

*The following is the text of a report, prepared for the purpose of incorporation in this prospectus, received from the Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong.*



8th Floor  
Prince's Building  
10 Chater Road  
Central  
Hong Kong

12 August 2010

The Directors  
Bright Smart Securities & Commodities Group Limited

BOCOM International (Asia) Limited  
Somerville Limited

Dear Sirs,

## **INTRODUCTION**

We set out below our report on the financial information relating to Bright Smart Securities & Commodities Group Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") including the combined statements of comprehensive income, the combined statements of changes in equity and combined cash flow statements of the Group for each of the years ended 31 March 2008, 2009 and 2010 (the "Track Record Period") and the combined balance sheets of the Group as at 31 March 2008, 2009 and 2010, together with the explanatory notes thereto (the "Financial Information") for inclusion in the prospectus of the Company dated 12 August 2010 (the "Prospectus").

The Company was incorporated in the Cayman Islands on 4 August 2009 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Pursuant to a group reorganisation completed on 2 July 2010 (the "Reorganisation") as detailed in the section headed "Group reorganisation" in Appendix V to the Prospectus, the Company became the holding company of the companies now comprising the Group, details of which are set out in Section A below. The Company has not carried on any business since the date of its incorporation save for the aforementioned Reorganisation.

As at the date of this report, no audited financial statements have been prepared for the Company, Bright Smart Investment Holdings Limited, Merit Act Limited, Huge Dynasty Limited and Glow Dragon Limited, as they were incorporated shortly before 31 March 2010. We have, however, reviewed all significant transactions of these companies for the periods from their respective dates of incorporation to 31 March 2010, for the purpose of this report.

The statutory financial statements of the other companies now comprising the Group, which were prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) were audited during the Track Record Period by the respective statutory auditors as indicated below:

<b>Name of Company</b>	<b>Financial periods</b>	<b>Statutory auditors</b>
Bright Smart Securities International (H.K.) Limited	Years ended 31 March 2008 and 2009	Tam, Hui, Tse & Ho Certified Public Accountants
Bright Smart Futures & Commodities Co., Ltd	Years ended 31 March 2008 and 2009	Tam, Hui, Tse & Ho Certified Public Accountants

### **BASIS OF PREPARATION**

The Financial Information has been prepared by the directors of the Company based on the audited financial statements or, where appropriate, unaudited management accounts of the companies now comprising the Group, on the basis set out in Section A below, after making such adjustments as are appropriate. Adjustments have been made, for the purpose of this report, to restate these financial statements to conform with the accounting policies referred to in Section C, which are in accordance with HKFRSs promulgated by the HKICPA, the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”). HKFRSs include Hong Kong Accounting Standards and Interpretations.

### **RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND REPORTING ACCOUNTANTS**

The directors of the Company are responsible for the preparation and true and fair presentation of the Financial Information in accordance with HKFRSs issued by the HKICPA, the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Listing Rules. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of Financial Information that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Our responsibility is to form an opinion on the Financial Information based on our audit procedures.

### **BASIS OF OPINION**

As a basis for forming an opinion on the Financial Information, for the purpose of this report, we have carried out appropriate audit procedures in respect of the Financial Information for the Track Record Period in accordance with Hong Kong Standards on Auditing issued by the HKICPA and have carried out such additional procedures as we considered necessary in accordance with Auditing Guideline “Prospectuses and the Reporting Accountant” (Statement 3.340) issued by the HKICPA. Those standards require that we comply with ethical requirements and plan and perform our work to obtain reasonable assurance as to whether the Financial Information is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Financial Information. The procedures selected depend on the reporting accountant's judgement, including the assessment of the risks of material misstatement of the Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity's preparation and true and fair presentation of the Financial Information in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Financial Information.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

We have not audited any financial statements of the companies comprising the Group in respect of any period subsequent to 31 March 2010.

## **OPINION**

In our opinion, for the purpose of this report, all adjustments considered necessary have been made and the Financial Information, on the basis of presentation set out in Section A below and in accordance with the accounting policies set out in Section C below, gives a true and fair view of the Group's combined results and cash flows for the Track Record Period, and the state of affairs of the Group as at 31 March 2008, 2009 and 2010.

### **A. BASIS OF PRESENTATION**

Where applicable, Hong Kong Financial Reporting Standard 3 ("HKFRS 3") "Business Combinations" has been applied in the preparation of the financial information contained in the Accountants' Report for the Track Record Period. HKFRS 3 excludes, however from its scope business combinations involving entities or business under common control. As the ultimate controlling shareholder which controlled the companies now comprising the Group before and after the Reorganisation is the same and, consequently, there was a continuation of the risks and benefits to the ultimate controlling shareholder, the Financial Information has been prepared using the merger basis of accounting as if the Reorganisation had occurred as at the beginning of the earliest period presented. The net assets of the companies now comprising the Group are combined using the existing book values from the ultimate controlling shareholder's perspective.

The combined statements of comprehensive income, the combined statements of changes in equity and the combined cash flow statements of the Group as set out in Section B for the Track Record Period include the results of operations of the companies now comprising the Group for the Track Record Period as if the current group structure had been in existence throughout the entire Track Record Period. The combined balance sheets of the Group as at 31 March 2008, 2009 and 2010 as set out in Section B have been prepared to present the state of affairs of the companies comprising the Group as at the respective dates as if the current group structure had been in existence as at the respective dates.

Intra-group balances and transactions have been eliminated in full in preparing the Financial Information.

At the date of this report, the Company had direct or indirect interests in the following subsidiaries, all of which are private companies, particulars of which are set out below:

Name of Company	Place and date of incorporation	Issued and fully paid-up capital	Attributable equity interest		Principal activities
			direct	indirect	
Bright Smart Investment Holdings Limited. . . . .	British Virgin Islands (BVI)/ 22 October 2009	US\$100 at US\$1 per share	100%	—	Investment holding
Bright Smart Securities International (H.K.) Limited . . . . .	Hong Kong/ 10 August 1998	HK\$110,000,000 at HK\$1 per share	—	100%	Securities broking and margin financing
Bright Smart Futures & Commodities Co., Ltd . . . . .	Hong Kong/ 14 November 1995	HK\$20,000,000 at HK\$1 per share	—	100%	Commodities and futures broking
Merit Act Limited . . . . .	Hong Kong/ 3 November 2009	HK\$1 at HK\$1 per share	—	100%	Administrative services
Huge Dynasty Limited . . . . .	Hong Kong/ 13 January 2010	HK\$1 at HK\$1 per share	—	100%	Administrative services
Glow Dragon Limited . . . . .	Hong Kong/ 21 January 2010	HK\$1 at HK\$1 per share	—	100%	Administrative services

There has been no change in the Company's direct or indirect interest in the above subsidiaries since it became the holding company of the Group up to the date of this report.

## B. FINANCIAL INFORMATION

## 1. Combined statements of comprehensive income

	Section C Note	Year ended 31 March		
		2008 HK\$	2009 HK\$	2010 HK\$
<b>Turnover</b> . . . . .	2	176,353,024	78,742,697	140,240,061
<b>Other revenue</b> . . . . .	3	13,596,241	13,598,223	15,858,301
<b>Other net (loss)/gain</b> . . . . .	4	(451,822)	(388,456)	98,558
		189,497,443	91,952,464	156,196,920
Staff costs . . . . .	5(b)	(22,383,705)	(22,618,027)	(36,235,322)
Depreciation . . . . .		(2,537,556)	(3,506,427)	(3,608,315)
Other operating expenses . . . . .	5(c)	(32,733,432)	(38,040,632)	(35,743,667)
<b>Profit from operations</b> . . . . .		131,842,750	27,787,378	80,609,616
Finance costs . . . . .	5(a)	(59,702,174)	(2,775,718)	(8,398,836)
<b>Profit before taxation</b> . . . . .	5	72,140,576	25,011,660	72,210,780
Income tax . . . . .	6	(12,056,535)	(3,876,306)	(11,926,761)
<b>Net profit and total comprehensive income attributable to equity shareholders for the year</b> . . . . .		<u>60,084,041</u>	<u>21,135,354</u>	<u>60,284,019</u>
<b>Earnings per share</b>				
Basic and diluted (cents) . . . . .	9	<u>12.02</u>	<u>4.23</u>	<u>12.06</u>

The accompanying notes form part of the Financial Information. Details of dividends declared during the year are set out in note 22(b).

## 2. Combined balance sheets

	Section C Note	As at 31 March		
		2008	2009	2010
		HK\$	HK\$	HK\$
<b>Non-current assets</b>				
Fixed assets . . . . .	11	9,206,313	7,165,834	7,191,201
Deferred tax assets . . . . .	21(b)	—	—	464,985
Other non-current assets . . . . .	12	<u>2,400,000</u>	<u>2,320,000</u>	<u>4,582,607</u>
<b>Total non-current assets . . . . .</b>		<u>11,606,313</u>	<u>9,485,834</u>	<u>12,238,793</u>
<b>Current assets</b>				
Accounts receivable . . . . .	13	247,943,542	222,332,823	763,133,465
Other receivables, deposits and prepayments . . . . .	14	5,066,425	3,276,168	9,420,641
Cash and cash equivalents . . . . .	15	<u>164,324,949</u>	<u>163,041,822</u>	<u>157,531,612</u>
<b>Total current assets . . . . .</b>		<u>417,334,916</u>	<u>388,650,813</u>	<u>930,085,718</u>
<b>Current liabilities</b>				
Accounts payable . . . . .	17	139,779,811	153,366,495	189,095,829
Accrued expenses and other payables . . . . .	18	13,031,346	6,669,184	151,256,284
Amount due to a related company . . . . .	25(b)(iv)	80,000,000	29,100,000	—
Bank loans . . . . .	19	—	—	441,000,000
Current taxation . . . . .	21(a)	<u>9,340,847</u>	<u>895,908</u>	<u>8,920,966</u>
<b>Total current liabilities . . . . .</b>		<u>242,152,004</u>	<u>190,031,587</u>	<u>790,273,079</u>
<b>Net current assets . . . . .</b>		<u>175,182,912</u>	<u>198,619,226</u>	<u>139,812,639</u>
<b>Total assets less current liabilities . . . . .</b>		186,789,225	208,105,060	152,051,432
<b>Non-current liabilities</b>				
Deferred tax liabilities . . . . .	21(b)	<u>107,175</u>	<u>287,656</u>	<u>—</u>
<b>Net assets . . . . .</b>		<u>186,682,050</u>	<u>207,817,404</u>	<u>152,051,432</u>
<b>Equity</b>				
Share capital . . . . .	22(a)	110,000,000	110,000,000	130,000,009
Retained profits . . . . .		<u>76,682,050</u>	<u>97,817,404</u>	<u>22,051,423</u>
<b>Total equity . . . . .</b>		<u>186,682,050</u>	<u>207,817,404</u>	<u>152,051,432</u>

The accompanying notes form part of the Financial Information.

## 3. Combined statements of changes in equity

	Section C Note	Attributable to equity shareholders of the Company		
		Share capital	Retained profits	Total equity
		HK\$	HK\$	HK\$
At 1 April 2007 . . . . .		105,000,000	16,598,009	121,598,009
Issued during the year . . .	22(a)	5,000,000	—	5,000,000
Total comprehensive income for the year . . .		—	60,084,041	60,084,041
At 31 March 2008 . . . . .		110,000,000	76,682,050	186,682,050
Total comprehensive income for the year . . .		—	21,135,354	21,135,354
At 31 March 2009 . . . . .		110,000,000	97,817,404	207,817,404
Issued during the year . . .	22(a)	20,000,009	—	20,000,009
Total comprehensive income for the year . . .		—	60,284,019	60,284,019
Dividends declared during the year . . . . .	22(b)	—	(136,050,000)	(136,050,000)
At 31 March 2010 . . . . .		<u>130,000,009</u>	<u>22,051,423</u>	<u>152,051,432</u>

The accompanying notes form part of the Financial Information.

## 4. Combined cash flow statements

	Section C Note	Year ended 31 March		
		2008	2009	2010
		HK\$	HK\$	HK\$
<b>Operating activities</b>				
Cash generated from/ (used in) operations . . .	15(b)	2,567,334,261	60,710,242	(424,183,839)
Hong Kong Profits Tax paid . . . . .		<u>(3,900,155)</u>	<u>(12,140,764)</u>	<u>(4,654,344)</u>
<b>Net cash generated from/ (used in) operating activities . . . . .</b>		<u>2,563,434,106</u>	<u>48,569,478</u>	<u>(428,838,183)</u>
<b>Investing activities</b>				
Payment for purchase of fixed assets . . . . .		(10,321,507)	(1,465,948)	(3,640,315)
Proceeds from sale of fixed assets . . . . .		7,000	—	450,000
Interest received . . . . .		<u>8,021,645</u>	<u>5,289,061</u>	<u>3,017,115</u>
<b>Net cash (used in)/ generated from investing activities . . .</b>		<u>(2,292,862)</u>	<u>3,823,113</u>	<u>(173,200)</u>
<b>Financing activities</b>				
Repayment of bank loans .		(2,419,000,000)	—	—
Proceeds from bank loans		—	—	441,000,000
Repayment of sub-ordinated loan due to a related company . .		(100,000,000)	—	—
Proceed from amount due to a related company . .		80,000,000	—	—
Repayment of amount due to a related company . .		—	(50,900,000)	(29,100,000)
Interest paid . . . . .		(59,702,174)	(2,775,718)	(8,398,836)
Proceeds from shares issued . . . . .		<u>5,000,000</u>	<u>—</u>	<u>20,000,009</u>
<b>Net cash (used in)/ generated from financing activities . . .</b>		<u>(2,493,702,174)</u>	<u>(53,675,718)</u>	<u>423,501,173</u>
<b>Net increase/(decrease) in cash and cash equivalents . . . . .</b>		67,439,070	(1,283,127)	(5,510,210)
<b>Cash and cash equivalents at 1 April .</b>		<u>96,885,879</u>	<u>164,324,949</u>	<u>163,041,822</u>
<b>Cash and cash equivalents at 31 March . . . . .</b>	15(a)	<u>164,324,949</u>	<u>163,041,822</u>	<u>157,531,612</u>

The accompanying notes form part of the Financial Information.

**C. NOTES TO THE FINANCIAL INFORMATION****1. Significant accounting policies****(a) *Statement of compliance***

The Financial Information set out in this report has been prepared in accordance with HKFRSs, which collective term includes Hong Kong Accounting Standards and related interpretations, promulgated by the HKICPA. Further details of the significant accounting policies adopted are set out in the remainder of this Section C.

The HKICPA has issued a number of new and revised HKFRSs. For the purpose of preparing this Financial Information, the Group has adopted all these new and revised HKFRSs to the Track Record Period, except for any new standards or interpretations that are not yet effective for the accounting period ended 31 March 2010. The revised and new accounting standards and interpretations issued but not yet effective for the accounting period beginning 1 April 2009 are set out in note 28.

This Financial Information also complies with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The accounting policies set out below have been applied consistently to all periods presented in the Financial Information.

**(b) *Basis of combination***

The Financial Information comprises the Company and its subsidiaries and has been prepared using the merger basis of accounting as if the Group had always been in existence, as further explained in Section A.

**(c) *Basis of measurement***

The Financial Information is presented in Hong Kong Dollars ("HKD"). It is prepared on the historical cost basis.

**(d) *Use of estimates and judgements***

The preparation of Financial Information in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

**(e) *Subsidiaries***

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the Financial Information from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the Financial Information. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

**(f) *Business combinations involving entities under common control***

Merger accounting is adopted for common control combinations in which all of the combining entities are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory.

The combined Financial Information incorporates the financial statements items of the combining entities in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities are combined using the existing book values from the controlling parties' perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling interest.

The combined statements of comprehensive income include the results of each of the combining entities from the earliest date presented or since the date when combining entities first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the combined Financial Information are presented as if the entities or businesses had been combined at the previous balance sheet date or when they first came under common control, whichever is shorter.

**(g) *Fixed assets***

Fixed assets are stated in the combined balance sheets at cost less accumulated depreciation and impairment losses (see note 1(i)).

Gains or losses arising from the retirement or disposal of an item of fixed assets are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

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

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

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

**(h) *Operating lease charges***

Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases. Where the Group has the use of assets under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease terms, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

**(i) *Impairment of assets***

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

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

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

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

(ii) *Impairment of fixed assets*

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

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

— Calculation of recoverable amount

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

— Recognition of impairment losses

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

— Reversals of impairment losses

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

**(j) *Accounts receivable and other receivables***

Accounts receivable and other receivables are initially recognised at fair value and thereafter stated at amortised cost less allowance for impairment of doubtful debts (see note 1(i)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts (see note 1(i)).

**(k) *Accounts payable and other payables***

Accounts payable and other payables are initially recognised at fair value and thereafter stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

**(l) *Interest-bearing borrowings***

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

**(m) *Cash and cash equivalents***

Cash and cash equivalents comprise cash at bank and on hand, and demand deposits with banks.

**(n) *Employee benefits***

- (i) Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees.
- (ii) Contributions to Mandatory Provident Funds as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance are recognised as an expense in profit or loss as incurred.

**(o) *Income tax***

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

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

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

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

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

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

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

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

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

- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
  - the same taxable entity; or
  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

**(p) *Provisions and contingent liabilities***

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

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

**(q) *Revenue recognition***

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

**(i) *Brokerage commission income***

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

**(ii) *Interest income***

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

(iii) *Handling and settlement fee income*

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

(r) *Translation of foreign currencies*

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates.

(s) *Fiduciary activities*

The Group commonly acts as trustees and in other fiduciary capacities that result in the holding or placing of assets on behalf of its customers. These assets and income arising thereon are excluded from the Financial Information, as they are not assets of the Group.

(t) *Related parties*

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

- (i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;
- (ii) the Group and the party are subject to common control;
- (iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;
- (iv) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;
- (v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or
- (vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

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

**(u) Segment reporting**

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

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

**2. Turnover**

The principal activities of the Group are securities broking, margin financing and commodities and futures broking.

Turnover represents the brokerage commission from securities, commodities and futures broking and interest income from margin and initial public offering ("IPO") financing as follows:

	Year ended 31 March		
	2008	2009	2010
	HK\$	HK\$	HK\$
Brokerage commission . . . . .	104,121,211	72,536,416	114,638,993
Interest income from margin financing . . . . .	16,226,366	6,040,728	15,488,669
Interest income from IPO financing . . . . .	56,005,447	165,553	10,112,399
	<u>176,353,024</u>	<u>78,742,697</u>	<u>140,240,061</u>

The Group's customer base is diversified and no customer had transactions which exceeded 10% of the Group's revenue.

**3. Other revenue**

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

## 4. Other net (loss)/gain

	Year ended 31 March		
	2008	2009	2010
	HK\$	HK\$	HK\$
(Loss)/gain on disposal of fixed assets . . . . .	(61,476)	—	443,367
Error trades arising from securities, commodities and futures dealing . . . . .	(390,346)	(383,479)	(420,281)
Net foreign exchange (loss)/gain . . . . .	—	(4,977)	75,472
	<u>(451,822)</u>	<u>(388,456)</u>	<u>98,558</u>

## 5. Profit before taxation

*Profit before taxation is arrived at after charging:*

	Year ended 31 March		
	2008	2009	2010
	HK\$	HK\$	HK\$
(a) Finance costs:			
Interest expense on			
— Bank loans for IPO financing . . . . .	52,180,923	77,633	5,543,040
— Other bank loans and overdrafts . . . . .	2,407,333	1,640	1,884,742
— Loans from related companies . . . . .	5,113,918	2,696,445	971,054
	<u>59,702,174</u>	<u>2,775,718</u>	<u>8,398,836</u>
(b) Staff costs:			
Salaries, allowances and benefits in kind . . . . .	14,915,057	19,955,297	26,265,935
Discretionary bonuses . . . . .	6,794,306	1,865,970	9,026,112
Contributions to Mandatory Provident Fund . . . . .	674,342	796,760	943,275
	<u>22,383,705</u>	<u>22,618,027</u>	<u>36,235,322</u>
(c) Other operating expenses:			
Advertising and promotion expenses . . . . .	4,767,493	8,981,533	3,639,110
Auditors' remuneration . . . . .	140,800	132,800	500,000
Commission expense to overseas brokers . . . . .	—	24,378	1,222,037
Handling and settlement expenses . . . . .	8,941,860	7,622,085	10,157,947
Information and communication expenses . . . . .	5,929,773	8,026,908	9,009,477
Legal and professional fees . . . . .	208,393	801,432	300,486
Management fee ( <i>note 25(c)(iv)</i> ) . . . . .	1,200,000	—	—
Operating lease payments — property rentals . . . . .	6,272,274	7,644,646	5,001,547
Rates and building management fee . . . . .	906,221	939,704	1,005,676
Miscellaneous expenses . . . . .	4,366,618	3,867,146	4,907,387
	<u>32,733,432</u>	<u>38,040,632</u>	<u>35,743,667</u>

## 6. Income tax in the combined statements of comprehensive income

## (a) Taxation in the combined statements of comprehensive income represents:

	Year ended 31 March		
	2008	2009	2010
	HK\$	HK\$	HK\$
<b>Current tax — Hong Kong Profits Tax</b>			
Provision for the year . . . . .	11,565,617	3,746,578	12,673,473
(Over)/under-provision in respect of prior years . . . . .	—	(50,753)	5,929
	<u>11,565,617</u>	<u>3,695,825</u>	<u>12,679,402</u>
<b>Deferred tax</b>			
Origination and reversal of temporary differences ( <i>note 21(b)</i> ) . . . . .	490,918	186,606	(752,641)
Effect on deferred tax balance at 1 April 2008 resulting from a change in tax rate ( <i>note 21(b)</i> ) . . . . .	—	(6,125)	—
	<u>12,056,535</u>	<u>3,876,306</u>	<u>11,926,761</u>

The provision for Hong Kong Profits Tax for the years ended 31 March 2009 and 2010 is calculated at 16.5% (2008: 17.5%) of the estimated assessable profits for the years.

## (b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	Year ended 31 March		
	2008	2009	2010
	HK\$	HK\$	HK\$
Profit before taxation . . . . .	<u>72,140,576</u>	<u>25,011,660</u>	<u>72,210,780</u>
Notional tax on profit before taxation, calculated at 16.5% (2008: 17.5%) . . . . .	12,624,601	4,126,924	11,914,779
Effect on deferred tax balance at 1 April 2008 resulting from a change in tax rate . . . . .	—	(6,125)	—
Tax effect of non-deductible expenses . . . . .	14,294	3,152	13,097
Tax effect of non-taxable revenue . . . . .	(625,895)	(168,874)	(37,585)
Tax effect of utilisation of unused tax losses not recognised . . . . .	(33,573)	—	—
(Over)/under-provision in respect of prior years . . . . .	—	(50,753)	5,929
Others . . . . .	<u>77,108</u>	<u>(28,018)</u>	<u>30,541</u>
Actual tax expense . . . . .	<u>12,056,535</u>	<u>3,876,306</u>	<u>11,926,761</u>

## 7. Directors' remuneration

The remuneration paid or payable to each of the directors during the Track Record Period were as follows:

*Year ended 31 March 2008*

	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Contributions to Mandatory Provident Fund	Total
	HK\$	HK\$	HK\$	HK\$	HK\$
Yip Mow Lum . . . . .	—	448,000	—	12,000	460,000
Chan Kai Fung . . . . .	—	894,000	1,666,833	11,000	2,571,833
Kwok Sze Chi . . . . .	—	—	—	—	—
Chan Wing Shing, Wilson . .	—	291,942	140,190	12,000	444,132
Hui Wah Chiu . . . . .	—	—	—	—	—
Yu Yun Kong . . . . .	—	—	—	—	—
Szeto Wai Sun . . . . .	—	—	—	—	—
Ling Kwok Fai, Joseph . . . .	—	—	—	—	—
Total . . . . .	—	1,633,942	1,807,023	35,000	3,475,965

*Year ended 31 March 2009*

	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Contributions to Mandatory Provident Fund	Total
	HK\$	HK\$	HK\$	HK\$	HK\$
Yip Mow Lum . . . . .	—	588,000	—	12,000	600,000
Chan Kai Fung . . . . .	—	551,797	1,593,248	11,000	2,156,045
Kwok Sze Chi . . . . .	—	573,419	72,560	4,000	649,979
Chan Wing Shing, Wilson . .	—	348,000	51,571	12,000	411,571
Hui Wah Chiu . . . . .	—	—	—	—	—
Yu Yun Kong . . . . .	—	—	—	—	—
Szeto Wai Sun . . . . .	—	—	—	—	—
Ling Kwok Fai, Joseph . . . .	—	—	—	—	—
Total . . . . .	—	2,061,216	1,717,379	39,000	3,817,595

*Year ended 31 March 2010*

	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Contributions to Mandatory Provident Fund	Total
	HK\$	HK\$	HK\$	HK\$	HK\$
Yip Mow Lum . . . . .	—	450,000	—	12,000	462,000
Chan Kai Fung . . . . .	—	480,000	1,055,656	12,000	1,547,656
Kwok Sze Chi . . . . .	—	1,200,000	1,054,222	12,000	2,266,222
Chan Wing Shing, Wilson . .	—	402,000	138,384	12,000	552,384
Hui Wah Chiu . . . . .	—	142,857	—	—	142,857
Yu Yun Kong . . . . .	—	—	—	—	—
Szeto Wai Sun . . . . .	—	—	—	—	—
Ling Kwok Fai, Joseph . . . .	—	—	—	—	—
Total . . . . .	—	<u>2,674,857</u>	<u>2,248,262</u>	<u>48,000</u>	<u>4,971,119</u>

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

**8. Individual with highest emoluments**

The five individuals with the highest emoluments include 3 directors for the year ended 31 March 2008, 3 directors for the year ended 31 March 2009 and 3 directors for the year ended 31 March 2010 whose emoluments are disclosed in note 7. The aggregate of the emoluments in respect of the remaining individuals are as follows:

	Year ended 31 March		
	2008	2009	2010
	HK\$	HK\$	HK\$
Salaries, allowances and benefits in kind . . . . .	791,000	1,260,274	2,700,000
Discretionary bonuses . . . . .	231,659	75,091	1,335,510
Contributions to Mandatory Provident Fund . . .	20,000	18,000	23,000
	<u>1,042,659</u>	<u>1,353,365</u>	<u>4,058,510</u>
	Numbers of individuals		
	Year ended 31 March		
	2008	2009	2010
Nil to HK\$1,000,000 . . . . .	2	2	1
HK\$3,000,001 to HK\$3,500,000 . . . . .	<u>Nil</u>	<u>Nil</u>	<u>1</u>

In March 2009, an amount of HK\$1,000,000 was paid to Wong Wing Man, the present head of Information Technology Department of the Group, as an inducement upon joining the Group, of which HK\$4,169 and HK\$100,000 were recognised as staff costs in the years ended 31 March 2009 and 2010 respectively.

Except for the above, no emoluments have been paid to these individuals as an inducement to join or upon joining the Group or as compensation for loss of office during the Track Record Period.

## 9. Earnings per share

The calculation of basic earnings per share for the Track Record Period is based on the net profit attributable to equity shareholders of the Company for each of the years ended 31 March 2008, 2009 and 2010, and on the number of shares in issue as at the date of the Prospectus as if the shares were outstanding throughout the entire Track Record Period.

There were no dilutive potential ordinary shares during the Track Record Period, therefore, basic earnings per share equals to diluted earnings per share.

## 10. Segment reporting

The Group manages its businesses by divisions, which are organised by business lines. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following two reportable segments. No operating segments have been aggregated to form the following reportable segments.

- Securities broking — provision of broking services in securities traded in Hong Kong and margin financing services to those broking clients.
- Commodities and futures broking — provision of broking services in commodities and futures contracts traded in Hong Kong and selected overseas markets.

### (a) *Segment results, assets and liabilities*

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible assets and current assets with the exception of deferred tax assets and other corporate assets. Segment liabilities include trade creditors and accruals attributable to the activities of the individual segments.

The measure used for reporting segment profit is earnings before finance costs and taxes ("EBIT"). To arrive at EBIT, the Group's earnings are further adjusted for items not specifically attributed to individual segments, such as corporate administration costs.

(b) *Segment information*

	Year ended 31 March 2008		
	Securities broking	Commodities and futures broking	Total
	HK\$	HK\$	HK\$
Revenue from external customers:			
— Brokerage commission . . . . .	100,313,962	3,807,249	104,121,211
— Interest income from margin financing . . . . .	16,226,366	—	16,226,366
— Interest income from IPO financing . . . . .	56,005,447	—	56,005,447
Combined turnover . . . . .	172,545,775	3,807,249	176,353,024
Handling and settlement fees . . . . .	5,435,274	—	5,435,274
Reportable segment revenue . . . . .	<u>177,981,049</u>	<u>3,807,249</u>	<u>181,788,298</u>
Reportable segment profit (EBIT) . . . . .	<u>129,794,337</u>	<u>2,048,413</u>	<u>131,842,750</u>
Depreciation for the year . . . . .	(2,517,815)	(19,741)	(2,537,556)
Other interest income . . . . .	7,428,734	592,911	8,021,645
Finance costs . . . . .	(59,702,174)	—	(59,702,174)
Additions to non-current segment assets during the year . . . . .	<u>10,321,507</u>	<u>—</u>	<u>10,321,507</u>
	As at the 31 March 2008		
	Securities broking	Commodities and futures broking	Total
	HK\$	HK\$	HK\$
Reportable segment assets . . . . .	373,944,333	54,996,896	428,941,229
Reportable segment liabilities . . . . .	<u>(201,179,323)</u>	<u>(31,631,834)</u>	<u>(232,811,157)</u>
	Year ended 31 March 2009		
	Securities broking	Commodities and futures broking	Total
	HK\$	HK\$	HK\$
Revenue from external customers:			
— Brokerage commission . . . . .	62,324,668	10,211,748	72,536,416
— Interest income from margin financing . . . . .	6,040,728	—	6,040,728
— Interest income from IPO financing . . . . .	165,553	—	165,553
Combined turnover . . . . .	68,530,949	10,211,748	78,742,697
Handling and settlement fees . . . . .	7,998,870	—	7,998,870
Reportable segment revenue . . . . .	<u>76,529,819</u>	<u>10,211,748</u>	<u>86,741,567</u>
Reportable segment profit (EBIT) . . . . .	<u>21,190,610</u>	<u>6,596,768</u>	<u>27,787,378</u>
Depreciation for the year . . . . .	(3,486,687)	(19,740)	(3,506,427)
Other interest income . . . . .	4,867,480	421,581	5,289,061
Finance costs . . . . .	(2,775,718)	—	(2,775,718)
Additions to non-current segment assets during the year . . . . .	<u>1,465,948</u>	<u>—</u>	<u>1,465,948</u>

	As at the 31 March 2009		
	Securities broking	Commodities and futures broking	Total
	HK\$	HK\$	HK\$
Reportable segment assets . . . . .	312,242,088	85,894,559	398,136,647
Reportable segment liabilities . . . . .	<u>(132,624,842)</u>	<u>(56,510,837)</u>	<u>(189,135,679)</u>

	Year ended 31 March 2010		
	Securities broking	Commodities and futures broking	Total
	HK\$	HK\$	HK\$
Revenue from external customers:			
— Brokerage commission . . . . .	92,702,616	21,936,377	114,638,993
— Interest income from margin financing . . . . .	15,488,669	—	15,488,669
— Interest income from IPO financing . . . . .	10,112,399	—	10,112,399
Combined turnover . . . . .	118,303,684	21,936,377	140,240,061
Handling and settlement fees . . . . .	12,418,586	—	12,418,586
Reportable segment revenue . . . . .	<u>130,722,270</u>	<u>21,936,377</u>	<u>152,658,647</u>
Reportable segment profit (EBIT) . . . . .	<u>65,468,556</u>	<u>15,185,823</u>	<u>80,654,379</u>
Depreciation for the year . . . . .	(3,584,272)	(24,043)	(3,608,315)
Other interest income . . . . .	2,997,984	19,131	3,017,115
Finance costs . . . . .	(8,398,836)	—	(8,398,836)
Additions to non-current segment assets during the year . . . . .	<u>3,611,630</u>	<u>28,685</u>	<u>3,640,315</u>

	As at the 31 March 2010		
	Securities broking	Commodities and futures broking	Total
	HK\$	HK\$	HK\$
Reportable segment assets . . . . .	831,975,174	109,883,352	941,858,526
Reportable segment liabilities . . . . .	<u>(694,156,408)</u>	<u>(87,149,951)</u>	<u>(781,306,359)</u>

(c) *Reconciliation of reportable segment profit, assets and liabilities*

	Year ended 31 March		
	2008	2009	2010
	HK\$	HK\$	HK\$
<b>Profit</b>			
Reportable segment profit (EBIT) . . . . .	131,842,750	27,787,378	80,654,379
Finance costs . . . . .	(59,702,174)	(2,775,718)	(8,398,836)
Unallocated corporate expenses . . . . .	—	—	(44,763)
Combined profit before taxation . . . . .	<u>72,140,576</u>	<u>25,011,660</u>	<u>72,210,780</u>

	As at 31 March		
	2008	2009	2010
	HK\$	HK\$	HK\$
<b>Assets</b>			
Reportable segment assets . . . . .	428,941,229	398,136,647	941,858,526
Deferred tax assets . . . . .	—	—	464,985
Unallocated corporate assets . . . . .	—	—	1,000
Combined total assets . . . . .	<u>428,941,229</u>	<u>398,136,647</u>	<u>942,324,511</u>
<b>Liabilities</b>			
Reportable segment liabilities . . . . .	(232,811,157)	(189,135,679)	(781,306,359)
Current taxation . . . . .	(9,340,847)	(895,908)	(8,920,966)
Deferred tax liabilities . . . . .	(107,175)	(287,656)	—
Unallocated corporate liabilities . . . . .	—	—	(45,754)
Combined total liabilities . . . . .	<u>(242,259,179)</u>	<u>(190,319,243)</u>	<u>(790,273,079)</u>

## 11. Fixed assets

	Leasehold improvements	Motor vehicles	Office equipment	Furniture and fixtures	Computers and software	Total
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
<b>Cost:</b>						
At 1 April 2007 . . . . .	18,000	1,049,000	1,916,248	1,807,400	317,015	5,107,663
Additions . . . . .	6,000,192	—	801,707	743,358	2,776,250	10,321,507
Disposals . . . . .	(18,000)	—	(78,500)	—	—	(96,500)
At 31 March 2008 . . . . .	6,000,192	1,049,000	2,639,455	2,550,758	3,093,265	15,332,670
At 1 April 2008 . . . . .	6,000,192	1,049,000	2,639,455	2,550,758	3,093,265	15,332,670
Additions . . . . .	378,588	—	255,543	201,963	629,854	1,465,948
At 31 March 2009 . . . . .	6,378,780	1,049,000	2,894,998	2,752,721	3,723,119	16,798,618
At 1 April 2009 . . . . .	6,378,780	1,049,000	2,894,998	2,752,721	3,723,119	16,798,618
Additions . . . . .	1,430,181	175,000	421,197	656,234	957,703	3,640,315
Disposals . . . . .	—	(1,049,000)	—	—	—	(1,049,000)
At 31 March 2010 . . . . .	7,808,961	175,000	3,316,195	3,408,955	4,680,822	19,389,933
<b>Accumulated depreciation:</b>						
At 1 April 2007 . . . . .	7,200	819,600	1,133,745	1,464,482	191,798	3,616,825
Charge for the year . . . . .	1,286,319	149,800	383,486	349,740	368,211	2,537,556
Written back on disposals . . . . .	(8,400)	—	(19,624)	—	—	(28,024)
At 31 March 2008 . . . . .	1,285,119	969,400	1,497,607	1,814,222	560,009	6,126,357
At 1 April 2008 . . . . .	1,285,119	969,400	1,497,607	1,814,222	560,009	6,126,357
Charge for the year . . . . .	2,095,325	39,800	422,497	271,461	677,344	3,506,427
At 31 March 2009 . . . . .	3,380,444	1,009,200	1,920,104	2,085,683	1,237,353	9,632,784
At 1 April 2009 . . . . .	3,380,444	1,009,200	1,920,104	2,085,683	1,237,353	9,632,784
Charge for the year . . . . .	2,226,938	36,084	333,959	210,336	800,998	3,608,315
Written back on disposals . . . . .	—	(1,042,367)	—	—	—	(1,042,367)
At 31 March 2010 . . . . .	5,607,382	2,917	2,254,063	2,296,019	2,038,351	12,198,732
<b>Net book value:</b>						
At 31 March 2008 . . . . .	4,715,073	79,600	1,141,848	736,536	2,533,256	9,206,313
At 31 March 2009 . . . . .	2,998,336	39,800	974,894	667,038	2,485,766	7,165,834
At 31 March 2010 . . . . .	2,201,579	172,083	1,062,132	1,112,936	2,642,471	7,191,201

## 12. Other non-current assets

	As at 31 March		
	2008	2009	2010
	HK\$	HK\$	HK\$
Statutory deposits with exchanges and clearing houses . . . . .	2,400,000	2,320,000	4,582,607

**13. Accounts receivable**

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

Accounts receivable from cash clients are aged within 30 days. These balances relate to a wide range of customers for whom there was no recent history of default. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are considered fully recoverable.

Margin loans due from margin clients are current and repayable on demand. Margin clients are required to pledge securities collateral to the Group in order to obtain credit facilities for securities trading. The amount of credit facilities granted to them is determined by the discounted value of securities accepted by the Group. At 31 March 2008, 2009 and 2010, the total market value of securities pledged as collateral in respect of the loans to margin clients was approximately HK\$649,641,464, HK\$435,323,475 and HK\$1,934,244,187 respectively.

Accounts receivable from clearing houses, brokers and dealers are current. These represent (1) trades pending settlement arising from the business of dealing in securities, which are normally due within a few days after the trade date and (2) margin deposits arising from the business of dealing in future contracts.

Further details on the Group's credit policy are set out in note 24(a).

**14. Other receivables, deposits and prepayments**

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

Included in the above balances are amounts of HK\$3,180,042, HK\$2,673,899 and HK\$2,470,188 as at 31 March 2008, 2009 and 2010 respectively which are expected to be recovered in more than one year.

## 15. Cash and cash equivalents

(a) *Cash and cash equivalents comprise:*

	As at 31 March		
	2008	2009	2010
	HK\$	HK\$	HK\$
Deposits with banks . . . . .	159,151,348	116,683,514	63,572,823
Cash at bank and in hand . . . . .	5,173,601	46,358,308	93,958,789
	<u>164,324,949</u>	<u>163,041,822</u>	<u>157,531,612</u>

The Group maintains segregated accounts with authorised institutions to hold client money in the normal course of business.

At 31 March 2008, 2009 and 2010, client money maintained in segregated accounts not otherwise dealt with in the Financial Information amounted to HK\$411,120,431, HK\$364,086,790 and HK\$624,623,827 respectively.

(b) *Reconciliation of profit before taxation to cash generated from/(used in) operations:*

	Year ended 31 March		
	2008	2009	2010
	HK\$	HK\$	HK\$
Profit before taxation . . . . .	72,140,576	25,011,660	72,210,780
Adjustments for:			
— Depreciation . . . . .	2,537,556	3,506,427	3,608,315
— Finance costs . . . . .	59,702,174	2,775,718	8,398,836
— Interest income (excluding interest income from margin and IPO financings) . . . . .	(8,021,645)	(5,289,061)	(3,017,115)
— Loss/(gain) on disposals of fixed assets	61,476	—	(443,367)
Changes in working capital:			
— Decrease/(increase) in other non-current assets . . . . .	200,825	80,000	(2,262,607)
— Decrease/(increase) in accounts receivable . . . . .	2,324,632,317	25,610,719	(540,800,642)
— Decrease/(increase) in other receivables, deposits and prepayments . . . . .	4,605,979	1,790,257	(6,144,473)
— Increase in accounts payable . . . . .	103,868,596	13,586,684	35,729,334
— Increase/(decrease) in accrued expenses and other payables . . . . .	7,606,407	(6,362,162)	8,537,100
Cash generated from/(used in) operations . . .	<u>2,567,334,261</u>	<u>60,710,242</u>	<u>(424,183,839)</u>

**16. Loan to an officer**

Loan to an officer of the Group disclosed pursuant to section 161B of the Hong Kong Companies Ordinance are as follows:

***Loan made by the Group***

Name of borrower	Chan Wing Shing, Wilson
Position	Director
Terms of the loan	
— duration and repayment terms	40 monthly instalments of HK\$5,000 each from 1 November 2006 to 1 March 2010
— loan amount	HK\$200,000
— interest rate	Interest-free
— security/guarantee	Nil
Balance of the loan	
— at 31 March 2007	HK\$180,000
— at 31 March 2008	HK\$120,000
— at 31 March 2009	HK\$60,000
— at 31 March 2010	Nil
Maximum balance outstanding	
— during the year ended 31 March 2010	HK\$55,000
— during the year ended 31 March 2009	HK\$115,000
— during the year ended 31 March 2008	HK\$175,000

The loan to an officer of the Group was fully settled prior to 31 March 2010. There was no amount due but unpaid, nor any provision made against the principal amount of these loans at 31 March 2008, 2009 and 2010.

**17. Accounts payable**

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

All of the accounts payable are due within one month or on demand.

**18. Accrued expenses and other payables**

	As at 31 March		
	2008	2009	2010
	HK\$	HK\$	HK\$
Commission rebate payable . . . . .	5,743,781	2,767,510	4,822,379
Accrued bonuses . . . . .	3,119,835	715,375	4,289,438
Stamp duty, trading levy and trading fee payables . . . . .	2,666,355	1,687,291	2,285,525
Dividends payable ( <i>note 22(b)</i> ) . . . . .	—	—	136,050,000
Other payables . . . . .	1,501,375	1,499,008	3,808,942
	<u>13,031,346</u>	<u>6,669,184</u>	<u>151,256,284</u>

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

**19. Bank loans**

	As at 31 March		
	2008	2009	2010
	HK\$	HK\$	HK\$
Secured short-term bank loans . . . . .	<u>—</u>	<u>—</u>	<u>441,000,000</u>

All the bank loans are repayable within one year and classified as current liabilities. The carrying amounts of the bank borrowings approximate their fair value.

The bank loans as at 31 March 2010 are interest-bearing at 1.05% per annum. Securities collateral deposited by the Group's margin clients was re-pledged to banks to secure these loan facilities. The fair value of the collateral re-pledged to banks as at 31 March 2010 amounted to HK\$757,588,500. Such banking facilities amounted to HK\$1,016,000,000 and were utilised to the extent of HK\$441,000,000.

**20. Employee retirement benefits — defined contribution retirement plan**

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

## 21. Income tax in the combined balance sheets

## (a) Current taxation in the combined balance sheets represents:

	As at 31 March		
	2008	2009	2010
	HK\$	HK\$	HK\$
Provision for Hong Kong Profits Tax for the year . . . . .	11,565,617	3,746,578	12,673,473
Provisional Profits Tax paid . . . . .	<u>(2,224,770)</u>	<u>(2,850,670)</u>	<u>(3,752,507)</u>
	<u>9,340,847</u>	<u>895,908</u>	<u>8,920,966</u>

## (b) Deferred tax (assets)/liabilities represent:

The components of deferred tax (assets)/liabilities recognised in the combined balance sheets and the movements during the year are as follows:

	Prepaid bonus	Accrued bonuses	Depreciation allowance in excess of the related depreciation	Total
	HK\$	HK\$	HK\$	HK\$
Deferred tax arising from:				
At 1 April 2007 . . . . .	—	(383,743)	—	(383,743)
(Credited)/charged to profit or loss (note 6(a)). . . . .	—	<u>(162,228)</u>	<u>653,146</u>	<u>490,918</u>
At 31 March 2008 . . . . .	<u>—</u>	<u>(545,971)</u>	<u>653,146</u>	<u>107,175</u>
At 1 April 2008 . . . . .	—	(545,971)	653,146	107,175
Charged/(credited) to profit or loss (note 6(a)). . . . .	<u>164,312</u>	<u>396,736</u>	<u>(380,567)</u>	<u>180,481</u>
At 31 March 2009 . . . . .	<u>164,312</u>	<u>(149,235)</u>	<u>272,579</u>	<u>287,656</u>
At 1 April 2009 . . . . .	164,312	(149,235)	272,579	287,656
Credited to profit or loss (note 6(a)) . . . . .	<u>(16,500)</u>	<u>(558,522)</u>	<u>(177,619)</u>	<u>(752,641)</u>
At 31 March 2010 . . . . .	<u>147,812</u>	<u>(707,757)</u>	<u>94,960</u>	<u>(464,985)</u>

**22. Share capital, reserves and dividends****(a) Share capital**

Share capital in the combined balance sheets as at 31 March 2008, 2009 and 2010 represents the aggregate amount of paid-up capital of Bright Smart Securities & Commodities Group Limited, Bright Smart Securities International (H.K.) Limited, Bright Smart Futures & Commodities Co., Ltd and Merit Act Limited in which the equity shareholders of the Company held direct/indirect interests.

*Increase in paid-up share capital*

The Company was incorporated in the Cayman Islands on 4 August 2009 with an authorised share capital of US\$50,000 divided into 50,000 ordinary shares of US\$1 each. The Company issued 1 ordinary share for a total consideration of US\$1 (equivalent to HK\$8) on 4 August 2009. Further details of the changes in authorised and issued share capital of the Company after 31 March 2010 are set out in the section headed "Changes in the authorised and issued share capital of the Company" in Appendix V to the Prospectus.

On 13 February 2008, Bright Smart Futures & Commodities Co., Ltd issued 5,000,000 ordinary shares of HK\$1 each for a total consideration of HK\$5,000,000.

On 21 July 2009, Bright Smart Securities International (H.K.) Limited issued 20,000,000 ordinary shares of HK\$1 each for a total consideration of HK\$20,000,000.

On 3 November 2009, Merit Act Limited issued 1 ordinary share for a total consideration of HK\$1.

**(b) Dividends**

Dividends declared during the year are as follows:

	As at 31 March		
	2008	2009	2010
	HK\$	HK\$	HK\$
Dividends declared during the year . . . . .	—	—	<u>136,050,000</u>

Pursuant to the resolutions passed at the respective board of directors' meetings of Bright Smart Securities International (H.K.) Limited and Bright Smart Futures & Commodities Co., Ltd on 31 March 2010, dividends of HK\$116,050,000 and HK\$20,000,000 were declared to the respective shareholders of Bright Smart Securities International (H.K.) Limited and Bright Smart Futures & Commodities Co., Ltd as at 31 March 2010.

**(c) Distributability of reserves**

The reserves of the Company are distributable to the equity shareholders subject to the provisions of the Company's Memorandum and Articles of Association and provided that immediately following the distribution the Company is able to pay its debts as they fall due in the ordinary course of business.

At 31 March 2008, 2009 and 2010, the aggregate amount of reserves available for distribution to equity shareholders of the Company was HK\$76,682,050, HK\$97,817,404 and HK\$22,051,423 respectively.

**(d) Capital management**

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

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

**23. Operating lease commitments**

The total future minimum lease payments under non-cancellable operating lease on properties are payable as follows:

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

The Group leases a number of properties under operating leases. The leases run for an initial period of three years, with an option to renew the lease when all terms are renegotiated. None of the leases includes contingent rentals.

**24. Financial risk management and fair value**

Exposure to credit, liquidity, interest rate and foreign currency risks arises in the normal course of the Group's business. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

**(a) Credit risk**

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

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

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

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

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

**(b) Liquidity risk**

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

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and funding in the short and longer term. All of the Group's liabilities are expected to be settled within one year. Except for the amount due to a related company and bank loans, the carrying amounts of all financial liabilities equal to the contractual undiscounted cash outflow. The contractual undiscounted cash outflow of the amount due to a related company as at 31 March 2008 and 2009 amounted to HK\$83,600,000 and HK\$30,147,600, respectively. The contractual undiscounted cash outflow of bank loan as at 31 March 2010 amounted to HK\$441,056,007.

(c) *Interest rate risk*

(i) *Interest rate profile*

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

The interest rate profile of the Group at the balance sheet date is as follows:

	31 March 2008		31 March 2009		31 March 2010	
	Effective interest rate	HK\$	Effective interest rate	HK\$	Effective interest rate	HK\$
<b>Assets</b>						
Deposits with banks	0.25–1.35%	159,151,348	0.01–0.03%	116,683,514	0.001–0.55%	63,572,823
Margin loans . . . . .	5.50%	152,477,901	3.68%	132,709,428	4.28%	608,568,325
		<u>311,629,249</u>		<u>249,392,942</u>		<u>672,141,148</u>
<b>Liabilities</b>						
Amount due to						
a related						
company . . . . .	4.50%	80,000,000	3.60%	29,100,000	N/A	—
Bank loans . . . . .	N/A	—	N/A	—	1.05%	441,000,000
		<u>80,000,000</u>		<u>29,100,000</u>		<u>441,000,000</u>

(ii) *Sensitivity analysis*

As at 31 March 2008, if interest rates had been 100 basis points higher/lower with all other variables held constant, the Group's profit before taxation would have increased/decreased by approximately HK\$2,300,000.

As at 31 March 2009 and 31 March 2010, if interest rates had been 100 basis points higher with all other variables held constant, the Group's profit before taxation would have increased by approximately HK\$2,200,000 and HK\$2,300,000 respectively.

As at 31 March 2009, if interest rates had been 10 basis points lower with all other variables held constant, the Group's profit before taxation would have decreased by approximately HK\$220,000. As at 31 March 2010, if interest rates had been 1 basis point lower with all other variables held constant, the Group's profit before taxation would have decreased by approximately HK\$23,000.

The increased/decreased profit before taxation result mainly from higher/lower interest income from deposits with banks and margin loans and higher/lower interest expense on bank loans. Other components of equity would not be affected by the changes in interest rates.

The sensitivity analysis above indicates the instantaneous change in the Group's profit before taxation for the Track Record Period that would arise assuming that the change in interest rates had occurred at the balance sheet dates and had been applied to re-measure those financial instruments held by the Group which expose the Group to interest rate risk at the balance sheet dates.

**(d) Foreign currency risk**

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

**(e) Fair values**

All financial assets and liabilities are carried at amounts not materially different from their fair values as at 31 March 2008, 2009 and 2010.

**25. Material related party transactions**

In addition to the related party information disclosed elsewhere in the Financial Information, the Group entered into the following material related party transactions.

**(a) Key management personnel remuneration**

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 7 and certain of the highest paid employees as disclosed in note 8, is as follows:

	Year ended 31 March		
	2008	2009	2010
	HK\$	HK\$	HK\$
Salaries, allowances and benefits in kind .	2,421,147	3,175,732	5,980,857
Discretionary bonuses . . . . .	2,233,107	1,877,972	3,799,555
Contributions to Mandatory Provident Fund	71,000	75,000	95,000
	<u>4,725,254</u>	<u>5,128,704</u>	<u>9,875,412</u>

Total remuneration is included in "staff costs" (see note 5(b)).

**(b) Balances with related parties**

As at the balance sheet dates, the Group had the following balances with related parties included in accounts receivable and accounts payable representing trades executed pending settlement which were arising from the Group's ordinary course of business in securities broking, margin financing and commodities and futures broking:

	Year ended 31 March		
	2008	2009	2010
	HK\$	HK\$	HK\$
(i) Accounts receivable from			
— Directors and their close			
family members . . . . .	—	17,244,930	997
— Related companies owned by			
a director of the Company . . . . .	—	1,180,803	—
	<u>—</u>	<u>18,425,733</u>	<u>997</u>

Accounts receivable from related parties are set at same terms as those normally offered to third party clients.

	Year ended 31 March		
	2008	2009	2010
	HK\$	HK\$	HK\$
(ii) Accounts payable to			
— Directors and their close			
family members	13,035,003	6,584,610	1,443,096
— Related companies owned by			
a director of the Company	10,731,075	—	67,440
	<u>23,766,078</u>	<u>6,584,610</u>	<u>1,510,536</u>

Accounts payable from related parties are set at same terms as those normally offered to third party clients.

(iii) As at 31 March 2008, 2009 and 2010, included in the other receivables, deposits and prepayments were rental and office management deposits of HK\$2,433,636, HK\$1,437,411 and HK\$1,949,089 respectively which had been made to related companies owned by a director of the Company. These amounts were unsecured, interest-free and repayable upon expiry of the respective leases.

(iv) As at 31 March 2008 and 2009, the amount due to a related company owned by a director of the Company, Perfection Corporation Limited (formerly known as Bright Smart Finance International (H.K.) Limited), was unsecured, repayable on demand and bore interest at 4.5% and 3.6% per annum respectively. Such facility amounted to HK\$200,000,000 as at 31 March 2008 and 31 March 2009 and was utilised to the extent of HK\$80,000,000 and HK\$29,100,000 respectively as at 31 March 2008 and 31 March 2009. The interest paid during the years ended 31 March 2008 and 2009 in respect of the balances was HK\$5,113,918 and HK\$2,696,445 respectively. During the

year ended 31 March 2010, the amounts due to related companies owned by a director of the Company, Perfection Corporation Limited (formerly known as Bright Smart Finance International (H.K.) Limited) and China Finance (Worldwide) Limited (formerly known as Bright Smart Finance International (China) Limited), were repaid. As at 31 March 2010, there was no balance due to the related companies. The interest paid during the year ended 31 March 2010 amounted to HK\$971,054.

(c) *Other transactions with related parties*

	Year ended 31 March		
	2008	2009	2010
	HK\$	HK\$	HK\$
(i) Brokerage income received from			
— Directors and their close			
family members . . . . .	793,784	1,116,083	809,570
— Related companies owned by			
a director of the Company . . . . .	<u>438,679</u>	<u>190,175</u>	<u>126,498</u>
	<u>1,232,463</u>	<u>1,306,258</u>	<u>936,068</u>

Brokerage income was received from the directors of the Company, their close family members and related companies owned by a director of the Company in the ordinary course of the Group's business of securities broking and commodities and futures broking. Commission rates are set at the same level as those normally offered to third party clients.

	Year ended 31 March		
	2008	2009	2010
	HK\$	HK\$	HK\$
(ii) Interest income from margin financing			
— Directors and their close			
family members . . . . .	2,549	336,960	83,241
— Related companies owned by			
a director of the Company . . . . .	<u>151,730</u>	<u>151,903</u>	<u>12,172</u>
	<u>154,279</u>	<u>488,863</u>	<u>95,413</u>
Interest income from IPO financing			
— Directors and their close			
family members . . . . .	145,871	6,346	282,784
— Related companies owned by			
a director of the Company . . . . .	<u>554,028</u>	<u>18,525</u>	<u>96,761</u>
	<u>699,899</u>	<u>24,871</u>	<u>379,545</u>
	<u>854,178</u>	<u>513,734</u>	<u>474,958</u>

Interest income from margin financing and IPO financing was received from the directors of the Company, their close family members and the related companies owned by a director of the Company in the ordinary course of the Group's business of margin and IPO financing. Interest rates are set at the same level as those normally offered to third party clients.

	Year ended 31 March		
	2008	2009	2010
	HK\$	HK\$	HK\$
(iii) Management fee received from a related company owned by a director of the Company . . . . .	<u>60,000</u>	<u>300,000</u>	<u>350,000</u>

Management fee received from a related company owned by a director of the Company, Perfection Corporation Limited (formerly known as Bright Smart Finance International (H.K.) Limited), for the provision of management and administrative services was charged at a rate mutually agreed between the parties involved.

	Year ended 31 March		
	2008	2009	2010
	HK\$	HK\$	HK\$
(iv) Management fee paid to a related company owned by a director of the Company . . . . .	<u>1,200,000</u>	<u>—</u>	<u>—</u>

Management fee paid to a related company owned by a director of the Company, Perfection Corporation Limited (formerly known as Bright Smart Finance International (H.K.) Limited), for the provision of management and administrative services was charged at a rate mutually agreed between the parties involved.

	Year ended 31 March		
	2008	2009	2010
	HK\$	HK\$	HK\$
(v) Rental expenses paid to related companies owned by a director of the Company . . . . .	<u>5,527,100</u>	<u>7,379,206</u>	<u>4,697,881</u>

Rental expenses paid to related companies owned by a director of the Company, Victory Beauty Limited, Great Challenge Limited and Well Point Limited were charged at a rate mutually agreed between the parties involved with reference to market rates.

- (vi) The total future minimum lease payment under non-cancellable operating lease on properties are payable to related companies owned by a director of the Company, Victory Beauty Limited, Great Challenge Limited and Well Point Limited, as follows:

	Year ended 31 March		
	2008	2009	2010
	HK\$	HK\$	HK\$
Within one year . . . . .	8,354,832	4,334,832	3,035,600
After one year but within five years . .	10,072,222	1,047,390	3,680,000
	<u>18,427,054</u>	<u>5,382,222</u>	<u>6,715,600</u>

- (vii) During the Track Record Period, Bright Smart Securities International (H.K.) Limited had sub-ordinated loan facilities approved by the Securities and Futures Commission from a related company owned by a director of the Company, Manet Good Company Limited. The facilities were unsecured, interest-free and repayable on demand. As at 31 March 2008, 2009 and 2010, Bright Smart Securities International (H.K.) Limited did not have any drawdown under the facility.
- (viii) During the Track Record Period, Yip Mow Lum, a director of the Company, provided unlimited personal guarantee for certain banking facilities of the Group. The aggregate amount of these banking facilities was HK\$266,000,000, HK\$166,000,000 and HK\$366,000,000 as at 31 March 2008, 2009 and 2010 respectively. As at 31 March 2008, 2009 and 2010, the drawdown under these facilities amounted to Nil, Nil and HK\$143,000,000 respectively. On 9 April 2010, this personal guarantee was discharged.
- (ix) During the Track Record Period, Royalux Limited and Guidance Fast Limited (formerly known as Bright Smart Group Limited), two related companies owned by a director of the Company, signed certain service contracts on behalf of the Group with external service providers, which provided administrative services to the Group. The sole activity of these companies is to enter into such service contracts on behalf of the Group. Such contracts were terminated/transferred to the Group after 31 March 2010.
- (x) On 25 November 2009, Yip Mow Lum, a director of the Company, and BOCOM International Holdings Company Limited entered into a call option agreement, whereby Yip Mow Lum granted an option to BOCOM International Holdings Company Limited, representing the right to require Yip Mow Lum to sell a certain number of the total issued shares of the Company to BOCOM International Holdings Company Limited. Further details of the call option arrangement are set out in the section headed "Strategic Investments From BOCOM International Holdings" in "History, Reorganisation and Group Structure" to the Prospectus.

## 26. Financial information of the Company

The Company was incorporated in the Cayman Islands on 4 August 2009. The issued share capital as at the date of incorporation was US\$1 which was issued at par. The Company has not carried on any business since its date of incorporation.

**27. Immediate and ultimate holding company**

The directors consider the immediate parent and ultimate holding company of the Company as at 31 March 2010 to be New Charming Holdings Limited which was incorporated on 6 July 2009 in the British Virgin Islands and does not produce financial statements available for public use.

**28. Possible impact of amendments, new standards and interpretations issued but not yet effective for the Track Record Period**

Up to the date of issue of the Financial Information, the HKICPA has issued the following amendments, new standards and interpretations which are not yet effective during the Track Record Period and which have not been adopted in the Financial Information.

	<u>Effective for accounting periods beginning on or after</u>
HKFRS 3 (revised), <i>Business combinations</i> . . . . .	1 July 2009
Amendments to HKAS 27, <i>Consolidated and separate financial statements</i> . . . . .	1 July 2009
Amendments to HKAS 39, <i>Financial instruments:</i> <i>Recognition and measurement</i> . . . . .	1 July 2009
HK(IFRIC) 17, <i>Distributions of non-cash assets to owners</i> . . . . .	1 July 2009
Improvements to HKFRSs 2009 . . . . .	1 July 2009 or 1 January 2010
HKAS 24 (Revised), <i>Related party disclosures</i> . . . . .	1 January 2011
HKFRS 9, <i>Financial instruments</i> . . . . .	1 January 2013

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

**D. SUBSEQUENT EVENTS**

The following significant events took place subsequent to 31 March 2010:

**Group reorganisation**

On 2 July 2010, the Group completed the Reorganisation to rationalise the Group's structure in preparation for the listing of the Company's shares on the Stock Exchange of Hong Kong. Further details of the Reorganisation are set out in the section headed "Group reorganisation" in Appendix V to the Prospectus. As a result of the Reorganisation, the Company became the holding company of the Group.

**Share Option Scheme**

Pursuant to a shareholder resolution passed on 4 August 2010, the Company has conditionally adopted the Share Option Scheme. The summary of terms of the Share Option Scheme is set out in the section headed "Share Option Scheme" in Appendix V to the Prospectus.

**E. SUBSEQUENT FINANCIAL STATEMENTS**

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to 31 March 2010.

Yours faithfully,  
**KPMG**  
*Certified Public Accountants*  
Hong Kong