provision in prior years	12	(7)
	1,228	839
Amortisation of other intangible assets	1,893	1,893
Depreciation of property, plant and equipment	2,313	4,042
	4,206	5,935
Loss on disposal of property, plant and equipment	8	297
Minimum lease payments under operating leases in respect of land and buildings	5,927	5,717
Provision for impairment of trade receivables	511	602
Bad debts written off	15	–

11. INCOME TAX EXPENSE

During the year, Hong Kong profits tax has been provided at the rates of 17.5% on the estimated assessable profit for the year. For the year ended 31 March 2005, no provision for Hong Kong profits tax had been made as the Group had available tax losses brought forward from previous years.

	2006 HK$'000	2005 HK$'000
Current tax		
– Hong Kong		
Tax for the year	417	–
Under-provision in prior years	135	–
	552	–

11. INCOME TAX EXPENSE (Continued)

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

	2006 **HK$'000**	2005 HK$'000
Profit/(Loss) before income tax	**9,432**	(13,863)
Tax at Hong Kong profits tax rate of 17.5%	**1,651**	(2,426)
Effect of different tax rate for a subsidiary established in the People's Republic of China (at tax rate of 15%)	**40**	61
Tax effect of non-deductible expenses	**1,175**	629
Tax effect of non-taxable revenues	**(1,582)**	(347)
Tax losses not recognised as deferred tax asset	**731**	3,358
Tax effect of previous years' unrecognised tax losses utilised this year	**(2,099)**	(1,981)
Other temporary differences not recognised	**501**	706
Underprovision in prior years	**135**	–
Income tax expense	**552**	–

12. PROFIT/(LOSS) FOR THE YEAR, ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The profit/(loss) for the year attributable to equity holders of the Company includes a loss of HK$5,115,000 (2005: HK$7,617,000) which has been dealt with in the financial statements of the Company.

13. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share is based on the profit attributable to equity holders of the Company of HK$8,880,000 (2005: a loss of HK$13,863,000) and on the weighted average of 108,345,979 (2005: 106,413,998) ordinary shares in issue during the year.

Diluted earnings/(loss) per share for the years ended 31 March 2006 and 2005 is not presented because the impact of the exercise of the Company's outstanding share options was anti-dilutive.

14. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

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

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

* Mr. Esmond Quek Keng Liang became independent non-executive director with effect from 16 September 2005.

	Fees HK$'000	Salaries, allowance and bonuses HK$'000	Retirement benefits scheme contributions HK$'000	Total HK$'000
2005				
Executive Directors				
Mr. Bernard Pouliot	–	1,280	12	1,292
Mr. Kenneth Lam Kin Hing	–	2,363	12	2,375
Mr. Richard David Winter	–	2,360	12	2,372
Independent Non-Executive Directors				
Mr. Gordon Kwong Che Keung	120	–	–	120
Mr. Steven Kwan Ying Wai	120	–	–	120
Mr. Jeremy King	120	–	–	120
Non-Executive Director				
Mr. Esmond Quek Keng Liang	66	–	–	66
	426	6,003	36	6,465

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

(a) Directors' emoluments (Continued)

There was no arrangement under which a director waived or agreed to waive any remuneration in respect of the years ended 31 March 2006 and 2005.

During the years ended 31 March 2006 and 2005, no emolument was paid by the Group to the directors as an inducement to join or upon joining the Group, or as compensation for loss of office.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included three (2005: three) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two (2005: two) individuals during the year are as follows:

	2006	2005
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**3,930**	2,526
Retirement benefits scheme contributions	**24**	24
	3,954	2,550

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

	Number of individuals	
	2006	2005
Emolument bands		
HK$1,000,001 - HK$1,500,000	**–**	2
HK$1,500,001 - HK$2,000,000	**1**	–
HK$2,000,001 - HK$2,500,000	**1**	–
	2	2

During the years ended 31 March 2006 and 2005, no emolument was paid to the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office.

15. PROPERTY, PLANT AND EQUIPMENT

Group

	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Total HK$'000
At 1 April 2004			
Cost	3,514	18,898	22,412
Accumulated depreciation	(2,444)	(13,981)	(16,425)
Net book amount	1,070	4,917	5,987
Year ended 31 March 2005			
Opening net book amount	1,070	4,917	5,987
Additions	1,280	1,808	3,088
Disposals	(253)	(48)	(301)
Depreciation	(907)	(3,135)	(4,042)
Closing net book amount	1,190	3,542	4,732
At 31 March 2005			
Cost	4,086	19,512	23,598
Accumulated depreciation	(2,896)	(15,970)	(18,866)
Net book amount	1,190	3,542	4,732
Year ended 31 March 2006			
Opening net book amount	1,190	3,542	4,732
Additions	2	1,400	1,402
Disposals	–	(14)	(14)
Depreciation	(639)	(1,674)	(2,313)
Translation differences	5	11	16
Closing net book amount	**558**	**3,265**	**3,823**
At 31 March 2006			
Cost	**3,098**	**20,193**	**23,291**
Accumulated depreciation	**(2,540)**	**(16,928)**	**(19,468)**
Net book amount	**558**	**3,265**	**3,823**

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

Company

	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Total HK$'000
At 1 April 2004			
Cost	291	100	391
Accumulated depreciation	(291)	(35)	(326)
Net book amount	–	65	65
Year ended 31 March 2005			
Opening net book amount	–	65	65
Depreciation	–	(10)	(10)
Closing net book amount	–	55	55
At 31 March 2005			
Cost	291	100	391
Accumulated depreciation	(291)	(45)	(336)
Net book amount	–	55	55
Year ended 31 March 2006			
Opening net book amount	–	55	55
Additions	–	3	3
Depreciation	–	(10)	(10)
Closing net book amount	**–**	**48**	**48**
At 31 March 2006			
Cost	**291**	**103**	**394**
Accumulated depreciation	**(291)**	**(55)**	**(346)**
Net book amount	**–**	**48**	**48**

16. GOODWILL

Group

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

	2006 **HK$'000**	2005 HK$'000
Net carrying amount at 1 April and 31 March	**14,695**	14,695
At 31 March		
Gross carrying amount		
Balance at beginning of year	**14,695**	20,641
Eliminated with accumulated amortisation at 1 April 2004	**–**	(5,946)
As adjusted	**14,695**	14,695
Accumulated amortisation		
Balance at beginning of year	**–**	5,946
Eliminated with gross carrying amount at 1 April 2004	**–**	(5,946)
As adjusted	**–**	–
Net carrying amount	**14,695**	14,695

As a result of the adoption of HKFRS 3 on 1 April 2004, all accumulated amortisation as of 1 April 2004 amounting to HK$5,946,000 was eliminated against the gross amount of goodwill as of 1 April 2004 of HK$20,641,000 and amortisation of goodwill was discontinued from 1 April 2004.

For the annual impairment test for 2006, the carrying amount of goodwill of HK$14,695,000 belongs to the cash generating unit which engages in securities and futures dealing, placement services, margin financing and money lending and provision of advisory services. Its recoverable amount was determined based on a value in use calculation, covering a detailed five-year budget plan.

The key assumptions used for value in use calculations:

Annual growth rate	10%
Discount rate	15%

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

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

17. OTHER INTANGIBLE ASSETS

Group

	Trading rights HK$'000	Database HK$'000	Total HK$'000
At 1 April 2004			
Cost	14,550	1,242	15,792
Accumulated amortisation	(4,262)	(197)	(4,459)
Net book amount	10,288	1,045	11,333
Year ended 31 March 2005			
Opening net book amount	10,288	1,045	11,333
Amortisation charge	(1,769)	(124)	(1,893)
Closing net book amount	8,519	921	9,440
At 31 March 2005			
Cost	14,550	1,242	15,792
Accumulated amortisation	(6,031)	(321)	(6,352)
Net book amount	8,519	921	9,440
Year ended 31 March 2006			
Opening net book amount	8,519	921	9,440
Amortisation charge	(1,769)	(124)	(1,893)
Closing net book amount	**6,750**	**797**	**7,547**
At 31 March 2006			
Cost	**14,550**	**1,242**	**15,792**
Accumulated amortisation	**(7,800)**	**(445)**	**(8,245)**
Net book amount	**6,750**	**797**	**7,547**

All amortisation are included in “depreciation and amortisation expenses” in the income statement.

18. INVESTMENTS IN SUBSIDIARIES

	Company 2006 HK$'000	2005 HK$'000
Unlisted shares, at cost	**159,929**	159,929
Less: Provision for impairment	**(53,538)**	(53,538)
	106,391	106,391

Particulars of the principal subsidiaries as at 31 March 2006 are as follows:

Name	Place of incorporation	Particulars of issued capital	Proportion of nominal value of issued share capital held by the Company Directly %	Indirectly %	Principal activities and place of operations
Quam Capital (Holdings) Limited	Hong Kong	78,260,002 ordinary shares of HK$1 each	100	–	Investment holding in Hong Kong
Wolf Holdings Limited	British Virgin Islands	1,000 ordinary shares of US$1 each	100	–	Investment holding in Hong Kong
Quam.net Limited *(note (a))*	Hong Kong	8,119,974 ordinary shares of HK$1 each	100	–	Investment holding in Hong Kong
Quam Corporate Services Limited *(note (a))*	Hong Kong	2 ordinary shares of HK$1 each	100	–	Secretarial services in Hong Kong
Quam Asset Management Limited	Hong Kong	100,000 ordinary shares of HK$10 each	–	100	Investment adviser and asset management in Hong Kong
Quam Capital Limited	Hong Kong	4,800,000 ordinary shares of HK$1 each	–	100	Corporate finance and investment adviser in Hong Kong
Quam Finance Limited	Hong Kong	54,200,000 ordinary shares of HK$1 each	–	100	Finance and money lending in Hong Kong
Quam Futures Limited	Hong Kong	6,500,000 ordinary shares of HK$1 each	–	100	Futures broking in Hong Kong
Quam Securities Company Limited	Hong Kong	4,000,000 ordinary shares of HK$10 each	–	100	Securities dealing and futures broking in Hong Kong

18. INVESTMENTS IN SUBSIDIARIES (Continued)

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

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.

Note:

(a) Subsidiaries not audited by Grant Thornton.

19. AMOUNTS DUE FROM/(TO) SUBSIDIARIES

(a) Amounts due from subsidiaries

	Company 2006 HK$'000	2005 HK$'000
Amounts due from subsidiaries	**242,841**	235,004
Less: Provision for impairment	**(239,403)**	(233,030)
	3,438	1,974
Less: Portion due within one year included under current assets	**(3,438)**	–
Non-current portion included under non-current assets	**–**	1,974

(b) Amounts due to subsidiaries

	Company 2006 HK$'000	2005 HK$'000
Amounts due to subsidiaries	**16,367**	16,901
Less: Portion due within one year included under current liabilities	**(16,367)**	–
Non-current portion included under non-current liabilities	**–**	16,901

For the year ended 31 March 2006, the amounts due from/(to) subsidiaries are unsecured, interest free and repayable on demand. Accordingly, the amounts due from/(to) subsidiaries are classified as current assets and current liabilities respectively.

For the year ended 31 March 2005, the amounts due from/(to) subsidiaries were unsecured, interest free and had no fixed terms of repayment. In the opinion of directors, no repayment would be demanded within 12 months from the balance sheet date. Accordingly, the amounts due from and due to subsidiaries were classified as non-current assets and non-current liabilities respectively.

20. AVAILABLE-FOR-SALE FINANCIAL ASSETS

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

Note:

(a) Upon the adoption of HKAS 39, the club debenture and the investment in unlisted equity securities are stated at cost less accumulated impairment losses as they do not have a quoted market price in an active market and whose fair value cannot be reliably measured.

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

Name	Place of incorporation	Percentage of issued share capital held by the Group		Carrying value of the Group's investments as at 31 March 2006 HK$'000
		2006	2005	
Gigabyte International Holdings Limited ("Gigabyte")	British Virgin Islands	**47.7**	47.7*	**3,987**

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

* investment classified as a long term investment as of 31 March 2005.

21. LONG TERM INVESTMENTS

Long term investments as at 31 March 2005 are set out below. Upon the adoption of HKAS 39 on 1 April 2005, long term investments were reclassified to available-for-sale financial assets.

	Group 2005 HK$'000	Company 2005 HK$'000
Club debenture	653	–
Investment securities		
– Unlisted equity securities, at cost	19,791	1,962
Other equity securities		
– Hong Kong listed equity securities, at fair value	114	–
Unlisted held-to-maturity debt securities, at amortised cost	472	–
	21,030	1,962
Less: Provision for impairment	(14,263)	–
	6,767	1,962
Hong Kong listed equity securities, at market value	114	–

22. OTHER ASSETS

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

23. TRADE RECEIVABLES

	Group	
	2006 HK$'000	2005 HK$'000
Trade receivables	**223,828**	168,602
Less: provision for impairment of receivables	**(9,699)**	(9,425)
Trade receivables – net	**214,129**	159,177

The Group's trade receivables as at 31 March 2006 mainly consisted of receivables of the securities and futures broking business and advisory and placement business. For the advisory and placement business, billings are normally due on presentation. For the securities and futures broking business, the Group allows a credit period up to the settlement dates of their respective transactions except for margin client receivables which are repayable on demand and therefore, no aging analysis is disclosed.

23. TRADE RECEIVABLES (Continued)

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

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

	Group	
	2006	2005
	HK$'000	HK$'000
Repayable on demand – margin clients receivable	**133,112**	122,950
Within 180 days	**80,008**	33,971
180 days-360 days	**791**	1,924
Over 360 days	**218**	332
	214,129	159,177

Included in the Group's margin clients receivable were amounts due from directors of HK$2,786,000 (2005: amount due from a director of HK$5,451,000) in respect of transactions in securities as at 31 March 2006, further details of which are set out in note 35 to the financial statements.

24. SHORT TERM LOAN RECEIVABLES

	Group	
	2006	2005
	HK$'000	HK$'000
In respect of personal and commercial loans		
– secured	**2,423**	–
– unsecured	**43**	290
Gross loans receivable *(note (a))*	**2,466**	290
Less: Impairment losses	**(43)**	(162)
Net carrying amount	**2,423**	128

24. SHORT TERM LOAN RECEIVABLES (Continued)

Note:

(a) The loans receivable bear interest at fixed annual rates at 10.75% per annum (2005: 15.00% per annum). The repayment terms of the loans are negotiated on an individual basis. The maturity profile of the loans receivable at the balance sheet date, which is analysed by the remaining periods to their contractual maturity dates, is as follows:

	Group	
	2006	2005
	HK$'000	HK$'000
On demand	**346**	290
Three months or less	**840**	–
Over three months but less than one year	**1,280**	–
	2,466	290

25. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

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

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

The overseas unlisted equity securities represents the Group's investments in an investment fund. The fair value of this investment is determined with reference to the investment fund's net asset value as of 31 March 2006.

26. SHORT TERM INVESTMENTS

Short term investments as at 31 March 2005 are set out below. Upon the application of HKAS 39 on 1 April 2005, short term investments were reclassified to financial assets at fair value through profit or loss.

	Group 2005 HK$'000	Company 2005 HK$'000
Listed equity securities, at fair value:		
Hong Kong	22,168	13,868
Elsewhere	9	–
Listed warrants in Hong Kong, at market value	79	52
Overseas unlisted equity securities, at fair value	2,568	–
	24,824	13,920

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

From the Group's ordinary business of securities and futures dealing, it receives and holds money from clients and other institutions in the course of conducting its regulated activities. These client's monies are maintained in one or more segregated bank accounts and bank time deposits. The Group manages clients' monies and places such client's monies on short term time deposits. As at 31 March 2006, the Group's clients' monies placed on 1 to 7 days short term time deposits amounted to HK$217,937,000 (2005: HK$51,869,000) with interest rates ranging from 3% to 4.72% per annum at 31 March 2006 (2005: 0.25% per annum). The Group has recognised the corresponding trade payables to respective clients and other institutions.

28. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following components:

	Group		Company	
	2006 HK$'000	2005 HK$'000	**2006 HK$'000**	2005 HK$'000
Cash and bank balances	**17,798**	21,316	**1,054**	1,349
Short term time deposits	**3,686**	5,602	**–**	–
	21,484	26,918	**1,054**	1,349

Cash at banks earn interest at floating rates based on daily bank deposits rates. Short term time deposits are placed with banks and earn interest at the respective short term bank deposit rates ranging from 2.18% to 3.90% (2005: 0.02% to 1.38%) per annum.

Included in cash and bank balances of the Group is HK$150,138 (2005: HK$970,814) of bank balances denominated in Renminbi ("RMB") placed with banks in the Mainland China. RMB is not a freely convertible currency.

29. TRADE PAYABLES

Included in the Group's trade payables as at 31 March 2006 were client payables of HK$303,487,000 (2005: HK$167,070,000) for which funds had been or would be segregated to the Group's trust bank/time deposits accounts for settlement in accordance with the securities and futures broking industry practice.

The aging analysis of the trade payables of the Group as at 31 March 2006 is as follows:

	Group	
	2006	2005
	HK$'000	HK$'000
Repayable on demand:		
Securities transactions		
– margin clients payable	**134,504**	54,299
– cash clients payable	**123,795**	93,487
Futures and options contracts		
– clients payable	**45,389**	10,236
	303,688	158,022
Within 180 days	**5,474**	20,875
Over 180 days	**54**	57
	309,216	178,954

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

Included in above, there was an amount due to a director of HK$128,000 (2005: HK$29,000) in respect of transactions in securities as at 31 March 2006, further details of which are set out in note 35 to the financial statements.

30. BORROWINGS

	Group	
	2006	2005
	HK$'000	HK$'000
Bank loans (secured)	**59,293**	85,500
Other loan (unsecured)	**20,000**	–
Total	**79,293**	85,500

At 31 March 2006, the Group's borrowings were repayable as follows:

	2006		2005	
	Bank loans	**Other loan**	Bank loans	Other loan
	HK$'000	**HK$'000**	HK$'000	HK$'000
On demand	**59,293**	**–**	85,500	–
Within one year	**–**	**20,000**	–	–
Total	**59,293**	**20,000**	85,500	–

(a) The bank loans of the Group were secured by marketable securities of HK$224 million (2005: HK$283 million) pledged to the Group by margin clients and certain of the Group's listed equity securities included under financial assets at fair value through profit or loss (2005: short term investments) and cash at bank amounting to HK$6.7 million (2005: HK$1.2 million) and HK$130,000 (2005: HK$76,000) respectively. The bank loans of the Group bears floating interest rates ranging from 6.15% to 6.95% per annum (2005: 4.5% to 4.72% per annum)

(b) Other loan of HK$20,000,000 (2005: Nil) bears fixed interest rate at 7% per annum (2005: Nil) and is repayable on 31 July 2006.

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

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

	Group	
	2006	2005
	HK$'000	HK$'000
Hong Kong dollars	**65,000**	85,500
United States dollars	**14,293**	–
	79,293	85,500

31. DEFERRED TAX

Group

As at 31 March 2006, a provision was made for deferred tax liabilities of HK$36,000 (2005: HK$36,000) calculated at the rate of 17.5% (2005: 17.5%) in respect of the temporary differences arising from accelerated depreciation allowances.

As at 31 March 2006, the principal components of the Group's unrecognised deferred tax assets/(liabilities) calculated at 17.5% (2005: 17.5%) on the cumulative temporary differences are analysed as follows:

	2006 HK$'000	2005 HK$'000
Accelerated depreciation allowances	**(211)**	(95)
Tax losses	**23,449**	23,853
Other temporary differences	**473**	421
	23,711	24,179

Deferred tax assets are recognised for tax loss carried forward to the extent that realisation of the related tax benefit through the future taxable profits is probable. The Group has unrecognised tax losses of HK$133,994,000 (2005: HK$136,303,000) to carry forward against future taxable income. The tax losses can be carried forward indefinitely. No deferred tax asset has been recognised due to the uncertainty of future profit streams against which the asset can be utilised.

Company

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

32. SHARE CAPITAL

	2006		2005	
	Number of shares	**HK$'000**	Number of shares	HK$'000
Authorised:				
Ordinary shares of HK$0.01 each	**10,000,000,000**	**100,000**	10,000,000,000	100,000
Issued and fully paid:				
Ordinary shares of HK$0.01 each				
At 1 April	**106,413,998**	**1,064**	106,413,998	1,064
Exercise of share options *(note (a))*	**7,087,172**	**71**	–	–
At 31 March	**113,501,170**	**1,135**	106,413,998	1,064

Note:

(a) Mr. Bernard Pouliot and Mr. Kenneth Lam Kin Hing, executive directors of the Company had exercised their rights to convert each of their 3,543,586 share options at the exercise price of HK$0.67 each into 7,087,172 ordinary shares of HK$0.01 each of the Company on 26 September 2005 and 20 March 2006 respectively.

33. SHARE OPTION SCHEMES

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

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

The maximum number of shares which can be granted under the Old Scheme may not exceed 10% of the issued share capital of the Company from time to time. At 31 March 2006, the number of shares issuable under outstanding share options granted under the Old Scheme were 489,600 (2005: 530,560) which represented approximately of 0.4% (2005: 0.5%) of the Company's shares in issue as at that date. The maximum number of shares in respect of which options may be granted to any employee or director may not exceed 25% of the aggregate number of shares in respect of which options are issued and issuable under the Old Scheme.

The offer of a grant of share options may be accepted within 28 days from the date of the offer, with HK$10 consideration being payable by the grantee upon acceptance. The exercise period of the share options granted is determinable by the directors, and commences after a certain vesting period and ends on a date which is not later than 10 years from the date of the offer of the share options or the expiry date of the Old 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 closing price of the Company's shares as quoted on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on the date of the offer of the share options; and (ii) 80% of the average closing price of the Company's shares as quoted on the Stock Exchange for the five trading days immediately preceding the date of the offer, and (iii) the nominal value of a share.

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

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 2006, the number of shares issuable under share options granted under the New Scheme were 3,543,586 (2005: 10,630,758), which represents approximately 3% (2005: 10%) of the Company's shares in issue as at that date. Under the New Scheme, the maximum number of shares issuable under share options to each eligible participant within any 12-month period, is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval.

33. SHARE OPTION SCHEMES (Continued)

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

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

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

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

All share option expense will be settled in equity. The Group has no legal or constructive obligation to repurchase or settle the options.

33. SHARE OPTION SCHEMES (Continued)

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

Name of category of participant	At 1 April 2005	Number of share options Exercised during the year	Lapsed during the year	At 31 March 2006	Date of grant of share options*	Exercise period of share options	Exercise price of share options HK$
Options granted under the Old Scheme							
Employees							
In aggregate	530,560	–	40,960	**489,600**	5 March 2001	5 September 2001 to 8 September 2011	1.1875
	530,560	–	40,960	**489,600**			
Options granted under the New Scheme							
Directors							
Mr. Bernard Pouliot	3,543,586	3,543,586	–	**–**	29 July 2002	29 July 2002 to 28 July 2012	0.67
Mr. Kenneth Lam Kin Hing	3,543,586	3,543,586	–	**–**	29 July 2002	29 July 2002 to 28 July 2012	0.67
Mr. Richard David Winter	3,543,586	–	–	**3,543,586**	29 July 2002	29 July 2002 to 28 July 2012	0.67
	10,630,758	7,087,172	–	**3,543,586**			

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

The options exercised during 2006 resulted in 7,087,172 ordinary shares being issued at HK$0.67 each (2005: Nil). The related weighted average share price at time of exercise was HK$0.68 per share.

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

At the balance sheet date, the Company had 489,600 and 3,543,586 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 4,033,186 additional ordinary shares of the Company and additional share capital of HK$40,332 and share premium of HK$2,915,271 (before issue expenses).

On 9 June 2006, the board of directors granted 10,600,000 share options to certain employees of the Group and a third party at HK$0.70 per share.

33. SHARE OPTION SCHEMES (Continued)

On 9 June 2006, the board of directors conditionally approved the grant of share options (the "Share Options") to the Company's executive directors and certain senior management of the Group (the "Proposed Grantees"). Pursuant to the Listing Rules, the grant of the Share Options will be subject to the approval of the independent shareholders. The Company proposes to grant the Share Options to the Proposed Grantees which entitle them to subscribe for up to 18,000,000 ordinary shares in aggregate. The subscription price of the Share Options is HK$0.70 per share, being the higher of: (i) the closing price of the Company's shares as quoted on Stock Exchange on the date of grant; (ii) the average closing price of the Company's shares as quoted on Stock Exchange for the five trading days immediately proceeding the date of grant, and (iii) the nominal value of a share. The Share Options shall be exercisable in accordance with the exercise period set out in the Company's circular dated 4 July 2006. Under the New Scheme, the Proposed Grantees are not required to achieve any performance targets before the exercise of any Share Options. The grant of the Share Options is conditional upon the obtaining of the approval of the independent shareholders and the approval from the Stock Exchange for the listing of, and permission to deal in, the Company's shares which may fall to be issued pursuant to the exercise of the Share Options.

The above share options granted on 9 June 2006 shall be valid for 10 years from date of grant or until lapsed.

34. RESERVES

(a) Group

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

	2006 **HK$'000**	2005 HK$'000
Share premium	**4,677**	–
Contributed surplus	**65,708**	65,708
Capital redemption reserve	**932**	932
Exchange reserve	**31**	–
Retained profits	**51,803**	42,923
	123,151	109,563

The movements of the Group's reserves for the current and prior years are presented in the consolidated statement of changes in equity on page 37 of the financial statements.

The Group's contributed surplus of HK$65,708,000 as at 31 March 2006 and 2005 comprises:

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

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

34. RESERVES (Continued)

(a) Group (Continued)

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

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

(b) Company

	Share premium HK$'000	Contributed surplus HK$'000	Capital redemption reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 April 2004	374,349	253,336	932	(512,864)	115,753
Transfer of share premium to contributed surplus*	(374,349)	374,349	–	–	–
Transfer of contributed surplus to accumulated losses*	–	(512,864)	–	512,864	–
Loss for the year (Total recognised income and expense for the year)	–	–	–	(7,617)	(7,617)
At 31 March 2005 and 1 April 2005	–	114,821	932	(7,617)	108,136
Exercise of share options	4,677	–	–	–	4,677
Loss for the year (Total recognised income and expense for the year)	–	–	–	(5,115)	(5,115)
At 31 March 2006	**4,677**	**114,821**	**932**	**(12,732)**	**107,698**

The Company's contributed surplus of HK$114,821,000 as at 31 March 2006 and 2005 comprises:

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

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

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

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

* Details of the transfers are set out in the consolidated statement of changes in equity on page 37 of the financial statements.

35. LOANS TO DIRECTORS

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

Group

Name of directors/ Relationship with directors	Note	At 31 March 2006 Debit/ (Credit) HK$'000	Maximum outstanding during the year HK$'000	At 1 April 2005 Debit/ (Credit) HK$'000	Margin finance facilities approved HK$'000	Securities held
Mr. Bernard Pouliot *(note 23)*	(a)	2,662	5,451	5,451	7,500	Marketable securities
Mr. Kenneth Lam Kin Hing *(note 23)*	(a)	124	139	(29)	5,000	Marketable securities
Mr. Richard David Winter *(note 29)*	(b)	(128)	77	–	1,000	N/A
Spouse of Mr. Bernard Pouliot	(a)	77	374	208	1,500	Marketable securities
Baroque Investments Limited, a company in which Mr. Bernard Pouliot had indirect interests	(a)	1,203	6,631	2,959	7,000	Marketable securities
Porto Global Limited, a company beneficially owned by Mr. Bernard Pouliot	(b)	–	799	253	1,000	N/A

(a) The loans granted under margin finance facilities to the director, spouse of the director and related company are secured by the marketable securities collateral, bear interest at prime rate plus 3% per annum (2005: prime rate plus 3% per annum) and are repayable on demand.

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

36. ASSETS HELD AS COLLATERAL

The market value of securities pledged by clients to the Group as collateral against trade receivables (2005: trade receivables) at 31 March 2006 was HK$922,496,000 (2005: HK$763,415,000).

37. OPERATING LEASE COMMITMENTS

At 31 March 2006, the total future minimum lease payments under non-cancellable operating leases, in respect of land and buildings, are payable as follows:

	Group		Company	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**7,209**	5,853	**561**	1,044
In the second to fifth years, inclusive	**6,662**	5,083	**–**	561
	13,871	10,936	**561**	1,605

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

38. UNDERWRITING COMMITMENTS

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

39. RELATED PARTY TRANSACTIONS

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

	Notes	2006 HK$'000	2005 HK$'000
Related companies			
Consultancy fee income received	(a)	**2,590**	2,874
Commission income on broking:			
Baroque Investments Limited, a company in which Mr Bernard Pouliot has indirect interests	(b)	**51**	11
Porto Global Limited, a company in which Mr Bernard Pouliot has 100% interests	(b)	**12**	1
Interest income on margin financing:			
Baroque Investments Limited, a company in which Mr Bernard Pouliot has indirect interests	(b)	**180**	67
Porto Global Limited, a company in which Mr Bernard Pouliot has 100% interests	(b)	**38**	–
Interest expense on margin financing	(c)	**(299)**	(287)
Directors			
Commission income on broking:			
Bernard Pouliot	(b)	**67**	94
Kenneth Lam Kin Hing	(b)	**105**	139
Richard David Winter	(b)	**1**	5
Interest income on margin financing:			
Bernard Pouliot	(b)	**255**	307
Kenneth Lam Kin Hing	(b)	**–**	46
Close family members of the directors			
Commission income on broking:			
Chan Wai Yin, Elizabeth, spouse of Bernard Pouliot	(b)	**5**	17
Chan Chan Yeuk Lan, mother-in-law of Bernard Pouliot	(b)	**102**	74
Chan Wai Kay, Katherine, sister-in-law of Bernard Pouliot	(b)	**60**	–
Kwok Ka Wai, Mona, spouse of Kenneth Lam Kin Hing	(b)	**16**	18
Interest income on margin financing:			
Chan Wai Yin, Elizabeth, spouse of Bernard Pouliot	(b)	**9**	23

39. RELATED PARTY TRANSACTIONS (Continued)

Notes:

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

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

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

During the year, a company of the Group was mandated to arrange a loan of HK$9 million for an independent third party borrower, who was also an existing margin borrowing customer of the Group. The Group considered it was prudent not to extend additional financing exposure to this third party. The Group company arranged a syndicated loan from a group of lenders to this third party borrower. Certain members of the syndication of lenders were directors and their close family members of the Group.

Compensation of key management personnel

Included in staff costs are key management personnel compensation and comprises the following categories:

	2006 HK$'000	2005 HK$'000
Short term employee benefits	**7,295**	6,003
Post-employment benefits	**36**	36
	7,331	6,039

40. CONTINGENT LIABILITIES

Group

(a) Litigation (Discontinued)

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 unspecified damages from the author of the 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. Subsequent to the balance sheet date, the third party and Quam (H.K.) Limited had entered into a deed of settlement in which the third party agreed to release and discontinue the claims. A consent order dated 17 May 2006 was filed with the High Court of the Hong Kong Special Administrative Region that such claim on Quam (H.K.) Limited be wholly discontinued.

40. CONTINGENT LIABILITIES (Continued)

Group (Continued)

(b) Loan guarantee (Discharged)

On 23 February 2005, a subsidiary of the Company entered into a loan guarantee agreement with a lender, in relation to a loan facility of US$800,000 (approximately HK$6.2 million) granted by the lender to a borrower for a period of 12 months commencing from 23 February 2005. The loan by the lender was secured by a floating charge over certain receivables of the borrower in relation to the leasing of furniture to its customers amounting to HK$9.8 million as at 23 February 2005. Under the guarantee, the subsidiary undertakes to indemnify the lender against all losses, liabilities, damages, costs and expenses whatsoever arising out of any failure by the borrower to make due and punctual payment of the loan and in the due and punctual performance and observances of all other obligations under the agreement. On 30 September 2005, the loan facility of US$800,000 was fully repaid by the borrower and the subsidiary was discharged from the guarantee.

Company

As at 31 March 2006, the Company has issued a limited corporate guarantee of HK$100 million (2005: HK$70 million) to banks to secure banking facilities granted to one of its subsidiaries.

41. POST BALANCE SHEET EVENTS

(i) Merger of the business of Quam Data Services Limited with Hill & Associates Group Limited

On 3 July 2006, an agreement to merge the credit and pre-employment screening business of Quam Data Services Limited with the pre-employment screening business of Hill & Associates Group Limited under a new structure under the brand name of Verify. Quam Data Services Limited shall retain a 25% equity interest in Verify and Hill & Associates Group Limited shall hold a 75% interest in Verify.

(ii) Proposed bonus issue

On 21 July 2006, the directors recommended a bonus issue to the shareholders of the Company (except overseas shareholders) on the basis of one bonus share for every four shares of the Company for approval by the shareholders at the forthcoming annual general meeting of the Company to be held on 18 September 2006. The bonus shares will be credited as fully paid by way of capitalisation of an amount of about HK$292,612 in the share premium account of the Company. The bonus shares will rank pari passu in all respects with the shares of the Company and the Company will not allot any fractions of bonus shares.

(iii) Proposed subdivision of shares

On 21 July 2006, the directors proposed that each of the existing issued and unissued shares of par value of HK$0.01 each in the share capital of the Company be subdivided into two shares of HK$0.005 each (the “Share Subdivision”). The Share Subdivision will become effective upon the passing of an ordinary resolution by the shareholders at the forthcoming annual general meeting of the Company to be held on 18 September 2006 and the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, in subdivided shares.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

Market risk

(i) Foreign exchange risk

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

(ii) Equity price risk

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

(iii) Interest rate risk

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

Credit risk

The Group's maximum exposure to credit risk in the event of the clients' and foreign brokers' failure to perform their obligations as at 31 March 2006 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet. In order to minimise the credit risk, the senior management including responsible officers of the regulated activity compile the credit and risk management policies, to approve credit limits and to determine any debt recovery action on those delinquent receivables. In addition, the Group reviews the recoverable amount for each individual account receivables at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the board of directors considers that the Group's credit risk is effectively controlled and significantly reduced.

Liquidity risk

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

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Fair values

The carrying amounts of the financial assets and financial liabilities as disclosed under current assets and current liabilities, respectively, approximate their fair values as they are all short term in nature. Analysis of the interest rate and carrying amounts of borrowings are set out in note 30 to the financial statements.

43. COMPARATIVE FIGURES

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

The reclassifications that have been made to the comparative figures in the Company's balance sheet as at 31 March 2005, to be consistent with the presentation of the current year's balance sheet, are "amounts due from subsidiaries" of HK$1,974,000 and "amounts due to subsidiaries" of HK$16,901,000 being reclassified from "interests in subsidiaries" and presented separately under non-current assets and non-current liabilities respectively.

The reclassification that has been made to the comparative figures in the consolidated income statement for the year ended 31 March 2005, to be consistent with the presentation of the current year's consolidated income statement, is the "net realised and unrealised losses on short term investments and other investments" of HK$6,195,000 being reclassified from the Group's turnover and presented separately on the consolidated income statement.

The reclassification that has been made to the comparative figures in the primary reporting format of the segment information for the year ended 31 March 2005, to be consistent with the presentation of the current year's primary reporting format of segment information, is the segment information for the asset management services segment being reclassified from the securities broking and placement segment and presented separately.