Quam Limited
華富國際控股有限公司
(Incorporated in Bermuda with limited liability)
(於百慕達註冊成立之有限公司)
(Stock Code 股份代號 : 00952)

ANNUAL REPORT 2012 年年報

This report is printed on environmentally friendly paper

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Corporate Information

BOARD OF DIRECTORS

Mr. Bernard POULIOT *Chairman*
Mr. Kenneth LAM Kin Hing
Deputy Chairman and Chief Executive Officer
Mr. Richard David WINTER
Deputy Chairman
Mr. Gordon KWONG Che Keung#
Mr. Robert Stephen TAIT#
Mr. Robert CHAN Tze Leung#
(Appointed on 18 October 2011)

Independent Non-executive Director

AUDIT COMMITTEE

Chairman: Mr. Gordon KWONG Che Keung
Members: Mr. Robert Stephen TAIT
Mr. Robert CHAN Tze Leung
(Appointed on 18 October 2011)

REMUNERATION COMMITTEE

Chairman: Mr. Robert Stephen TAIT
Members: Mr. Gordon KWONG Che Keung
Mr. Robert CHAN Tze Leung
(Appointed on 18 October 2011)
Mr. Richard David WINTER

COMPANY SECRETARY

Mr. TSANG Chung Him

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 3408
Gloucester Tower
The Landmark
11 Pedder Street, Central
Hong Kong

AUDITOR

BDO Limited
Certified Public Accountants

HONG KONG LEGAL ADVISERS

Charltons
K&L Gates, Solicitors

BERMUDA LEGAL ADVISER

Conyers Dill & Pearman

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

HSBC Securities Services (Bermuda) Limited
6 Front Street
Hamilton HM 11
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
26th Floor
Tesbury Centre
28 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

The Bank of East Asia, Limited
China Construction Bank (Asia) Corporation Limited
CITIC Bank International Limited
Dah Sing Bank, Limited
The Hongkong and Shanghai Banking Corporation Limited
Shanghai Commercial Bank Limited
Standard Chartered Bank (Hong Kong) Limited

STOCK CODE

00952

WEBSITES OF QUAM GROUP

www.quamlimited.com
www.quamcapital.com
www.quamfunds.com
www.quamir.com
www.quamnet.com
www.quamnet.com.cn
www.quamsecurities.com
www.quamprivatewealth.com

INVESTOR RELATIONS

Quam Investor Relations
Tel : (852) 2217-2888
Fax : (852) 3905-8732
Email : quamir@quamgroup.com

Quam Limited at a Glance

Based in Hong Kong, Quam Limited offers premier one-stop financial services to individual, corporate and institutional clients. With seven core businesses comprising Quam Securities, Quam Capital, Quam Asset Management, Quam Private Wealth, Quam Private Equity, Quamnet.com and Quam Investor Relations, Quam Limited utilizes the best of both its online resources and solid expertise and strives to expand its extensive business network in Hong Kong, China and beyond. In addition, it provides capital markets services and actively explores investment opportunities in both developed and emerging financial markets through its Global Alliance Partners network.

building
gateway

Chairman's Statement

Mr. Richard David WINTER, Deputy Chairman *(Left)*
Mr. Bernard POULIOT, Chairman *(Centre)*
Mr. Kenneth LAM Kin Hing, Deputy Chairman and Chief Executive Officer *(Right)*

"All was not negative during the year… securities operations increased substantially in market share and volume… closed over 40 mandates in IPO, Advisory, and M&A deals."

Dear Shareholders,

The period covering our financial year from April 2011 to March 2012 was very difficult indeed for the Group, as we report for the year a net loss (after tax) of HK$24,523,000.

Volatility in our home markets, economic disruptions in Europe, uncertain recovery in USA and weaknesses in other markets such as the Middle East where Quam has interests, were combined factors that dampened substantially our results.

We were let down by our global futures counterparty, MF Global HK, which declared bankruptcy in October last year, forcing us to take a provision of HK$7,000,000. This is in spite of the fact that we were dealing only with the Hong Kong subsidiary that was licensed and regulated by the Securities and Futures Commission.

In addition to providing for MF Global HK, we made an impairment of our interest in our Middle East associate together with this year's share of losses totalled HK$15,419,000, as well as an unfortunate loss as a result of an underwriting on an Australian listed company of HK$5,689,000 and the termination of a new team for the private equity operation based in Shanghai of HK$6,027,000, thus totaling HK$34,135,000. All these represent non-recurring losses.

All was not negative during the year. Our securities' operations increased substantially both in terms of market share and volume. We expanded our sales force and added an aggressive wealth management division.

Quam Capital also performed well with increased revenues and visibility, closing over 40 mandates ranging from IPOs to financial advisory and M&A deals.

Our Group is financially strong with good liquidity and although we anticipate this coming financial year will remain difficult, we are quietly confident that we have turned a page and will show better results for this year.

As a result of our overseas foray and the lack of positive results, we have decided to reduce our exposure to those markets and redeploy capital in Hong Kong and China by reinforcing our distribution platform in Hong Kong, expand aggressively our wealth management team, and enlarge further our capital markets capability.

I would like to thank all our clients, staff, suppliers and bankers for their continuing support.

Bernard POULIOT
Chairman

Hong Kong, 22 June 2012

Chief Executive Officer's Review

It is my pleasure to table to shareholders my first report since taking office as Chief Executive Officer in October 2011. For the fiscal year 2011-2012, it is unfortunate we ended up with a loss of HK$24,523,000 (2011: profit of HK$7,674,000), despite good performance from our brokering and corporate finance businesses. Our Chairman's statement has clarified the one-time nature of our losses. Without underestimating the prevailing gloomy economy, we are confident our Group will return to profitability in this coming year.

Quam's core strength is its comprehensiveness in services and products. We cover most of the services required as an intermediary in the capital market being Global Brokering, Equities and Futures, Corporate Finance, Fund Management, Private Equity, Wealth Management on personal portfolio linked also to Insurance Products, and Quamnet, our financial information portal unit. Our reach is not only confined to Hong Kong and China, but is also international through our memberships in Global Alliance Partners and M&A International Inc., the leading M&A Alliance, represented in 40 countries worldwide. From this base we service global customers.

The negative earnings for this year came largely as a result of the provisions we took over the failure of our counter-party broker MF Global HK, a failure of an Australian Listed Company that adversely affected us as a result of an underwriting commitment, a one-time impairment charge that we took on our investment in our Middle East associate, and the discontinued Private Equity initiative that we undertook in Shanghai earlier in the year.

As the Chief Executive Officer since October 2011, I have implemented measures that improve our risk and costs control procedures among the various business units while scrutinizing the business models of each one of them.

OUR OPERATING UNITS

Securities and Futures dealing commission increased from HK$185,689,000 (2010-11) to HK$218,001,000, an increase of 17.4% over the period. We also have progressed well to increase our market share and ranked category "B" among the more than 480 trading participants in Hong Kong for the first quarter of 2012.

The improvements in revenue can be attributed to a few factors: (i) our continuous expansion of our sales force on the basis of targeted pro-active customer acquisitions, (ii) enhancements in the reliability of our on-line trading platform with regard to speed and network dependence, (iii) addition of trading tools for clients, such as Program Trading, to facilitate customers' investment decisions, and (iv) comprehensive training to improve further the compliance standards expected from our sales force.

The margin lending portfolio averaged at HK$413,000,000 (2011: HK$239,400,000) and attributed interest income amounted to HK$32,499,000 (2011: HK$20,572,000).

The increase in our loan book has been achieved without sacrificing the quality of the underlying assets, thanks to the diligence of our sales colleagues and our credit control department. Our financial resources in the form of liquid capital have been maintained comfortably above the legal requirement, thus cushioning us when required during volatile months, particularly in August last year.

The set-back mentioned earlier of MF Global HK, albeit not yet over, was fully contained. It forced us to review completely risks associated with counterparties.

Corporate Finance unit was successful in increasing its activities in the market by completing over 40 mandates, three of which were IPOs. In addition, the integration of the Equity Capital Market and Institutional Sales Desk, enhanced our distribution capabilities and helped extend the coverage of our financial advisory mandates while increasing our reach in the middle market.

Our advisory service revenues increased from HK$40,073,000 (2010-11) to HK$54,325,000. A team of 24 professionals includes the newly added European Desk, which focuses on M&A opportunities between Europe and China.

Asset Management perhaps suffered the most from the deterioration of the macro economic climate. Revenue mainly in the form of management fees dropped to HK$9,024,000 from previous year's of HK$10,581,000, and suffered also from the reduction of Assets Under Management ("AUM"). The discontinued Private Equity initiative that was launched in April 2011 also added to the loss. The unit suffered a loss of over HK$16,487,000 which is very disappointing.

To soften the blow, our Group embarked on cost reductions to be in line with our total AUM. We have slowed down the launch of further Fund Portfolios in light of the uncertain economy. We expect the macro economic environment will continue to affect the growth of our AUM in the coming year. However, we consider our asset management business as one of our core units, and expect to break even within this year.

Quamnet, our Wealth Information Portal operations has been an underutilized unit within the Group. A slight increase in revenue was recorded for the year from HK$25,255,000 to HK$26,932,000. Quamnet is widely recognised as one of the top wealth information sites in Hong Kong, and has a demonstrated high-end demographic of readers in Hong Kong. However, the close re-examination of operations this year, uncovered an over-reliance on event management, versus the unique product offering and advantage of scalability in our subscription and media revenue source. Consequently, a number of initiatives have been taken to re-align the business towards the highest margin, scalable activities. Firstly, within the universe of capital market biased wealth management information, we have decided to both diversify and deepen Quamnet's offerings. New content will be added covering the Alternative Investment space beyond Capital Markets and Bonds, extending to properties, commodities, currencies, and later into Arts and Antiques and related life-style investments. Our aim is to be able to further increase traffic across the site, which sustains Quamnet's advertising revenue and complements the scalability of events.

Secondly, we intend to further co-operate with Chinese partners to capture the growing demand in China for global investment information and advice, riding on the long-term trend in the dramatic growth of China's wealth management business.

The recognition in market for professional quality investment advice and information helps Quamnet to continue to attract professional contributors, a strategy that will be further emphasized by Quamnet. We also are in the progress of screening and adding new investment tools to Quamnet in the subscription operations to allow for an expansion into financial and social media with enhanced interactivity. The benefits we see in these initiatives go beyond traffic and loyalty, to further our ability to keep up with ongoing changes in market trends towards trading applications. Overall, the redeployment of resources has also helped Quamnet to re-align the organization. Major efforts were made to reduce fixed costs, and better match expenditures with our higher profit targets.

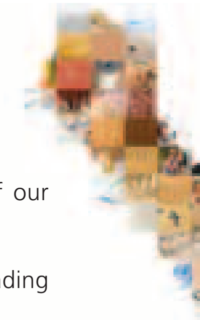
LOOKING AHEAD

The year of 2012-13 will still be affected by anxieties in financial markets, be it from Europe or the US, or China. However, our belief is that financial services is still the core stream of services required at all times and capital requirements for growth and development will always be needed in this part of the world, being China or South East Asia, given its population and development cycle. The strength of Quam remains our comprehensive scope of services and wide geographical coverage. We believe we will be able to capture a larger portion of this business and return positive contributions to our shareholders in future years.

Kenneth LAM Kin Hing
Chief Executive Officer

Hong Kong, 22 June 2012

Group Business Highlights



Quam Securities

- Obtained a licence to carry on Type 6 of regulated activity under the Securities and Futures Ordinance
- Reached Category B class in HKEx ranking on turnover in the first quarter of 2012
- Grand-opening of Quam Private Wealth in December 2011 in Wing On Center, as part of the expansion of our wealth management services
- Established direct connection to the Chicago Mercantile Exchange (CME) Singapore hub to enhance trading stability of futures and options products offered through the CME
- Soft launched Global Futures Options
- Launched the inhouse developed settlements system for futures and options
- Website revamped with more features and enhancement, including market news and research
- Introduced an arbitrage program trading platform from a third party vendor

Quam Capital

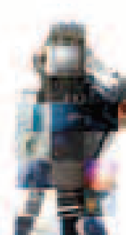
- Completed over 40 deals
- Revenues increased by 16% while the professional team expanded from 20 to 24
- Set up China operation, recruiting Ms. Nathalie ZHAO as Director, head of corporate finance China, based in Shanghai

Quam Asset Management

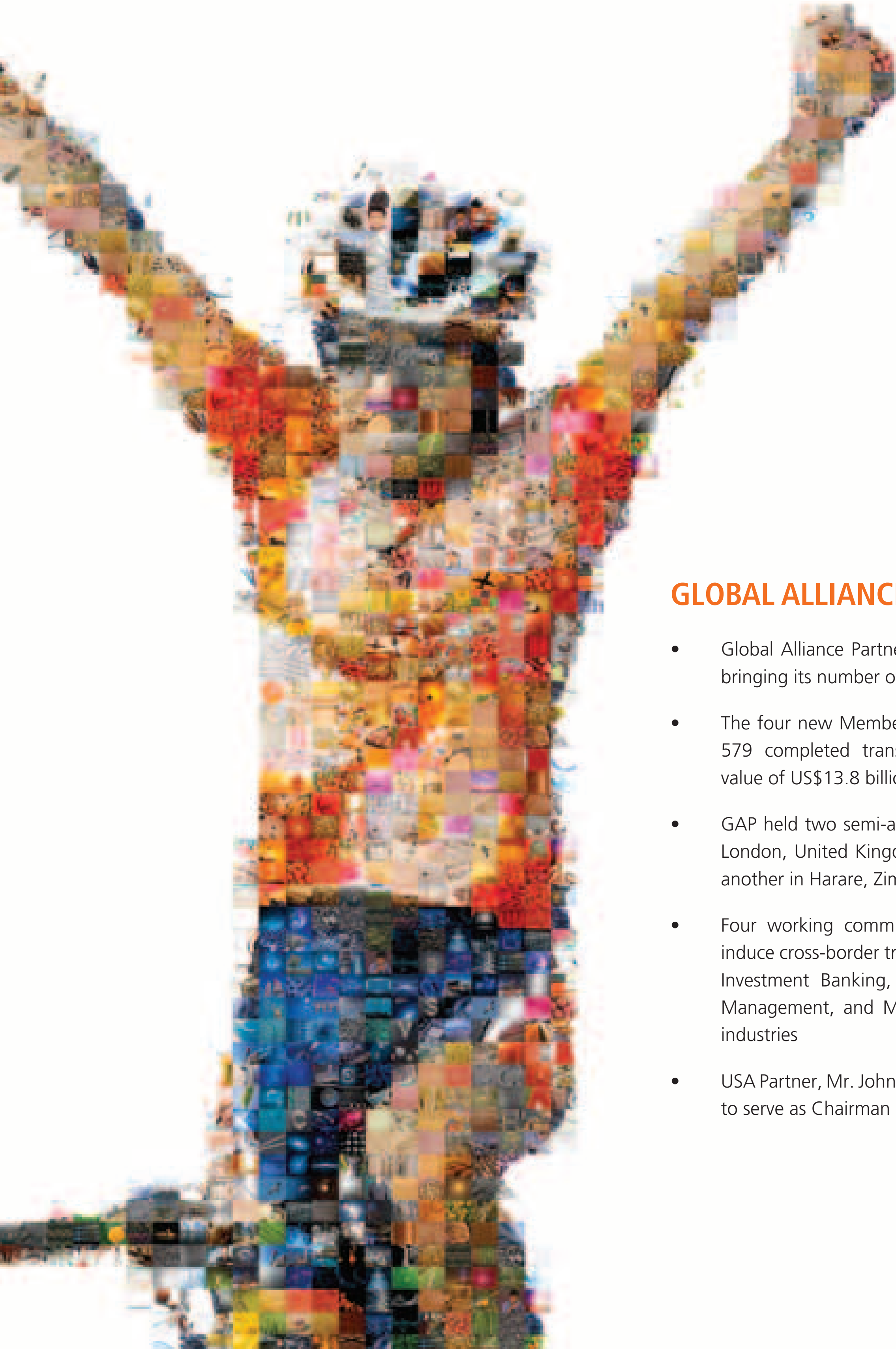
- Launched Quam Silkroad Mongolia SP Fund, the first ever liquid Mongolia focused fund that trades both local and internationally listed Mongolian focused equities and bonds
- Good performance by the Quam Middle East Fund after the Arab Spring and on the back of high oil prices
- The Quam China Focus Fund benefitted from a strong rally at the start of 2012 after a difficult end to 2011, the team has modified the existing strategy to take a less directional approach
- In process to exit the first investment made in the private equity fund

Quamnet & QuamIR

- Launched three more new paid subscription investment advisory services on Quamnet: Pedder St Investor (吳系講股), Market Oracle (捕捉先機) and Intelligent Observer (見微知勢), bringing the total number of paid advisory services to 11
- Enhanced features of iQ Quotes Anywhere with HSI Futures and other indices Futures quotes
- Introduced new QuamIR investor awareness and media exposure service for listed and private companies leveraging Quamnet's editorial and news distribution network
- Launched company sponsored professional research to provide increased visibility and awareness in the investment community for QuamIR clients
- Expanded IR sales force to further penetrate the market and expanded market share
- Participated and presented in the leading Hong Kong mining summit in March 2012



being legend



GLOBAL ALLIANCE PARTNERS (GAP)

- Global Alliance Partners gained four new Partners bringing its number of memberships from 10 to 14
- The four new Member Firms brought in a total of 579 completed transactions with an aggregate value of US$13.8 billion
- GAP held two semi-annual Conferences — one in London, United Kingdom on November 2011 and another in Harare, Zimbabwe on May 2012
- Four working committees have been formed to induce cross-border transactional activities covering Investment Banking, Brokering, Wealth & Asset Management, and Mines, Energy, and Resources industries
- USA Partner, Mr. John O'SHEA is the fourth Principal to serve as Chairman

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Bernard POULIOT, aged 60, joined the Company in 2000 and is currently the Chairman of the Company. Mr. POULIOT is a responsible officer for Types 4 and 9 regulated activities under the Securities and Futures Ordinance for Quam Asset Management Limited, a responsible officer for Type 4 regulated activity under the Securities and Futures Ordinance for Quam (IA) Limited, a responsible officer for Type 9 regulated activity under the Securities and Futures Ordinance for Quam Securities Company Limited. Mr. POULIOT has more than 30 years of experience in investment, finance and corporate development. He is responsible for formulating the overall business strategy of the Group. Prior to being chairman of the Company, he was a group managing director of a Hong Kong listed company. Mr. POULIOT is currently a director of Seamico Securities Public Company Limited, a company listed in Thailand and was an independent director of Mountain China Resorts (Holding) Limited (formerly known as Melco China Resorts (Holdings) Limited), a company listed in Toronto, from May 2008 to November 2010. He is the beneficial owner of Newer Challenge Holdings Limited and Porto Global Limited, which are substantial shareholders of the Company.

Mr. Kenneth LAM Kin Hing, aged 58, joined the Company in 2001, is currently the Deputy Chairman and Chief Executive Officer of the Company. He was the Managing Director of Dharmala Capital Holdings Group, since 1994 and which have been amalgamated under the Company. Mr. LAM is a responsible officer for Types 1, 2, 4, 6 and 9 regulated activities under the Securities and Futures Ordinance for Quam Securities Company Limited and a responsible officer for Types 4 and 9 regulated activities under the Securities and Futures Ordinance for Quam Asset Management Limited. Mr. LAM had worked for an international bank for 10 years as the head of its PRC and corporate banking operations. Mr. LAM has more than 30 years of experience in corporate finance and banking. He is currently a director of Seamico Securities Public Company Limited, a company listed in Thailand, and had previously held directorship in other public listed company in Thailand. Mr. LAM is also an independent non-executive director of Hon Kwok Land Investment Company, Limited, a company listed in Hong Kong. He is the Vice Chairman and past Chairman (2009–2010) of the Institute of Securities Dealers Limited. He holds a Bachelor of Science Degree in University of Western Ontario with a double major in Computer Science and Economic (1976), and a Master of Business Administration in the 3-year MBA Program of The Chinese University of Hong Kong (1983). In 2012, he was conferred on Honorary Fellowship by Canadian Chartered Institute of Business Administration and Honorary Doctor of Laws by Lincoln University. He is the beneficial owner of Olympia Asian Limited, which is a substantial shareholder of the Company.

Mr. Richard David WINTER, aged 59, joined the Company in 2002 and is currently the Deputy Chairman of the Company and Chief Executive Officer of corporate finance business of the Group. He is also a member of the remuneration committee of the Company. Mr. WINTER is a responsible officer for Type 6 regulated activity under the Securities and Futures Ordinance for Quam Capital Limited. Mr. WINTER has extensive experience in the investment banking and corporate finance advisory field in Hong Kong. Mr. WINTER was previously managing director of Deloitte & Touche Corporate Finance Limited and before that Standard Chartered Investment Banking. He received an Honours Degree in Commerce from Edinburgh University. He is a member of the Listing Committee of The Stock Exchange of Hong Kong Limited, a member of the Takeovers and Mergers Panel and Takeovers Appeal Committee of the Securities and Futures Commission, fellow of the Institute of Chartered Accountants in England and Wales, a member of the Hong Kong Institute of Certified Public Accountants and an Executive Committee member of The Outward Bound Trust of Hong Kong Limited.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Gordon KWONG Che Keung, aged 62, has been an Independent Non-executive Director of the Company since September 2003. Mr. KWONG has also been serving as the chairman of the audit committee of the Company and a member of the remuneration committee of the Company. He is also an independent non-executive director of a number of companies listed in Hong Kong. From 1984 to 1998, Mr. KWONG was a partner of Pricewaterhouse and was a council member of the Stock Exchange of Hong Kong Limited from 1992 to 1997. He has a Bachelor of Social Science degree from The University of Hong Kong and is a fellow member of the Institute of Chartered Accountants in England and Wales and the Hong Kong Institute of Certified Public Accountants.

Mr. Robert Stephen TAIT, aged 63, was appointed as Independent Non-executive Director of the Company in September 2008. Mr. TAIT is the chairman of the remuneration committee of the Company and a member of the audit committee of the Company. He holds a Bachelor of Commerce and Business Administration from the University of British Columbia. Mr. TAIT has extensive experience in human resources aspect and was the Head of Human Resources, Asia Pacific of the Hongkong and Shanghai Banking Corporation Limited during October 1999 to April 2008. He is a former Director and past Treasurer (October 1999 to April 2008) of the Employer's Federation of Hong Kong, the past Chairman (April 2004 to April 2008) of the Manpower Committee of the Hong Kong General Chamber of Commerce and a former Governor and past vice-chairman (May 2004 to May 2010) of the Canadian International School in Hong Kong. He is a member of the Hong Kong Institute of Directors.

Mr. Robert CHAN Tze Leung, aged 65, was appointed as Independent Non-executive Director of the Company in October 2011. He is a member of both the remuneration committee and audit committee of the Company. Mr. CHAN was the chief executive officer of United Overseas Bank Limited, Hong Kong until his retirement in December 2011. He is an experienced banker with over 39 years of experience in commercial and investment banking. Mr. CHAN is an independent non-executive director of Hutchison Port Holdings Management Pte. Limited, a trustee-manager of Hutchison Port Holdings Trust which is listed in Singapore, Noble Group Limited, a company listed in Singapore and Gold One International Limited, a company listed in Australia. He is also a senior adviser to Long March Capital Limited, a fund management company based in Beijing and Shanghai in partnership with leading Chinese institutions including CITIC Group. He holds the Bachelor of Science (Economic) Honours from the University of London and a Master of Business Administration from the University of Liverpool and is a fellow of the Hong Kong Institute of Directors.

SENIOR MANAGEMENT

Mr. Adrian John BRADBURY, aged 48, is the Managing Director, Head of Mergers and Acquisitions and Private Equity of Quam Capital Limited. He is a responsible officer for Type 6 regulated activity under the Securities and Futures Ordinance for Quam Capital Limited. Mr. BRADBURY graduated from the University of Manchester with a Degree in Civil Engineering. He has been associated with Quam Capital Limited since 1999. He is a fellow member to the Institute of Chartered Accountants in England and Wales.

Mr. Alexis WONG Lit Chor, aged 53, is the Deputy Managing Director of Quam Securities Company Limited in charge of the securities and futures, equity capital market and wealth management businesses of the Group and a responsible officer for Types 1, 4, 6 and 9 regulated activities under the Securities and Futures Ordinance for Quam Securities Company Limited. He joined the Group in 2003. Mr. WONG graduated from University of Toronto, Canada with a Bachelor of Arts in Economics and Commerce. He also obtained a Master of Business Administration from The Chinese University of Hong Kong. He has over 28 years of experience in the banking, investment and securities dealing industries and is an independent non-executive director of two listed companies in Hong Kong.

Mr. Calvin CHIU Chun Kit, aged 41, is the Director of the securities and futures businesses of the Group. He is a responsible officer for Types 1, 2 and 9 regulated activities under the Securities and Futures Ordinance for Quam Securities Company Limited. He joined the Group in 2002.

Ms. Charlotte CHENG Man Loch, aged 37, is the Executive Director of the wealth management division of the Group. She joined the Group in late 2011 mainly responsible for the business development of the division. She has extensive experience in the insurance and wealth management industry. Ms. CHENG graduated from the University of Toronto with a Bachelor of Commerce degree and further completed a Master of Information System Management degree from The Hong Kong University of Science and Technology. She is a 2012 CFA Level III candidate.

Mr. Christopher CHOY Kwong Wa, aged 48, is the Managing Director of the multi-strategy investment business of the Group. He joined the Group in 2006. Mr. CHOY has more than 20 years of experience in the investment industry and over 10 years of experience in the alternative investment management field. He holds a Bachelor of Arts (Honours) Degree from the Loughborough University of Technology and a Master of Business Administration from The University of East Asia.

Mr. Christopher Straughan JUSTICE, aged 51, is the Managing Director of Quam (H.K.) Limited in charge of the website management business of the Group. He joined the Group in 2007. Mr. JUSTICE graduated from the University of North Carolina at Chapel Hill with a Bachelor of Arts in Public Policy Analysis. He has diversified experience in finance and venture capital, strategy and business development and has led the start-up of several Internet media businesses in Asia, including taking one company, Asiacontent.com, to a NASDAQ IPO.

Ms. Cindy CHAN Miu Wan, aged 57, is the Chief Executive of Quam Financial Management Limited. She joined the Group in 2006. Ms. CHAN holds a Master Degree in Applied Finance from the University of Western Sydney. Ms. CHAN has extensive experience in the corporate banking, insurance and IFA industries. She is a professional financial planner, an associate member of the Institute of Financial Accountants and a qualified certified risk trainer of the Institute of Crisis and Risk Management.

Mr. Gary MUI Ho Cheung, aged 37, is the Managing Director, Head of IPO and Capital Markets of Quam Capital Limited. He is a responsible officer for Type 6 regulated activity under the Securities and Futures Ordinance for Quam Capital Limited. He joined the Group in early 2009. He has over 15 years of experience in finance and investment banking industry. He is also an independent non-executive director of a listed company in Hong Kong. He holds a Bachelor of Accounting and Finance from the University of New South Wales, Australia. He is a member of CPA Australia.

Mr. Guy Michael STILLE, aged 54, is Executive Director and Head of Institutional Business of the securities and futures businesses of the Group. He joined the Group in July 2009. Mr. STILLE holds a Bachelor of Science in Economics from the London School of Economics and Political Science. He has worked for Akroyd and Smithers Plc., Hoare Govett (Asia), HG Asia Holdings Inc. and Westhall Capital Limited and has more than 30 years experience in the industry.

Ms. HUNG Chun Yee, aged 41, is the Managing Director and Head of Advisory of Quam Capital Limited. She is a responsible officer for Type 6 regulated activity under the Securities and Futures Ordinance for Quam Capital Limited. She joined the Group in 2002. Ms. HUNG has extensive experience in corporate finance. She is a member of the Hong Kong Institute of Certified Public Accountants.

Mr. Kevin Graeme SEW HOY, aged 45, is the Chief Financial Officer to the Group and Deputy Managing Director of Quam Securities Company Limited. He joined the Company in 2001 and was the Company Secretary of the Company from November 2001 to March 2008. Mr. SEW HOY has over 17 years of experience in audit, compliance and corporate secretarial services. He graduated from the University of Otago, New Zealand with a Degree in Commerce and further completed a Master of Business Administration from the University of South Australia. Mr. SEW HOY is a member of the Institute of Chartered Accountants, New Zealand and a member of the Hong Kong Institute of Certified Public Accountants.

Mr. Philip CHOI Lai Sang, aged 50, is the Group Head of Technology. He joined the Group in 2007. Mr. CHOI graduated from the University of Saskatchewan with a Bachelor of Science in Computer Science. He has more than 25 years of extensive experience in information technology industry.

Mr. Simon James POTTER, aged 29, is a Director of the asset management business of the Group. He is also the Business Development Executive for the Global Alliance Partners network and joined the Group in 2011. Mr. POTTER has international experience in both traditional and alternative investments. He graduated from the University of Newcastle with a Bachelor of Science (Honours) in Applied Sciences. He is a Chartered Member of the Chartered Institute for Securities and Investment in United Kingdom.

Mr. TANG Kwok Chuen, aged 43, is the Director of Private Client Service of the securities and futures businesses of the Group. He is a responsible officer for Types 1 and 2 regulated activities under the Securities and Futures Ordinance for Quam Securities Company Limited. He joined the Group in 2006.

Mr. TSANG Chung Him, aged 40, joined the Company in 2007 as the Head of Compliance and then appointed as Company Secretary to the Group in April 2008. He has extensive experience of compliance in the financial industry. He worked for the Securities and Futures Commission and several major financial groups. Mr. TSANG holds a Bachelor of Social Sciences and a Master of Laws from The University of Hong Kong and the professional designations of Chartered Financial Analyst, Certified Public Accountant and Financial Risk Manager.

Ms. Venessa KWOK Wing Shan, aged 38, is the Executive Director of wealth management division of the Group. She joined the Group in 2011, mainly responsible for the business development of the division. Ms. KWOK has 15 years of diversified experience in consulting, sales and business development, specialized in the wealth management industry. Ms. KWOK attained her Bachelor of Arts (Honours) Degree from The University of Hong Kong and a Master of Science in Business Information Technology from the Middlesex University of London.

Corporate Social Responsibility

FROM THE FLAIR OF ARTS TO THE FLARE OF SPORTS

It's all about young people!

Although there has been much said about the uncertainty of the market… hence of business, Quam Limited continued to give back to the community. This past year, our involvement in the community segued from the flair of Arts to the flare of Sports; and it's all about young people!

QUAM SPONSORED THE HONG KONG TYCOONS TEAM IN CIHL PROFESSIONAL HOCKEY

Quam's enthusiasm and support for hockey sport plays out of its corporate slogan, "One partner, one purpose, one passion — YOU". Like hockey, Quam develops teamwork, keeps its eyes on the goal, and gives the extra effort to help its clients grow their wealth.

Quam also supported the training program of young hockey talents and was delighted that some of the under 14 and under 18 years of age were called up to its Hong Kong Tycoons team. According to Quam Chairman, Mr. Bernard POULIOT, "Nurturing young talents and providing the next generation of Hong Kong hockey players with, not only the opportunities to play, but a natural path to follow, is something Quam believes in."

EVERY INVOLVEMENT AND SUPPORT IN THE PAST YEAR WAS ABOUT YOUNG PEOPLE.

Quam supported SIFE China and AIESEC Hong Kong. Both organisations are dedicated to developing students into bright leaders of the future. Even the **HK Theatre Association** and *Le French May* of **Alliance Francaise**, which Quam both supported, have appealed to the youth with their respective comic and acrobatic productions that imparted important life lessons. **Outward Bound**, which immerses the youth in camps in order to learn how to survive and be independent, continue to be Quam's involvement in the community.

WE HELP YOUNG TALENTS ALSO FROM WITHIN.

Our passion for young talents is not just showcased in the endeavors that we support in the community. We actually exude it within our Quam family. We have young professionals taking leadership in various business sections of the Quam organization. We have put in place a mechanics by which we can track performances and award promotions to our home-grown talents.

We make Quam open to the many interns seeking to learn from what we do in the finance industry and how we do business in our sphere of operations.

QUAM STRIVES FOR LEGACY.

Quam has been seasoned by the ups and downs in the market. We've struggled and we've prevailed. As Quam now strives for legacy, it is imperative that we invest in young people… they be from within the Quam family or from the local community.

Global Alliance Partners (GAP)

THE PARTNERSHIP IS EXPANDING. THE ALLIANCE IS MATURING.

Global Alliance Partners (GAP), a network organisation of internationally-minded financial partners focusing on the capital midmarket, is on its 4th year this year 2012. The partnership has expanded from 10 last year to 14 fully-licensed Member Firms; and is looking to approve the membership of another Partner candidate from Australia.

The Alliance is maturing. To steer **GAP** towards its goal by inducing transactional activities, four (4) working committees were formed, namely: the Investment Banking Committee; the Mining, Energy, and Resources Committee; the Brokering Committee; and the Wealth & Asset Management Committee.

GAP's goal is to provide its client base with local service and expertise, coupled with international reach and access. It serves to bridge the gap between investment opportunities in leading, emerging, and frontier markets, and key sources of investment risk capital.

CORPORATE STRUCTURE

Membership

The four (4) new members of **GAP** are:

1. Seymour Pierce based in the United Kingdom;
2. RAMPartners S.A. based in Switzerland;
3. CG Finco of Chaudhary Group based in Nepal; and
4. Clarus Securities based in Canada.

Leadership and Governance

With growth comes the need for structure. For orderly governance and developmental purposes, **GAP** has two major structural components:

1. The **Board of Directors (BOD)** makes the decisions for **GAP** — strategic/developmental, business, operational, financial, membership, and governance. It has 10 members composed of the Chairman, three (3) Vice Chairmen, the Executive Director, and five (5) other Directors. **GAP** Chairmanship rotates every year. This year, **GAP** elected its USA Partner, **Mr. John P. O'SHEA** as the new Chairman.

2. The **GAP Center** based in Hong Kong, facilitates the implementation of board decisions through the Chairman. It also coordinates the activities and submissions requisite to these actions. The **GAP** Center is led by the Executive Director, **Mr. Bernard POULIOT**, **GAP**'s Hong Kong and China Partner.

The Chairman and the Executive Director are both supported by **Ms. Coy ROLDAN**, who is the Coordinating Executive of **GAP** and concurrently its Director of Group Marketing and Communications.

OPERATIONS

Investment Banking

To date, **GAP** Member Firms have completed over **1,000** corporate transactions in **58** countries worldwide that have an aggregate value of more than **US$33 billion**.

The four new Member Firms combined, have added **579** completed transactions worth **US$13.8 billion**.

GAP's transactional activities cover at least 19 Industries. Most of the businesses are derived from the **Banking, Finance, and Securities** industry; the **Energy and Petrochemical** industry; and the **Mining and Precious Metal** industry.

Brokering

GAP can execute trades in over **50** countries. As at 31 December 2011, the total worth of transactions among **GAP** partners totaled **US$42.5 million**. Quam was the most active participant in these transactions, generating trading volume for alliance partners in Africa, Middle East, Europe, USA, and Indochina.

Wealth and Asset Management

GAP has a considerable suite of emerging market funds available to its clients. As at 31 May 2011, **GAP** Members' funds under management or advisory are worth close to **US$40 billion**.

Research

GAP provides comprehensive research coverage and encompass many of the world's emerging markets; and has people on the ground providing first-hand views of those markets, such as China, India, Mongolia, Thailand, and Sub-Saharan Africa.

A selection of **GAP** Members' research is aggregated on the **GAP** website: www.globalalliancepartners.com

CONFERENCES

GAP conducted **21 telephone conferences** for its four working committees, and two **physical conferences**:

- The **7th** Semi-Annual **GAP** Conference was held in **London, United Kingdom** on 1–2 November 2011 as jointly hosted by Killik & Co and Seymour Pierce.




- The **8th** Semi-Annual **GAP** Conference was held in **Harare, Zimbabwe** on 21–22 May 2012 as hosted by the Imara Group.

MARKETING AND PROMOTIONS

Press Release

GAP employs Quamnet's distribution channels and media resources, as well as it taps on the Marketing Department of other Member Firms to maximize exposure. The major events of **GAP** that were highlighted during the year are:

1. Eurasia Capital to host Global Alliance Partners Conference in Ulaanbaatar, 24–26 May 2011
2. Global Alliance Partners Gather in Mongolia
3. Board changes at Global Alliance Partners
4. Seymour Pierce joins Global Alliance Partners (GAP) as UK Partner
5. Global Alliance Partners (GAP) cites significant growth in its third year
6. GAP to gather in Zimbabwe, 21–24 May 2012
7. GAP Conference closes with a newly elected chairman and a possible Zimbabwe fund
8. Global Alliance Partners (GAP) formally welcomes Canadian-based Clarus Securities as its 14th new member

GAP Promotion

- **GAP** website was improved to include a secured restricted site, where authorised members within the Alliance can access Deal Lists, Deal Sheets, Deal Teasers, and other documents pertinent to deal making.

- **GAP** can also be found in popular online network platforms: FACEBOOK, TWITTER, and GOOGLE to the end view of reinforcing awareness and maintaining visibility for **GAP** in the market.

WORLDWIDE REACH

GAP now has 150 offices in **28** countries worldwide. After just three years, the scope and reach of **GAP** has extended to cover strategic markets in Asia, Europe, the Middle East, North America, and Sub-Saharan Africa.

GAP has made its journey through the pages of Quam's Annual Report since 2009 for the very reason that it is at the core of Quam's strategy towards establishing its international footprint, and at the heart of its role as the reciprocal gateway for deal flows and transactional activities between China and the world.

Management Discussion and Analysis

BUSINESS REVIEW

For the year ended 31 March 2012 (the "Year"), the Group reports a loss of HK$24,523,000 (2011: profit of HK$7,674,000). The Group's revenue for the Year amounted to HK$358,332,000 (2011: HK$306,613,000) reflecting an increase of 16.9% in the corresponding period last year.

This year's result was affected by several isolated matters which we believe will not recur or affect the corporate earnings going forward. As mentioned in the interim report 2011, we were affected by the liquidation of MF Global Hong Kong Limited ("MF Global HK") at the end of October 2011. Although our operations and securities and futures were able to continue uninterrupted, the industry suffered a slowdown because of this event. Given that we had monies held in MF Global HK, we received 40% of the claim in the first distribution in January 2012, and currently the provisional liquidators have obtained a court order to distribute a further 30% of client monies. Indications and announcements from the provisional liquidators advise that they are in control of approximately 87% of the client monies and the remaining lie with overseas affiliates and brokers. As the extent and amount of the recovery are not fully known, we have made a provision for this possible shortfall amounting to HK$7,000,000 in this year's accounts.

During the Year, we began making a provision on impairment of our associate, McMillen Advantage Capital Limited ("MAC") due to the deteriorating global business climate and in particular Middle East. In addition, in February 2012, all shareholders of MAC received a general offer made by The Brooker Group Public Company Limited ("Brooker"), a financial group listed in Thailand, for all the shares in MAC. Although the offer was slightly below its net asset value, we decided to accept the offer for all our shares. This offer was also subject to the approval by Brooker's independent shareholders. With this acceptance, we had engaged an independent professional valuer to assess the required impairment which as a result affected the Group's results by HK$11,803,000. However, subsequent to the reporting date, the offer was defeated by independent shareholders of Brooker and thus the transaction was not completed. We therefore shall continue to hold the stake in MAC, however we have foregone our right to appoint any director or representative in MAC group, and the holding is now reclassified as "Financial Assets measured at Fair Value through Other Comprehensive Income". MAC, however, has obtained approval for a capital reduction and a return of capital to its shareholders is in progress.

We continue to have an active involvement with Seamico Securities Public Company Limited ("Seamico") and its main operation entity KT ZMICO Securities Company Limited ("KTZ"). Seamico's result for the year ended 31 December 2011 was positive although lower than prior year at THB20,500,000 (2010 : THB67,300,000) due to decline of share of profits from KTZ, and increase in Thai corporate tax rate. Subsequent to the reporting date, we received a small dividend of THB0.05 per share. Our investment in Capital Partners Securities Co., Ltd. of Japan has faired relatively well after the shock from the earthquake and tsunami that hit in early 2011 and have been expanding their asset management business as well as expanding the funds distribution.

During the first half of this year as mentioned in our interim report, we took action to terminate a new team based in Shanghai which was intended at the beginning of the financial year to expand the private equity business, due to management issues. We incurred costs of HK$6,027,000 for this operation up to October 2011. In addition, as a result of an underwriting, we suffered a loss due to the failure of an Australian listed company.

Our securities and corporate finance units both performed well during the Year in light of the challenging environment. Corporate finance unit were able to complete several initial public offerings ("IPO(s)"), and equity capital market ("ECM") team also completed several placement and advisory mandates during the Year. Securities unit was able to increase market share on the Hong Kong Exchange and Clearings Limited ("HKEx") and break into the category "B" classification in the first quarter of 2012. This sales performance was the result assisted by the expansion of sales staff and account executives emanating since September 2010. We have been able to fulfil this capacity on our current premises and shall manage the productivity of the sales staff going forth. This also culminated with growth of our margin loan book and margin interest income as a result of increased sales activity. The expansion of the wealth management business with the move to new premises in December 2011 and the rebranding of our business as "Quam Private Wealth" is progressing with now over 45 independent advisors compared with 25 from last year. New services include discretionary portfolio management service and external asset management service.

Although during the Year the asset management business were able to launch two new funds, the Quam Silkroad Mongolia SP Fund and Quam BRIC EDCA Segregated Portfolio, overall market confidence is still low and building up of Assets under Management ("AUM") will be challenging. Total AUM at the Year end stood at US$62,900,000. Although fund performances suffered from market volatility, they have been in line with the respective benchmark indices.

Quamnet's business was able to continue growth from advertising and content subscription revenues. Much effort has been put on developing our footprint in China by hosting financial investment seminars in Shenzhen and Shanghai and making broader use of our Quamnet TV.

The deteriorating investment climate in the second half due to continued fear of the European sovereign debt situation was affecting the entire industry. Our outlook on operating environment for the forthcoming year is even more challenging with the continual staggering events globally, in particular in Europe. We have therefore undertaken necessary restructuring and reduced cost in our asset management and Quamnet operations since January and shall continue to monitor these changes in light of the overall environment.

REVIEW OF OPERATIONS

Securities and futures dealing and placement

Securities and futures dealing commissions further increased for the Year of HK$218,001,000 (2011: HK$185,689,000), an increase of 17.4% over the same period last year assisted by the consolidated expanded client base supported by the enlarged sales force.

The securities margin lending maintained an annual net average loan book of HK$413,000,000 (2011: HK$239,400,000) and attributed interest income of HK$32,499,000 (2011: HK$20,572,000). The margin loan book at the end of Year stood at HK$469,341,000 (2011: HK$329,926,000) and is well supported by sufficient banking facilities.

ECM business activity in placement and underwriting fee income for the Year declined to HK$12,725,000 (2011: HK$21,974,000).

Corporate financial advisory services

Corporate finance and advisory services revenue for the Year amounted to HK$54,325,000 (2011: HK$40,073,000). The increase in revenue was derived from the completion of a number of IPOs along with several advisory mandates.

We closed 46 transactions this Year (2011: 35 transactions) and increased our head-count to 24 staff (2011: 20 staff). Of the transactions we completed during the Year were 3 IPOs, and 43 corporate advisory and restructuring mandates. The dedicated China/European desk, focusing on M&A deal flows, with an emphasis on outbound projects is gaining traction and supported by a new Director of Corporate Finance based in Shanghai. Deal flow remains strong and we hope to remain this momentum in 2012/13.

Asset Management

Revenue for the Year for management fee amounted to HK$9,024,000 (2011: HK$10,581,000). This decrease was a result of falling AUM through redemption and performance deterioration. The net results were further affected by an increase in overheads and marketing expenses.

Total AUM in our funds stood at close to US$62,900,000 (2011: US$78,500,000) as at the Year end. We have undertaken some restructuring from January to reduce costs and as result of poor investment climate.

www.quamnet.com and QuamIR

Quamnet's revenue for the Year was slightly increased to HK$26,932,000 (2011: HK$25,255,000), an increase of 6.6% compared to the previous year. Advertising and content fee revenue was improved as a result of a slightly improved advertising market in the financial services category. Revenue from website management and related services which include subscriptions for research and columnist also increased, benefiting from the launch of new paid services covering a wider range of investing instruments and markets.

FINANCIAL REVIEWS

Liquidity and Financial Resources

The Group generally finances its operations with internally generated cash flow as well as with banking facilities provided by its principal bankers in Hong Kong. We have increased our bank facilities during the Year to cater for the increase in dealing activity from new sales force. At 31 March 2012, the Group had available aggregate banking facilities of approximately HK$415,000,000 as compared to HK$369,000,000 in 2011, secured by legal charges on certain securities owned by the Group's margin and money lending clients. On 31 March 2012, approximately HK$198,102,000 (2011: HK$196,694,000) of these banking and short-term loan facilities were utilized.

Capital Structure

The Group's cash and short term deposits at 31 March 2012 stood at approximately HK$60,013,000 (2011: HK$122,510,000).

Gearing Ratio

The Group's gearing ratio was 69.9% at 31 March 2012 (2011: 67.9%), being calculated as borrowings over net assets. The management of the Company have applied prudent risk and credit management on the increased lending to clients and borrowings from banks.

EMPLOYEES AND REMUNERATION POLICIES

As of 31 March 2012, the Group had 184 full time employees and 6 part time employees in Hong Kong (2011: 171 full time employees and 12 part time employees in Hong Kong), together with 65 full time employees and 2 part time employees based in the Mainland China (2011: 68 full time employees and 2 part time employees based in the Mainland China). Competitive total remuneration packages are offered to employees by reference to prevailing market practices and standards and individual merit. Salaries are reviewed annually and bonuses paid with reference to individual performance appraisals, prevailing market conditions and company financial results. Other benefits offered by the Group include mandatory provident fund scheme and medical and health insurance. In addition, the Group has maintained a share option scheme and a restricted share award scheme in order to recognize and motivate the contribution of high performing employees of the Group, to provide incentives for retention purposes and to attract personnel for further development of the Group.

RISK MANAGEMENT

The Group adopts stringent risk management policies and monitoring systems to contain exposure associated with credit, liquidity, market and IT systems in all its major operations.

Credit Risk

The Group's credit committee within the securities and futures operation meets regularly to review credit limits for clients and identify and assess risk associated with financial products. The credit committee, which is appointed by the Executive Committee of the Company and ultimately authorised by the Board, is responsible for the approval of individual stocks acceptable for margin lending. The stock list is revised as and when deemed necessary by the committee. The committee will prescribe from time to time lending limits on individual stocks and/or for each individual client.

The credit control department is responsible for monitoring and making margin calls to clients, exceeding their limits. Failure to meet margin calls will result in liquidation of the customer's positions. The credit control department runs stress tests on loan portfolios to determine the impact on the firm's financial position and exposure.

Liquidity Risk

The Group's operating units are subject to various liquidity requirements as prescribed by the authorities and regulator. The Group has put in place monitoring system to ensure that it maintains adequate liquid capital to fund its business commitments and to comply with the relevant rules including Financial Resources Rules.

As a safeguard, the Group has maintained long term facilities and stand-by banking facilities to meet any contingency in its operations. Even in periods of high market volatility, the management believes the Group's working capital is adequate to meet its financial obligations.

Market Risk

The Group offers margin trading in securities and futures and options products. Clients are required to maintain a margin in order to hold positions and meet margin calls when there are changes in value of the underlying interest. The margins to be maintained for futures and options products are based on requirements set by the exchanges. The margin ratios for securities margin loans are based on a combination of factors including indicative acceptable lending rates from our bankers, the quality of the company represented by the securities, the liquidity of the securities, and the concentration level of securities held. All margin ratios are assessed by the Credit Committee. In situations where there may be sudden volatile market movement (e.g. market gap opening) affecting client's positions, the liquidation of these positions can be compromised due to market liquidity and therefore, expose the Group to credit and delivery risk.

The Group's exposure to underwriting commitments is subject to market volatility and sentiment. In that respect, the Group follows strict limits as to the maximum exposure to any underwriting commitment. The net exposure commitment per issue should not exceed 25% of net asset value of the Group and the aggregate of underwriting commitments at any one time should not exceed 40% of net asset value of the Group. The Board has the ultimate say in establishing those policies.

PROSPECTS

The year ahead we remain cautiously optimistic despite significant challenges of the global investment and business climate. The ongoing maelstrom in Europe will continue and together with major markets in US and China being affected will lower confidence on investors and the business environment.

Our efforts will continue to focus on cost rationalization, which we began in January 2012. We believe the current strategy adopted in order to make more is to spend less. Preserving current business and relationships is vital during this current period of uncertainty and we look to reinforce that going forward.

We will continue to focus on our core businesses that derive positive contributions, and narrow the gap through rationalization or switching certain costs structures to a variable or incremental basis.

We will continue to seek divestment of some of our investments which are not directly linked to our core operations, the proceeds will go to further enhance our core business operations for future growth.

The capital markets and financial systems are undergoing a vast change in regulation and practices since the financial crisis. The Group has continually adopted to accept these changes as part of our evolution. We believe there will be consolidation in certain areas we are in from other competitors. With this we therefore be ready to capture our greater share of business when business confidence returns.

Directors' Report

The board of directors (the "Board" or "Directors") of Quam Limited (the "Company") presents its report together with the audited financial statements of the Company and its subsidiaries (together, the "Group") for the year ended 31 March 2012.

PRINCIPAL ACTIVITIES

During the year ended 31 March 2012, the principal activity of the Company is investment holding and the principal activities of the subsidiaries are as follows:

a) securities and futures dealing, placement services, margin financing and money lending, the provision of fund management services and wealth management services;

b) website management and related services;

c) provision of advisory service; and

d) investment holding and securities trading.

Particulars of the principal subsidiaries of the Company as at 31 March 2012 are set out in note 19 to the financial statements.

SEGMENT INFORMATION

An analysis of the Group's turnover and results by business segment for the financial year ended 31 March 2012 is set out in note 7 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2012 and the state of affairs of the Company and the Group as at 31 March 2012 are set out in the financial statements on pages 51 to 135.

No interim dividend was paid during the year (2011: Nil).

The Board has resolved not to recommend the payment of a final dividend for the year ended 31 March 2012 (2011: HK0.5 cent per ordinary share, totaling approximately HK$4,773,000).

FIVE YEAR FINANCIAL SUMMARY

A summary of the published results and of the assets and liabilities of the Group for the last five financial years ended 31 March 2012, which was extracted from the audited financial statements and reclassified as appropriate, is set out on page 136 of this annual report. This summary does not form part of the financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Company and the Group during the year are set out in note 16 to the financial statements.

SHARE CAPITAL

On 17 August 2011, the Board proposed the issue of rights shares at the subscription price of HK$0.25 per rights share on the basis of one rights share for every four existing shares (the "Rights Issue"). The Rights Issue was completed on 30 September 2011 and 238,641,417 rights shares had been issued which ranked pari passu in all respects with the ordinary shares of the Company.

During the year ended 31 March 2012, the Company issued and allotted 6,223,170 new shares at par value of Hong Kong one third of one cent each as a result of the exercise of share options. The net proceed to the subscription amounted to approximately HK$816,000 and were received in cash.

Details of the movements in the Company's share capital during the year are set out in note 35 to the financial statements.

SHARE OPTION SCHEMES

The Company operates two share option schemes. A new share option scheme (the "New Scheme") was approved by the shareholders at the annual general meeting of the Company held on 30 September 2002 for granting of options to subscribe for shares in the Company. The old share option scheme adopted by the Company on 4 September 1997 (details of which are set out in note 36 to the financial statements) which originally would expire on 3 September 2007 was terminated on 30 September 2002.

A summary of the principal terms of the New Scheme is given below:

(I)	Purpose of the scheme	:	The purpose of the New Scheme is to provide incentives or rewards to eligible participants for their contribution or would-be contribution to the Group and/or to enable the Group to recruit and retain high-caliber employees and attract human resources that are valuable to the Group and any invested entity.
(II)	Participants of the scheme	:	Eligible participants of the New Scheme include Directors, other employees of the Group, suppliers of goods or services to the Group, customers of the Group, and a person or entity that provided research, development or technological support or other services to the Group or any invested entity and any shareholder or any member of the Group.
(III)	Total number of shares available for issue under the scheme and percentage of issued share capital as at 22 June 2012	:	The number of shares available for issue under the New Scheme was 27,069,014 shares representing 2.3% of the issued share capital as at 22 June 2012.

SHARE OPTION SCHEMES (CONTINUED)

(IV)	Maximum entitlement of each participant under the scheme	:	The maximum number of shares issued and which may fall to be issued upon exercise of the options granted under the New Scheme to each participant in any 12-month period up to the date of grant must not exceed 1% of the shares in issue unless it is approved by shareholders (other than the grantees and/or their respective associates) in a general meeting of the Company. 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 in issue and with an aggregate value (based on the closing price of the shares at the date of the grant) in excess of HK$5,000,000, in any 12-month period, are subject to shareholders' approval in general meeting of the Company.
(V)	The period within which the shares must be taken up under an option	:	The period within which the options must be exercised will be specified by the Company at the time of grant. This period shall end in any event not later than 10 years from the relevant date of grant.
(VI)	The minimum period for which an option must be held before it can be exercised	:	The Company may specify any minimum period(s) for which an option must be held before it can be exercised at the time of grant of the options. The New Scheme does not contain any such minimum period.
(VII)	The amount payable upon acceptance of option	:	HK$10.0 is payable by each eligible participant to the Company on acceptance of options within 28 days from the date of the offer of grant of the options
(VIII)	The basis of determining the exercise price	:	The exercise price must be at least the higher of: (i) the closing price of share as stated in the daily quotation sheet of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on the date of grant, which must be a trading day; (ii) the average closing prices of the shares as stated in the daily quotation sheet of the Stock Exchange for the five trading days immediately preceding the date of grant; and (iii) the nominal value of a share.
(IX)	The remaining life of the scheme	:	The New Scheme will expire at the close of business on 29 September 2012.

SHARE OPTION SCHEMES (CONTINUED)

Movements of the share options under the old share option scheme and the New Scheme during the year ended 31 March 2012 are as follows:

Participants	Number of share options: Outstanding at 1 April 2011	Granted during the year	Adjusted upon Rights Issue on 30 September 2011 (Note 1)	Exercised during the year	Lapsed during the year	Outstanding at 31 March 2012	Exercisable at 31 March 2012	Date of grant of share options (Note 3)	Exercise period of share options	Exercise price of share options HK$ per share	Closing Price of the Company's shares Immediately before the exercise date HK$ per share (Note 7)
Share options granted under Old Scheme											
Employees under continuous contract											
In aggregate	117,777	—	1,348	—	119,125	—	—	5 March 2001	5 September 2001 to 8 September 2011	0.2200	N/A
	117,777	—	1,348	—	119,125	—	—				
Share options granted under New Scheme											
Employees under continuous contract											
In aggregate	2,758,979	—	31,587	—	449,601	2,340,965	2,340,965	9 June 2006	9 June 2007 to 8 June 2016 (Note 4)	0.1296	N/A
In aggregate	948,291	—	10,857	—	359,680	599,468	599,468	29 February 2008	1 March 2009 to 28 February 2018 (Note 5)	0.8340	N/A
In aggregate	15,617,165	—	178,790	—	959,146	14,836,809	14,836,809	6 June 2008	6 June 2009 to 5 June 2018 (Note 6)	0.7623	N/A
Directors											
Mr. Bernard POULIOT	2,963,414	—	33,932	—	—	2,997,346	2,997,346	6 June 2008	6 June 2009 to 5 June 2018 (Note 6)	0.7623	N/A
Mr. Kenneth LAM Kin Hing	2,963,414	—	33,932	—	—	2,997,346	2,997,346	6 June 2008	6 June 2009 to 5 June 2018 (Note 6)	0.7623	N/A
Mr. Richard David WINTER	6,223,170	—	71,257	6,294,427	—	—	—	18 September 2006 (Note 2)	9 June 2007 to 8 June 2016 (Note 4)	0.1296	0.3660
	2,963,414	—	33,932	—	—	2,997,346	2,997,346	6 June 2008	6 June 2009 to 5 June 2018 (Note 6)	0.7623	N/A
Other participant	296,341	—	3,393	—	—	299,734	299,734	6 June 2008	6 June 2009 to 5 June 2018 (Note 6)	0.7623	N/A
	34,734,188	—	397,680	6,294,427	1,768,427	27,069,014	27,069,014				

SHARE OPTION SCHEMES (CONTINUED)

Notes:

1. The exercise price of the share options, the closing price of the Company's shares immediately before the exercise date and the number of share options exercised disclosed above have been adjusted for the effect of Rights Issue of 30 September 2011.

2. On 9 June 2006, the Board conditionally approved the grant of share options to the Company's executive directors and certain senior management of the Group. Pursuant to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), the grant of the share options was subject to the approval of the independent shareholders of the Company. Pursuant to the ordinary resolutions passed in a special general meeting of the Company held on 18 September 2006, the grant of share options to the aforesaid Company's executive directors and certain senior management of the Group were approved. Therefore, the date of grant of these aforesaid share options was 18 September 2006.

3. The vesting period of the share options is from the date of grant until the commencement of the exercise period or the date the vesting conditions are satisfied, whichever is later.

4. One third of granted share options will be vested on 9 June 2007, 9 June 2008 and 9 June 2009 respectively and are exercisable from completion of each vesting period. The share options granted shall be valid for 10 years.

5. One third of granted share options will be vested on 1 March 2009, 1 March 2010 and 1 March 2011 respectively and are exercisable from completion of each vesting period. The share options granted shall be valid for 10 years.

6. One third of granted share options will be vested on 6 June 2009, 6 June 2010 and 6 June 2011 respectively and are exercisable from completion of each vesting period. The share options granted shall be valid for 10 years.

7. The closing price of the Company's shares immediately before the exercise date disclosed above is the weighted average of the closing price of the Stock Exchange immediately before the dates on which the options were exercised.

Save as disclosed above, at no time during the year ended 31 March 2012 was the Company or any of its subsidiaries a party to any arrangements to enable the Directors or any of their spouses or children under eighteen years of age to acquire benefits by means of the acquisition of the shares in or debentures of the Company or any other body corporate.

SHARE AWARD SCHEME

A restricted share award scheme ("Share Award Scheme") was adopted by the Company on 19 August 2010. The purpose of the Share Award Scheme is to recognize and motivate the contribution of certain employees and/or consultants and to provide incentives and help the Group in retaining its existing employees or consultants and recruiting additional employees or consultants and to provide them with a direct economic interest in attaining the long-term business objectives of the Company.

SHARE AWARD SCHEME (CONTINUED)

Pursuant to the rules of Share Award Scheme, the Board may, from time to time, at its absolute discretion select the employees and consultants (excluding any excluded participant) as they deem appropriate for participation in the Share Award Scheme and determines the number of restricted shares to be awarded. Existing shares would be purchased by the trustee from the market out of cash contributed by the Group and be held in trust for the relevant selected participants. The restricted shares of the Company will be vested only after satisfactory completion of time-based targets and/or time-and-performance-based targets.

The Share Award Scheme is subject to the administration of the Board in accordance with the rules of Share Award Scheme. The aggregate number of restricted shares awarded by the Board throughout the duration of the Share Award Scheme should not in excess of 10% of the issued share capital of the Company as at the date of its adoption. Unless terminated earlier by the Board, the Share Award Scheme shall be valid and effective for a term of 10 years from the date of its adoption. However, the Board has the right to renew for the Share Award Scheme up to three times and each time for another 5-year terms. Further details of the Share Award Scheme were set out in the announcement of Company dated 19 August 2010.

Movements of the awarded shares under the Share Award Scheme during the year ended 31 March 2012 are as follows:

		Number of Awarded Shares			
Participants	**Date of award**	**Outstanding as at 1 April 2011**	**Vested during the period**	**Lapsed during the period**	**Outstanding as at 31 March 2012**
Employees under continuous contract					
Time-based					
In aggregate	21 October 2010	22,095,000 (Note 1)	7,264,972	1,966,669	12,863,359
In aggregate	1 March 2011	750,000 (Note 2)	83,333	500,000	166,667
Performance-based					
In aggregate	21 October 2010	3,350,000 (Note 1)	416,665	1,400,000	1,533,335
Directors					
Time-based					
Mr. Bernard POULIOT	21 October 2010	1,000,000 (Note 1)	333,333	—	666,667
Mr. Kenneth LAM Kin Hing	21 October 2010	1,000,000 (Note 1)	333,333	—	666,667
Mr. Richard David WINTER	21 October 2010	1,000,000 (Note 1)	333,333	—	666,667
		29,195,000	8,764,969	3,866,669	16,563,362

Notes:

1. One third of awarded shares will be vested on 21 October 2011, 22 October 2012 and 21 October 2013 respectively.

2. One third of awarded shares will be vested on 1 March 2012, 1 March 2013 and 3 March 2014 respectively.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Bye-laws of the Company or the laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders of the Company.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

During the year ended 31 March 2012, neither the Company nor any of its subsidiaries had purchased, redeemed or sold any of the Company's listed securities.

SHARE PREMIUM AND RESERVES

Details of the movements in the share premium and reserves of the Company and the Group during the year are set out in note 38 to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

As at 31 March 2012, the reserves available for cash distribution and/or distribution in specie, comprising contributed surplus and accumulated losses of the Company, amounted to HK$37,911,000. In accordance with the Companies Act 1981 of Bermuda (as amended), the contributed surplus may only be distributed in certain circumstances.

CHARITABLE CONTRIBUTIONS

During the year, the total charitable contributions made by the Group amounted to HK$13,000.

MAJOR CUSTOMERS AND SUPPLIERS

In the financial year under review, services provided to the Group's five largest customers accounted for 9% of the total turnover for the year of HK$358,332,000 and services provided to the largest customer included therein amounted to 2%.

Services provided from the Group's five largest suppliers accounted for 31% of the total cost of services provided for the year and services provided from the largest supplier included therein amounted to 8%.

None of the Directors, their associates, or any shareholder (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had, at any time during the year, a beneficial interest in any of the Group's five largest customers.

DIRECTORS

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

Executive Directors
Mr. Bernard POULIOT *(Chairman)*
Mr. Kenneth LAM Kin Hing *(Deputy Chairman and Chief Executive Officer)*
Mr. Richard David WINTER *(Deputy Chairman)*

DIRECTORS (CONTINUED)

Independent Non-executive Directors
Mr. Gordon KWONG Che Keung
Mr. Robert Stephen TAIT
Mr. Robert CHAN Tze Leung *(appointed on 18 October 2011)*
Mr. Douglas Howard MOORE *(resigned on 18 October 2011)*

In accordance with bye-laws 86(2) and 87 of the Bye-laws of the Company, Mr. Kenneth LAM Kin Hing, the Deputy Chairman, Chief Executive Officer and executive Director, and Mr. Gordon KWONG Che Keung, the independent non-executive Director, are due to retire by rotation at the forthcoming annual general meeting. Mr. Robert CHAN Tze Leung, the independent non-executive Director appointed during the year are also due to retire at the forthcoming annual general meeting. Mr. LAM and Mr. CHAN are being eligible and offer themselves for re-election while Mr. KWONG has informed the Company that he will not offer for re-election.

The Company has received from each of its independent non-executive Director an annual confirmation of his independence pursuant to rule 3.13 of the Listing Rules and consider that all the independent non-executive Directors are independent in accordance with the terms of the independence guidelines set out in rule 3.13 of the Listing Rules.

DIRECTORS' REMUNERATION

Details of the emoluments of the Directors for the year ended 31 March 2012 are set out in note 15 to the financial statements.

EMOLUMENT POLICY

The emolument policy of the Group, in general, is determined with reference to the financial position and operating results of the Company and the prevailing market condition and trends. On this basis, the emolument of the Directors is determined with reference to their individual performances. For the executive Directors, their emoluments are reviewed by the Remuneration Committee of the Company.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of Directors and senior management of the Group are presented on pages 10 to 13 of this annual report.

DIRECTORS' SERVICE CONTRACTS

Each of Mr. Bernard POULIOT, Mr. Kenneth LAM Kin Hing and Mr. Richard David WINTER has re-entered into a service contract with the Company, respectively on 1 October 2011, 1 October 2011 and 17 September 2011, for a term of three years and shall continue thereafter unless and until terminated by either party giving not less than twelve months notice in writing.

Each of Mr. Gordon KWONG Che Keung and Mr. Robert Stephen TAIT has re-entered into a service contract with the Company on 31 July 2011 while Mr. Robert CHAN Tze Leung entered into a service contract with the Company on 18 October 2011, for a term of one year renewable following the expiration of the term and is subject to the retirement by rotation and re-election in accordance with the provisions of the Bye-Laws of the Company.

Save as disclosed above, no Director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not terminable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed under "Continuing Connected Transactions" in this directors' report and note 42 to the financial statements, no Director had a material interest in any contract of significance to the business of the Group subsisted at the end of the year or at any time during the year to which the Company or any of its subsidiaries was a party.

MANAGEMENT CONTRACTS

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

DIRECTORS' INTERESTS

As at 31 March 2012, the interests and short positions of the Directors in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") under Appendix 10 of the Listing Rules were as follows:

Long Position

	Number of ordinary shares of Hong Kong one third of one cent each held							
Name of directors	**Beneficial interests**	**Family interests**	**Corporate interests**	**Total interests**	**Approximate percentage of total interests in the shares in issue** (Note 6)	**Underlying shares (share options)** (Note 4)	**Awarded Shares** (Note 5)	**Approximate percentage of total interests (including underlying and awarded shares) in the share in issue** (Note 6)
Mr. Bernard POULIOT	114,995,090	11,137,500 (Note 1)	263,053,857 (Note 2)	389,186,447	32.61%	2,997,346	666,667	32.92%
Mr. Kenneth LAM Kin Hing	184,631,887	—	150,540,458 (Note 3)	335,172,345	28.09%	2,997,346	666,667	28.39%
Mr. Richard David WINTER	98,120,731	—	—	98,120,731	8.22%	2,997,346	666,667	8.53%
Mr. Robert CHAN Tze Leung	519,750	—	—	519,750	0.04%	—	—	0.04%

Notes:

1. The family interests of Mr. Bernard POULIOT are held by his wife, Ms. Elizabeth CHAN Wai Yin.

2. The corporate interests are held by Newer Challenge Holdings Limited and Porto Global Limited, the controlling shareholders of the Company, which are beneficially owned by Mr. Bernard POULIOT, the Chairman and executive Director of the Company.

3. The corporate interests are held by Olympia Asian Limited, which is beneficially owned by Mr. Kenneth LAM Kin Hing, the Deputy Chairman, Chief Executive Officer and executive Director of the Company.

4. Details of interests in underlying shares in respect of share options granted by the Company are set out under the section headed "Share Option Schemes".

DIRECTORS' INTERESTS (CONTINUED)

Notes: (Continued)

5. Details of interests in awarded shares under the Restricted Share Award Scheme are set out under the section headed "Share Award Scheme".

6. The approximate percentage shown was the number of securities the relevant director of the Company was interested expressed as a percentage of the number of issued shares as at 31 March 2012.

Save as disclosed above, as at 31 March 2012, none of the Directors or their respective associates had or were deemed under the SFO to have any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be recorded in the register kept by the Company under Section 352 of the SFO or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 31 March 2012, so far as were known to the Directors, the following persons (other than the Directors) who had interests and short positions in the shares, underlying shares and debentures of the Company as recorded in the register kept by the Company under section 336 of the SFO, or as otherwise notified to the Company, as being directly or indirectly interested or deemed to be interested in 5% or more of the shares in issue of the Company, were as follows:

Long Position

	Number of ordinary shares of Hong Kong one third of one cent each held	
Name of shareholders	**Beneficial interests**	**Approximate percentage of total interests in the share in issue** (Note 3)
Newer Challenge Holdings Limited (Note 1)	164,857,773	13.81%
Olympia Asian Limited (Note 2)	150,540,458	12.61%
Porto Global Limited (Note 1)	98,196,084	8.22%

Notes:

1. Newer Challenge Holdings Limited and Porto Global Limited are companies beneficially owned by Mr. Bernard POULIOT, the Chairman and executive Director of the Company.

2. Olympia Asian Limited is a company beneficially owned by Mr. Kenneth LAM Kin Hing, the Deputy Chairman, Chief Executive Officer and executive Director of the Company.

3. The approximate percentage shown was the number of securities the relevant person was interested expressed as a percentage of the number of issued shares as at 31 March 2012.

Save as disclosed above, as at 31 March 2012, the Company had not been notified by any other person (other than the Directors) who had interests or short positions in the shares or underlying shares of the Company which were required to be recorded in the register maintained by the Company under section 336 of the SFO.

COMPETING INTERESTS

As at 31 March 2012, the interests of Directors or their respective associates in the businesses which are considered to compete or are likely to compete, either directly or indirectly, with the businesses of the Group ("Competing Business") were as follows:

Name	Investing entity	Nature of interest	Competing business
Mr. Bernard POULIOT	Seamico Securities Public Company Limited, Thailand	shareholder/director	Securities business
Mr. Kenneth LAM Kin Hing	Seamico Securities Public Company Limited, Thailand	shareholder/director	Securities business

Save as disclosed above, as at 31 March 2012, none of the Directors or their respective associates was interested in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

Mr. Bernard POULIOT and Mr. Kenneth LAM Kin Hing, each of executive Directors, are directors of Seamico Securities Public Company Limited ("Seamico") and held below 1% of its total issued share capital. Seamico is a public listed company in Thailand and with the board of directors comprises of ten members, where Mr. POULIOT and Mr. LAM are only the minority of the board. Moreover, it is principally operating its securities business in Thailand while the Group is principally operating its securities business in Hong Kong. Therefore, with minimal shareholdings held by the two executive Directors, their small influence in the board of Seamico and its operation of securities business in a different geographic area, the Group is capable of carrying its securities business independently of Seamico.

CONNECTED TRANSACTION

During the year, the Group entered into the following connected transaction subject to the reporting and announcement requirements but exempted from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules:

Transaction date	:	7 March 2012
Parties to the transaction	:	The Company; and The Brooker Group Public Company Limited (a company listed in The Stock Exchange of Thailand, "Brooker")
Transaction	:	The acceptance of the offer for disposal of the Company's equity interests in McMillen Advantage Capital Limited ("MAC") to Brooker (the "Offer")
Total consideration and terms	:	The total consideration of the disposal was (i) cash payment of US$578,550 and (ii) 27,916,446 newly-issued ordinary shares of Brooker. The completion of the acceptance of the Offer is conditional upon (i) approval of the transfer of the shares for disposal by the directors of MAC; (ii) approval of the Offer by the Brooker's shareholders at a general meeting; and (iii) approval of the relevant authorities.
Nature and extent of the connected persons' interests in the transaction	:	Mr. Robert MCMILLEN is a director of a subsidiary of the Company and a substantial shareholder of MAC. As such, MAC is a connected person of the Company and the disposal of shares in MAC is regarded as a connected transaction pursuant to 14A.13(1)(b)(i) of the Listing Rules

Subsequently after the year ended 31 March 2012, at an extraordinary general meeting of Brooker held on 24 May 2012, the independent shareholders of Brooker (which excluded those shareholders who had interested in the shares offering) did not pass the resolution to approve the investment in MAC. Accordingly, the disposal of the Company's equity interest in MAC to Brooker has been terminated.

Further details of the Offer were set out in the announcements of the Company dated 7 March 2012 and 24 May 2012.

CONTINUING CONNECTED TRANSACTIONS

During the year, the Group has the following continuing connected transactions which were subsisting:

A) Connected Margin Loans

Transaction period	:	From 1 April 2011 to 31 March 2012
Parties to the transaction	:	Quam Securities Company Limited and • Mr. Bernard POULIOT and his respective associates • Mr. Kenneth LAM Kin Hing and his respective associates • Other directors of the Company and the Company's subsidiaries and their respective associates
Transaction	:	Share margin financing
Total consideration and terms	:	The Company has renewed the annual caps for the connected margin loans to HK$50,000,000 for each of the three financial years ending 31 March 2013. This was approved by the shareholders of the Company at the special general meeting of the Company on 23 March 2010. Total annual aggregate interest charged to connected persons for the year amount to HK$605,000. The interest rate charged is at prime bank lending rate plus 3% to 6%. The margin facilities are secured by collateral securities and are repayable upon demand.
Nature and extent of the connected persons' interests in the transaction	:	Given the recurring nature of share margin financing arrangements, this constituted financial assistance and continuing connected transactions of the Company under the Listing Rules.

Further details of the renewed caps of the connected margin loans were set out in the circular of the Company dated 4 March 2010.

CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

B) Connected Dealings Services

Transaction period	:	From 1 April 2011 to 31 March 2012
Parties to the transaction	:	Quam Securities Company Limited and • Mr. Bernard POULIOT and his respective associates • Mr. Kenneth LAM Kin Hing and his respective associates • Mr. Richard David WINTER • Other directors of the Company and the Company's subsidiaries and their respective associates
Transaction	:	The securities dealing, futures dealing, share margin financing arrangements and portfolio management services
Total consideration and terms	:	The Company has renewed the annual caps for the connected dealings services to HK$30,000,000 for each of the three financial years ending 31 March 2013. This was approved by the shareholders of the Company at the special general meeting of the Company on 23 March 2010. Total annual aggregate of connected dealing services fees charged to connected persons for the year amount to HK$1,209,000. The transaction fees charged for the futures dealings services range from HK$12 and HK$400 depending on the type of futures product being dealt. The Group charges securities services transaction fees of up to 1% of the consideration of the securities traded. The interest rate charged on share margin financing and for late settlement for cash securities accounts is at prime bank lending rate plus 3%-6%. Performance fees for portfolio management range up to 45% of the performance derived.
Nature and extent of the connected persons' interests in the transaction	:	Given the recurring nature of the connected dealings services, these constitute continuing connected transactions of the Company under the Listing Rules.

Further details of the renewed caps of the connected dealings services were set out in the circular of the Company dated 4 March 2010.

CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

C) MAC Cooperative Agreement

Transaction period	:	From 1 April 2011 to 31 March 2012
Parties to the transaction	:	MAC and its subsidiaries and associates ("MAC Group"); and the Company
Transaction	:	Pursuant to the Cooperative Agreement re-entered on 11 February 2010, the Company and the MAC Group had agreed to facilitate mutual business with respect to each other including securities broking, sales and distribution of financial products offered by the Group and the MAC Group, securities placement and underwriting, research and financial information services, media and investor relation and financial event management services.
Total consideration and terms	:	The annual caps for Cooperative Agreement had been fixed for no more than HK$100,000,000 for each of the three financial years ending 31 March 2013. The annual caps had been approved by the shareholders of the Company at the special general meeting of the Company on 23 March 2010. The total aggregate of cooperative service fee for the year amount to HK$249,000.
Nature and extent of the connected person's interests in the transaction	:	Mr. Robert MCMILLEN, a director of a subsidiary of the Company, is a substantial shareholder of MAC who controls the composition of a majority of the board of directors of MAC, as such, MAC is regarded as a connected person of the Company. The Cooperative Agreement constitutes a continuing connected transaction for the Company under rule 14A.14 of the Listing Rules.

Further details of the MAC Cooperative Agreement were set out in the circular of the Company dated 4 March 2010.

The independent non-executive Directors of the Company have reviewed the continuing connected transactions of A) to C) as set out above and have confirmed that these continuing connected transactions have been entered into:

(i) in the ordinary and usual course of business of the Group;

(ii) on normal commercial terms or on terms no less favourable to the Group than terms available to independent third parties; and

(iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued his unqualified letter containing his findings and conclusions in respect of the continuing connected transactions disclosed by the Group in accordance with rule 14A.38 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

The Company confirms that it has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this report, being the latest practicable date.

CORPORATE GOVERNANCE

Details of the corporate governance practices of the Company are presented in the Corporate Governance Report which is presented on pages 40 to 48 of this annual report.

UPDATES ON DIRECTORS' INFORMATION UNDER RULE 13.51B(1) OF THE LISTING RULES

Changes of information of the Directors since the date of 2011 Interim Report which is required to be disclosed pursuant to rule 13.51B(1) of the Listing Rules are set out below:

Name of Director	Details of Change
Mr. Bernard POULIOT	— the monthly salary decreased from HK$180,000 to HK$152,000 with effect from 1 May 2012 due to the voluntary reduction of working days from 5 days to 4 days a week
Mr. Kenneth LAM Kin Hing	— the monthly salary increased from HK$240,000 to HK$260,000 with effect from 1 April 2012
Mr. Richard David WINTER	— the monthly salary increased from HK$240,000 to HK$248,000 with effect from 1 April 2012
Mr. Robert CHAN Tze Leung	— appointed as independent non-executive director of Gold One International Limited, a company listed in Australia Stock Exchange, with effect from 1 March 2012

Save as disclosed above, there is no other information required to be disclosed pursuant to rule 13.51B(1) of the Listing Rules.

AUDITORS

The financial statements for the year ended 31 March 2010 were audited by Grant Thornton ("GTHK"), now known as JBPB & Co. Due to a merger of the businesses of GTHK and BDO Limited ("BDO") to practise in the name of BDO as announced on 26 November 2010, GTHK resigned and BDO was appointed as auditor of the Company effective from 10 January 2011. The financial statements for the year ended 31 March 2011 and 31 March 2012 were audited by BDO.

A resolution will be proposed at the forthcoming annual general meeting of the Company to re-appoint BDO as auditor of the Company.

On behalf of the Board

Bernard POULIOT
Chairman

Hong Kong, 22 June 2012

Corporate Governance Report

The Company is committed to maintaining high standards of corporate governance in order to ensure better transparency and safeguard the shareholders' interest in general. The board of directors (the "Directors" or "Board") works for building the effective self-regulatory practices by recruiting high caliber members, delegating authorities to the Board committees and senior management and implementing sound internal control systems.

CORPORATE GOVERNANCE PRACTICES

The Board considers that the Company has applied the principles and complied with the code provisions set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), titled "Corporate Governance Code and Corporate Governance Report" (the "CG Code"), throughout the year ended 31 March 2012 (the "Year") and subsequent period up to the date of publication of this annual report, save for the deviations from code provisions A.2.1 and A.5.1 which are explained as follow:

Since April 2000, the role of the Chairman and the Chief Executive Officer had been performed by Mr. Bernard POULIOT. On 17 October 2011, the Company has appointed Mr. Kenneth LAM Kin Hing, the Deputy Chairman and executive Director of the Company to be Chief Executive Officer of the Company while Mr. Bernard POULIOT, stepped down as managing director of the Group but remains as the Chairman of the Company. Therefore, the Company has already complied with code provision A.2.1 of the CG Code which stipulates that the roles of the Chairman and the Chief Executive Officer should be separate and should not be performed by the same individual.

The Company does not establish a Nomination Committee. This constitutes a deviation from code provision A.5.1 of the CG Code which stipulate that a Nomination Committee should be established. In view of the existing size of the board and business operation of the Group, it is considered more beneficial and effective to have the relevant function performed by the board as a whole.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") under Appendix 10 of the Listing Rules. The code of conduct is also updated from time to time in order to keep abreast with the latest changes in the Listing Rules. It has also been extended to specified employees of the Company who are likely to be in possession of unpublished price sensitive information in respect of their dealings in the securities of the Company.

Having made specific enquiry of all the directors of the Company, all of them confirmed that they have complied with the required standard set out in the Model Code and the code of conduct regarding securities transactions by directors adopted by the Company throughout the Year.

BOARD OF DIRECTORS

The Board is charged with promoting the success of the Company by directing and supervising its affairs in a responsible and effective manner. Each Director has a duty to act in good faith in the best interests of the Company. The Directors are aware of their collective and individual responsibilities to all shareholders of the Company for the manner in which the affairs of the Company are managed, controlled and operated, and they devote sufficient time and attention to the Company's affairs.

BOARD OF DIRECTORS (CONTINUED)

The roles of the Chairman and the Chief Executive Officer of the Company are separated. Mr. POULIOT is the Chairman of the Board. The primary role of the Chairman is to provide leadership for the Board and to ensure that it works effectively in discharging its responsibilities. Mr. LAM is the Chief Executive Officer of the Company. The Chief Executive Officer is responsible for the day-to-day management of the Group's business. Matters reserved for the Board include formulation of the Group's long-term business strategy, consideration of dividend policy, approval of major investments, maintenance of an adequate system of internal controls and oversight of compliance with statutory and regulatory obligations and review of the corporate governance practices of the Group. Daily operations and administration are delegated to management teams.

The Board currently has six members which comprise:

— three executive Directors, namely Mr. POULIOT, Mr. LAM and Mr. Richard David WINTER; and

— three independent non-executive Directors, namely Mr. Gordon KWONG Che Keung, Mr. Robert Stephen TAIT and Mr. Robert CHAN Tze Leung (appointed on 18 October 2011).

(Mr. Douglas Howard MOORE resigned as an independent non-executive director of the Company on 18 October 2011.)

The brief biographical details of the above directors are set out in the section of "Biographical Details of Directors and Senior Management" of this annual report. A list containing the names of the Directors and their roles and functions can also be found in the Company's website (www.quamlimited.com) and the website of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk).

The Company has three independent non-executive Directors which represents half of the Board. They are highly experienced professionals and business people with a broad range of expertise and experience in areas covering accounting, finance, human resources and business management. Mr. KWONG has appropriate professional qualification and accounting expertise as required by the Stock Exchange. He is a fellow member of the Institute of Chartered Accountants in England and Wales and the Hong Kong Institute of Certified Public Accountants, and a former partner of a large international public accounting firm. Mr. TAIT is a specialist in human resources and administration while Mr. CHAN has extensive experience in finance, business management and strategic planning. Our independent non-executive Directors have brought their expertise, experience, professional knowledge together with independent judgment to the Board in making strategic decisions and resolving potential conflicts of interests. They provide adequate checks and balances to safeguard the interests of shareholders in general and the Company as a whole.

The Company has received, from each independent non-executive Director, an annual written confirmation of his independence pursuant to rule 3.13 of the Listing Rules. The Company considers all independent non-executive Directors to be independent.

The Board is continually updated on the Group's business and regulatory environments in which it operates and other changes affecting the Group. The Company has arranged insurance cover for all Directors in respect of any legal action against the Directors. The insurance coverage is reviewed at least annually for ensuring that the Directors and officers are adequately protected against potential legal liabilities.

BOARD OF DIRECTORS (CONTINUED)

During the Year, the Board met 5 times in person or through telephone conference to approve the 2011 final results, 2011 interim results and to consider financial and operating performances and strategic investment decisions of the Group. Individual attendance of each Board member at these meetings is as follows:

Directors	**Number of Meetings Attended/ Total Number of Meetings Held (Percentage of Attendance)**
Executive Directors	
Mr. POULIOT *(Chairman)*	5/5 (100%)
Mr. LAM *(Deputy Chairman and Chief Executive Officer)*	5/5 (100%)
Mr. WINTER *(Deputy Chairman)*	4/5 (80%)
Independent Non-executive Directors	
Mr. KWONG	5/5 (100%)
Mr. TAIT	5/5 (100%)
Mr. MOORE *(resigned on 18 October 2011)*	2/3 (67%)
Mr. CHAN *(appointed on 18 October 2011)*	2/2 (100%)

Arrangements are in place to allow all Directors the opportunity to include matters for discussion in the agenda of each Board meeting. At least fourteen days notice of all Board meetings is given to all Directors. The agenda and board materials are sent to all directors at least three business days in advance of every Board meeting to facilitate informed discussion and decision-making. Senior management will be invited to attend the Board meeting, when necessary, to provide information and explanation to facilitate the decision-making process. All Directors have recourse to external legal counsel and other professionals for independent advice at the Group's expense upon their request.

The Company Secretary assists the Chairman in preparing the agenda for the meeting and ensures that all applicable rules and regulations regarding the meetings are followed.

The proceedings of the Board at its meetings are generally conducted by the Chairman who ensures that sufficient time is allocated for discussion and consideration of each item on the agenda and also equal opportunities are being given to the Directors to speak, express their views and share their concerns.

The Company Secretary keeps minutes of each meeting. Draft minutes are sent to all Directors within a reasonable time for their comment and final versions of the minutes are available for inspection by all Directors at any time.

New director appointed by the Board is subjected to re-election by shareholders of the Company at the next following annual general meeting pursuant to the Bye-laws of the Company. All Directors are subject to retirement by rotation and may offer themselves for re-election at the annual general meeting. Therefore, no Director has an effective term of appointment longer than three years.

At the annual general meeting of the Company held on 29 July 2011, Mr. POULIOT and Mr. TAIT retired and were re-elected as Directors of the Company.

BOARD OF DIRECTORS (CONTINUED)

In order to allow the newly appointed Directors to understand the responsibilities under the relevant regulatory requirements, the operation and business of the Company, the Company will provide an orientation package including key legal requirements, the Memorandum and Bye Laws and information of the Company to and arrange a tailor-made induction for the newly appointed directors.

BOARD COMMITTEES

The Company has established the Audit Committee, the Remuneration Committee and the Executive Committee. The terms of reference of the Audit Committee and the Remuneration Committee, which have already incorporated the latest requirements of Listing Rules, can be found in the website of the Company (www.quamlimited.com) and the website of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk).

Audit Committee

The Audit Committee has been established to assist the Board in reviewing the financial information of the Company, maintaining the relationship with the external auditor and overseeing the financial reporting system and internal control procedures of the Company.

It currently comprises three independent non-executive Directors, namely Mr. KWONG (the chairman), Mr. TAIT and Mr. CHAN.

The major role and authorities of the Audit Committee are summarised below:

i) to make recommendations to the Board on the appointment, reappointment and removal of the external auditors, and review and monitor their independence and objectivity as well as the effectiveness of the audit process;

ii) to approve the remuneration and terms of engagement of external auditors, maintain appropriate relationship between the Group and the external auditors and develop policy on the engagement of the external auditors to supply non-audit services;

iii) to ensure the integrity of the interim and annual consolidated financial statements and any significant financial reporting judgments contained in them; and review the external auditors' work, including management letter and management's response; and

iv) to review the Company's financial controls, internal controls and risk management systems.

BOARD COMMITTEES (CONTINUED)

Audit Committee (Continued)

During the Year, two Audit Committee meetings were held with the external auditor of the Company together with the Company Secretary and the Chief Financial Officer and other senior management of the Company. The Audit Committee members also met privately with BDO Limited ("BDO"), the external auditor of the Company during the Year. Individual attendance of each committee member at Audit Committee meetings is as follows:

Members of Audit Committee	**Number of Meetings Attended/ Total Number of Meetings Held (Percentage of Attendance)**
Mr. KWONG	2/2 (100%)
Mr. TAIT	2/2 (100%)
Mr. MOORE *(resigned on 18 October 2011)*	1/1 (100%)
Mr. CHAN *(appointed on 18 October 2011)*	1/1 (100%)

During the Year, the Audit Committee has discharged its responsibilities by considering the following:

i) the financial statements for the year ended 31 March 2011 and for the six months ended 30 September 2011;

ii) the engagement and remuneration of the external auditor of the Company and the nature, scope and process of the external audit;

iii) the engagement of an external consultant to conduct internal control reviews on the Group's securities and futures dealing operation;

iv) the Company's internal control and risk management systems; and

v) the adequacy of resources, qualifications and experience of staff of the accounting and financial reporting function.

Remuneration Committee

The Remuneration Committee has been established and empowered by the Board to determine and review the remuneration packages of individual executive Directors and senior management, including salaries, bonuses, share options and benefits in kind.

It currently comprises three independent non-executive Directors, namely Mr. TAIT (the chairman), Mr. KWONG and Mr. CHAN (appointed on 18 October 2011) and an executive Director, Mr. WINTER.

The major roles and authorities of the Remuneration Committee are summarised below:

i) to review and recommend to the Board on the Group's remuneration policy and strategy;

ii) to review and approve the proposals for remuneration of the executive Directors, senior management and employees of the Group; and

iii) to review and approve the compensation arrangement relating to the dismissal or removal of directors.

BOARD COMMITTEES (CONTINUED)

Remuneration Committee (Continued)

During the Year, two Remuneration Committee meeting were held. Individual attendance of each committee member at Remuneration Committee meetings is as follows:

Members of Remuneration Committee	Number of Meetings Attended/ Total Number of Meetings Held (Percentage of Attendance)
Mr. TAIT	2/2 (100%)
Mr. KWONG	2/2 (100%)
Mr. MOORE *(resigned on 18 October 2011)*	1/1 (100%)
Mr. CHAN *(appointed on 18 October 2011)*	1/1 (100%)
Mr. WINTER *(Deputy Chairman)*	1/2 (50%)

During the Year, the Remuneration Committee has discharged its responsibilities by considering the following:

i) the remuneration policies, namely annual leave entitlement policy, block leave policy and performance appraisal system;

ii) the remuneration packages of the executive Directors and senior management; and

iii) the level of discretionary bonus and annual salary adjustment for the employees of the Group.

The basis for determining the emolument payable to directors and senior management are with reference to the prevailing market condition, the financial performance of the Company, time commitment and responsibilities and comparable market statistics.

Executive Committee

The Company has set up an Executive Committee which determines group strategy, reviews business performances, examine major investments and monitor management performance. It also identifies and manages the market risk, credit risk, liquidity risk, operational risk, legal risk and regulatory risk of the Group, devises the Group's risk management strategy and strengthens the Group's system of risk management. It comprises three executive Directors, namely Mr. POULIOT, Mr. LAM and Mr. WINTER, and the Chief Financial Officer of the Group, Mr. Kevin Graeme SEW HOY. Meetings are held once each month. Minutes of the Executive Committee Meetings had also been sent to all the members of the Board within a reasonable time for review.

Nomination Committee

The Company does not establish a Nomination Committee. The Executive Committee will be responsible to identify and nominate suitable candidates as Board members. In selecting the suitable candidates, they will consider the professional background, reputation, contribution to the Group and personal reference. The shortlist of suitable candidates will then be proposed to the Board for consideration and appointment. Any new director appointed by the Board during the year shall be required to be offered for re-election by shareholders of the Company at the next general meeting of the Company.

BOARD COMMITTEES (CONTINUED)

Nomination Committee (Continued)

At the forthcoming annual general meeting of the Company, Mr. CHAN, who was appointed on 18 October 2011 by the Board, will stand for re-election.

Shareholders may propose a person for election as a Director at the general meeting of the Company in accordance with the Bye-laws of the Company. The procedures for such proposal can be found in the website of the Company (www.quamlimited.com).

AUDITORS' REMUNERATION

During the Year, the Group has engaged the following audit and non-audit services provided by BDO:

Type of services	**Fees payable to BDO 2012 HK$'000**	Fees paid to BDO 2011 HK$'000
Audit fee for the Group including interim review	**1,220**	1,020
Taxation services for the Group	**161**	150
Others	**142**	60
TOTAL	**1,523**	1,230

The Audit Committee will recommend the appointment of BDO for assurance service for the financial year ending 31 March 2013 at a fee to be agreed.

DIRECTOR'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Board acknowledges that they are responsible for overseeing the preparation of the consolidated financial statements which give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2012 and of the Group's loss and cash flow for the year then ended in accordance with the Hong Kong Financial Reporting Standards and the applicable disclosure provisions of the Listing Rules and for ensuring that appropriate accounting policies are selected and applied consistently.

BDO, the external auditor of the Company, stated their reporting responsibilities in the Independent Auditor's Report which is set out on pages 49 to 50 of this annual report.

The financial statements are prepared on a going concern basis. The Board confirms that, to the best of their knowledge, they are not aware of any material events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

INTERNAL CONTROL

The Board acknowledges the responsibility for establishing and maintaining an adequate system of internal control. The internal control system includes a well-established organizational structure with clearly defined lines of responsibility and authority, which is designed to manage rather than eliminate all risks of failure, safeguard the shareholders' investment and assets from misappropriation, maintain proper accounts and ensure compliance with regulations towards the achievement of organizational objectives.

INTERNAL CONTROL (CONTINUED)

During the Year, the Executive Committee has reviewed the internal controls and governance of the Group at each Executive Committee meeting with the assistance of the Head of Compliance.

With respect to procedures and internal control for the handling and dissemination of price-sensitive information, the Company is aware of its disclosure obligations under the Listing Rules, the overriding principle is that information which is expected to be price-sensitive should be announced immediately when it is the subject of a decision.

The Company has complied with the code provisions on internal controls during the Year in view of the effectiveness and adequacy of the internal control system as below:

i) establish a framework of prudent and effective controls to enable risks to be identified, evaluated and managed;

ii) review the internal controls, through the Audit Committee, to ensure the effectiveness of such control; and

iii) review the effectiveness of the internal control system on an ongoing basis.

During the Year, the Group had engaged Mazars Corporate Recovery and Forensic Services Limited to conduct a review of the internal control systems and account opening procedures of our securities and futures businesses. BDO, the external auditor of the Company, has also reviewed the Group's internal control systems and procedures. The review results have been reported to the Audit Committee and the Board. Areas for improvement had been identified and appropriate remedial measures will be taken by the Group.

The Board, through the Audit Committee, has also reviewed the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function during the Year. The review will be conducted annually in accordance with the requirements of the CG Code.

Based on the results of the review and monthly monitoring, the Directors considered that the internal control systems and procedures of the Group were effective and adequate.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

Accountability and transparency are indispensable for ensuring good corporate governance and, in this regard, timely communication with the shareholders, including institutional investors, is crucial. The Company manages investor relations systematically as a key part of its operations and continues to promote and enhance investor relations and communications with the investors.

The Company maintains a company website at www.quamlimited.com. It is a channel of the Company to communicate with the investing public with our latest corporate development. All our corporate communications, such as press release, statutory announcement, circular, annual report and interim report etc. are available on the website whereas circular, annual report and interim report are printed and sent to all shareholders of the Company. Shareholders and investors may also email their enquiries to the Company's email address: quamir@quamgroup.com, which will be handled by the Company's Investor Relations team. The Company has established a shareholders' communication policy and will review it on a regular basis to ensure its effectiveness.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS (CONTINUED)

The last annual general meeting of the Company was held on 29 July 2011 at 11:00 a.m. at the head office of the Company. At the meeting, the ordinary business of adopting the audited financial statements for the year ended 31 March 2011, matters including the declaration of final dividend, the re-election of Directors, the re-appointment of auditor and the authorisation of the Directors to fix their remuneration were approved at the meeting. Ordinary resolutions providing Directors with general mandates to repurchase and issue and allot shares of the Company subject to the relevant limits under the Listing Rules were also approved. Mr. POULIOT (Chairman), Mr. LAM, Mr. WINTER and Mr. KWONG (Chairman of Audit Committee and representative of the Remuneration Committee) and representatives of BDO were present and available to answer questions at the meeting.

During the Year, there is no change in the Bye-laws of the Company. But in order to bring the Bye-laws of the Company in line with the recent amendments to the Listing Rules, it is proposed to amend the Bye-laws by special resolution at the forthcoming annual general meeting.

The forthcoming annual general meeting of the Company will be scheduled to be held on Thursday, 6 September 2012. Details of the meeting and the necessary information on issues to be considered in the meeting will be set out in the circular to be dispatched to the shareholders of the Company in due course.

SHAREHOLDERS' RIGHTS

Shareholder(s) holding not less than one-tenth of the paid-up capital of the Company may request the board of directors of the Company to convene a special general meeting of the Company. The purposes of convening the meeting must be stated in the relevant requisition, signed by all the shareholders concerned in one or more documents in like form and deposited at the Company's registered office and principal place of business in Hong Kong.

Shareholder(s) can also submit a written requisition to move a resolution at a general meeting pursuant to Section 79 to 80 of the Bermuda Companies Act if they (a) represent not less than one-twentieth of the total voting rights of those shareholders having the right to vote at a general meeting; or (b) are not less than one hundred shareholders. The written requisition must state the resolution, accompanied by a statement of not more than 1,000 words with respect to the matter referred to in the proposed resolution or the business to be dealt with at the general meeting and deposited at the Company's registered office and principal place of business in Hong Kong.

The written requisition must be signed by all the shareholders concerned in one or more documents in like form and deposited at the Company's registered office and principal place of business in Hong Kong for the attention of the Company Secretary not less than six weeks before the meeting in the case of a requisition requiring notice of a resolution, and not less than one week before the meeting in the case of any other requisition. A sum of money reasonably sufficient to meet the Company's expenses in serving the notice of the resolution and circulating the statement given by the requisitionists to all shareholders in accordance with the requirements under the applicable laws and rules should also be accompanied.

CONCLUSION

The Company believes that good corporate governance practices raise the confidence of investors towards the Company. We are one of the founding signatories of the Hong Kong Corporate Governance Charter of The Chamber of Hong Kong Listed Companies which demonstrate the commitment of the Company to uphold good corporate governance. The Company will keep its ongoing effort to enhance the corporate governance practices in order to meet the changing circumstances.

Independent Auditor's Report

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TO THE SHAREHOLDERS OF QUAM LIMITED
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Quam Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 51 to 135, which comprise the consolidated and company statements of financial position as at 31 March 2012, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2012, and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

BDO Limited
Certified Public Accountants
Yu Tsui Fong
Practising Certificate No.: P05440

Hong Kong, 22 June 2012

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2012

	Notes	2012 HK$'000	2011 HK$'000
Revenue/Turnover	5	**358,332**	306,613
Fair value (loss)/gain on financial assets measured at fair value through profit or loss		**(7,571)**	4,239
Other operating income	6	**8,584**	8,365
Cost of services provided		**(154,244)**	(142,646)
Staff costs	9	**(129,093)**	(98,632)
Depreciation and amortisation expenses	10	**(6,289)**	(4,203)
Other operating expenses, net		**(72,513)**	(53,245)
Finance costs	8	**(7,115)**	(4,150)
Provision for impairment of interests in an associate	22	**(11,803)**	—
Share of results of associates		**(3,616)**	(5,750)
Share of results of jointly controlled entities		**1,952**	(2,347)
(Loss)/Profit before income tax	10	**(23,376)**	8,244
Income tax expense	11	**(1,147)**	(570)
(Loss)/Profit for the year, attributable to owners of the Company	12	**(24,523)**	7,674
Other comprehensive income, including reclassification adjustments			
Exchange gain on translation of financial statements of foreign operations		**9**	37
Changes in fair value of financial assets measured at fair value through other comprehensive income		**(11,629)**	(3,789)
Capital reduction of financial assets measured at fair value through other comprehensive income		**—**	10,239
Share of other comprehensive income of an associate		**(353)**	257
Other comprehensive income for the year, including reclassification adjustments and net of tax		**(11,973)**	6,744
Total comprehensive income for the year, attributable to owners of the Company		**(36,496)**	14,418
(Loss)/Earnings per share for (loss)/profit attributable to owners of the Company for the year	14		
— Basic (HK cents)		**(2.339)**	0.803*
— Diluted (HK cents)		**N/A**	0.801*

* *restated*

Consolidated Statement of Financial Position

As at 31 March 2012

	Notes	2012 HK$'000	2011 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	16	**15,060**	14,303
Goodwill	17	**14,695**	14,695
Development costs	18	**1,496**	1,355
Other intangible assets	18	**120**	160
Financial assets measured at fair value through other comprehensive income	21	**77,386**	74,373
Interests in associates	22	**—**	29,197
Interests in jointly controlled entities	23	**24,589**	19,986
Other assets	24	**5,841**	6,869
		139,187	160,938
Current assets			
Trade receivables	25	**759,473**	656,130
Loan receivables	26	**1,829**	4,410
Prepayments, deposits and other receivables	27	**15,498**	10,649
Financial assets measured at fair value through profit or loss	28	**11,052**	14,141
Tax recoverables		**374**	—
Trust time deposits held on behalf of customers	29	**300,264**	211,957
Trust bank balances held on behalf of customers	29	**289,404**	439,834
Cash and cash equivalents	30	**60,013**	122,510
		1,437,907	1,459,631
Current liabilities			
Trade payables	31	**877,247**	967,771
Borrowings	32	**265,747**	243,377
Accruals and other payables		**53,866**	49,658
Finance lease payables	33	**132**	714
Tax payables		**141**	439
		1,197,133	1,261,959
Net current assets		**240,774**	197,672
Total assets less current liabilities		**379,961**	358,610

Consolidated Statement of Financial Position

As at 31 March 2012

	Notes	2012 HK$'000	2011 HK$'000
Non-current liabilities			
Finance lease payables	33	—	134
Deferred tax liabilities	34	36	36
		36	170
Net assets		379,925	358,440
EQUITY			
Equity attributable to Company's owners			
Share capital	35	3,977	3,161
Reserves	38	375,948	355,279
Total equity		379,925	358,440

On behalf of the Board

Bernard POULIOT
Director

Kenneth LAM Kin Hing
Director

Statement of Financial Position

As at 31 March 2012

	Notes	2012 HK$'000	2011 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	16	233	525
Investments in subsidiaries	19	122,474	119,914
Financial assets measured at fair value through other comprehensive income	21	71,754	66,651
Interests in associates	22	—	33,161
		194,461	220,251
Current assets			
Prepayments, deposits and other receivables		872	1,120
Amounts due from subsidiaries	20(a)	127,034	27,350
Cash and cash equivalents	30	3,973	3,397
		131,879	31,867
Current liabilities			
Borrowings	32	21,000	—
Accruals and other payables		2,421	1,813
Finance lease payables	33	132	714
Amounts due to subsidiaries	20(b)	81,446	48,668
		104,999	51,195
Net current assets/(liabilities)		26,880	(19,328)
Total assets less current liabilities		221,341	200,923
Non-current liabilities			
Finance lease payables	33	—	134
Net assets		221,341	200,789
EQUITY			
Share capital	35	3,977	3,161
Reserves	38	217,364	197,628
Total equity		221,341	200,789

On behalf of the Board

Bernard POULIOT
Director

Kenneth LAM Kin Hing
Director

Consolidated Statement of Cash Flows

For the year ended 31 March 2012

	Notes	2012 HK$'000	2011 HK$'000
Cash flows from operating activities			
(Loss)/Profit before income tax		**(23,376)**	8,244
Adjustments for:			
Amortisation of development costs and other intangible assets	10	**454**	40
Depreciation of property, plant and equipment	10	**5,835**	4,163
Dividend income from unlisted securities	6	**—**	(57)
Finance charges on finance lease payables	8	**33**	99
Interest income from banks and others	6	**(2,669)**	(1,872)
Net loss on disposals of property, plant and equipment	10	**—**	15
Provision for impairment of trade and other receivables	10	**7,923**	2,272
Provision for impairment of interests in an associate		**11,803**	—
Reversal of provision for impairment of trade receivables	6	**(523)**	(1,600)
Share awards expense	37	**4,242**	2,657
Share options expense	36	**(396)**	1,086
Share of results of associates		**3,616**	5,750
Share of results of jointly controlled entities		**(1,952)**	2,347
Operating profit before working capital changes		**4,990**	23,144
Decrease/(Increase) in other assets		**1,028**	(3,761)
Increase in trade receivables, loan receivables, prepayments, deposits and other receivables		**(113,011)**	(290,725)
Decrease/(Increase) in financial assets measured at fair value through profit or loss		**3,089**	(1,010)
Decrease/(Increase) in trust bank balances and trust time deposits held on behalf of customers		**62,123**	(196,255)
(Decrease)/Increase in trade payables, accruals and other payables		**(86,380)**	347,213
Increase in borrowings		**22,370**	181,188
Cash (used in)/generated from operations		**(105,791)**	59,794
Dividend paid		**(4,773)**	—
Income tax paid		**(1,819)**	—
Income tax refunded		**—**	1,840
Net cash (used in)/generated from operating activities		**(112,383)**	61,634

Consolidated Statement of Cash Flows

For the year ended 31 March 2012

	Notes	2012 HK$'000	2011 HK$'000
Cash flows from investing activities			
Capital contribution to jointly controlled entities		(2,651)	(3,000)
Capital (contribution to)/returned from financial assets measured at fair value through other comprehensive income		(1,217)	10,239
Development costs capitalised and paid		(555)	(1,355)
Dividend received from unlisted securities		—	57
Interest received from banks and others		2,669	1,872
Proceeds from disposals of property, plant and equipment		19	—
Purchase of property, plant and equipment		(6,602)	(6,721)
Net cash (used in)/generated from investing activities		(8,337)	1,092
Cash flows from financing activities			
Capital elements of finance lease paid		(716)	(1,158)
Interest elements of finance lease paid		(33)	(99)
Proceeds from shares issued under share option scheme		816	96
Proceeds from shares issued under rights issue		59,660	—
Purchase of shares for Share Award Scheme		—	(12,446)
Share issue expenses paid		(1,568)	—
Net cash generated from/(used in) financing activities		58,159	(13,607)
Net (decrease)/increase in cash and cash equivalents		(62,561)	49,119
Cash and cash equivalents at the beginning of the year		122,510	73,365
Effect of foreign exchange rate changes, on cash held		64	26
Cash and cash equivalents at the end of the year		60,013	122,510

Consolidated Statement of Changes in Equity

For the year ended 31 March 2012

	Attributable to owners of the Company										
	Share capital HK$'000 (note 35)	Share premium* HK$'000	Investment revaluation reserve* HK$'000	Contributed surplus* HK$'000 (note 38)	Share option reserve* HK$'000	Shares held for Share Award Scheme* HK$'000	Award shares reserve* HK$'000	Capital redemption reserve* HK$'000	Exchange reserve* HK$'000	Retained profits* HK$'000	Total HK$'000
At 1 April 2010	3,159	126,404	(1,757)	20,708	7,732	—	—	936	78	195,369	352,629
Exercise of share options	2	137	—	—	(43)	—	—	—	—	—	96
Share option arrangements	—	—	—	—	1,086	—	—	—	—	—	1,086
Share purchased for Share Award Scheme	—	—	—	—	—	(12,446)	—	—	—	—	(12,446)
Share Award Schemes arrangements	—	—	—	—	—	—	2,657	—	—	—	2,657
Transactions with owners	2	137	—	—	1,043	(12,446)	2,657	—	—	—	(8,607)
Profit for the year	—	—	—	—	—	—	—	—	—	7,674	7,674
Other comprehensive income											
— Exchange gain on translation of financial statements of foreign operations	—	—	—	—	—	—	—	—	37	—	37
— Changes in fair value of financial assets measured at fair value through other comprehensive income	—	—	(3,789)	—	—	—	—	—	—	—	(3,789)
— Capital reduction of financial assets measured at fair value through other comprehensive income	—	—	10,239	—	—	—	—	—	—	—	10,239
— Share of other comprehensive income of an associate	—	—	257	—	—	—	—	—	—	—	257
Total comprehensive income for the year	—	—	6,707	—	—	—	—	—	37	7,674	14,418
Lapse of share options	—	—	—	—	(464)	—	—	—	—	464	—
Transfer of contributed surplus	—	—	—	(10,000)	—	—	—	—	—	10,000	—
At 31 March 2011	3,161	126,541	4,950	10,708	8,311	(12,446)	2,657	936	115	213,507	358,440
At 1 April 2011	3,161	126,541	4,950	10,708	8,311	(12,446)	2,657	936	115	213,507	358,440
Exercise of share options	21	1,186	—	—	(391)	—	—	—	—	—	816
Issue of shares under rights issue	795	58,865	—	—	—	—	—	—	—	—	59,660
Transaction costs attributable to issue of new shares	—	(1,568)	—	—	—	—	—	—	—	—	(1,568)
Share option arrangements	—	—	—	—	(396)	—	—	—	—	—	(396)
Share Award Schemes arrangements	—	—	—	—	—	—	4,242	—	—	—	4,242
Dividend approved in respect of previous year	—	—	—	—	—	—	—	—	—	(4,773)	(4,773)
Transactions with owners	816	58,483	—	—	(787)	—	4,242	—	—	(4,773)	57,981
Loss for the year	—	—	—	—	—	—	—	—	—	(24,523)	(24,523)
Other comprehensive income											
— Exchange gain on translation of financial statements of foreign operations	—	—	—	—	—	—	—	—	9	—	9
— Changes in fair value of financial assets measured at fair value through other comprehensive income	—	—	(11,629)	—	—	—	—	—	—	—	(11,629)
— Share of other comprehensive income of an associate	—	—	(353)	—	—	—	—	—	—	—	(353)
Total comprehensive income for the year	—	—	(11,982)	—	—	—	—	—	9	(24,523)	(36,496)
Transfer on disposal of an associate	—	—	(651)	—	—	—	—	—	—	651	—
Forfeiture of share options	—	—	—	—	(130)	—	—	—	—	130	—
Cancellation of share award	—	—	—	—	—	—	(585)	—	—	585	—
Vesting of awarded shares	—	—	—	—	—	3,668	(3,358)	—	—	(310)	—
At 31 March 2012	3,977	185,024	(7,683)	10,708	7,394	(8,778)	2,956	936	124	185,267	379,925

* These reserve accounts comprise the reserves of HK$375,948,000 (2011: HK$355,279,000) in the consolidated statement of financial position as at 31 March 2012.

Notes to the Financial Statements

For the year ended 31 March 2012

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 3408, Gloucester Tower, The Landmark, 11 Pedder Street, Central, Hong Kong. The Company's shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company and its subsidiaries (together 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 and wealth management services

— website management and related services

— provision of advisory services

— investment holding and securities trading

The financial statements for the year ended 31 March 2012 were approved for issue by the board of directors on 22 June 2012.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements on pages 51 to 135 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance and of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

The significant accounting policies that have been used in the preparation of these financial statements are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated. The adoption of new and amended HKFRSs and the impacts on the Group's financial statements, if any, are disclosed in note 3 to the financial statements.

The financial statements have been prepared on the historical cost basis except for the revaluation of certain financial assets. 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 and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4 to the financial statements.

Notes to the Financial Statements

For the year ended 31 March 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective dates of acquisition or up to the effective dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

2.3 Subsidiaries

Subsidiaries are entities (including special purpose entities) over which the Group has the power to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

In the Company's statement of financial position, subsidiaries are carried at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the reporting date. All dividends whether received out of the investee's pre or post-acquisition profits are recognised in the Company's profit or loss.

2.4 Associates and jointly controlled entities

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not control or joint control over those policies. A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control and none of the participating parties has unilateral control over the economic activity.

In consolidated financial statements, associates or jointly controlled entities are accounted for using the equity method whereby they are initially recognised at cost and thereafter, their carrying amount are adjusted for the Group's share of the post-acquisition change in the associates' or jointly controlled entities' net assets except that losses in excess of the Group's interest in the associate or jointly controlled entities are not recognised unless there is an obligation to make good those losses. The Group's share of the post-acquisition, post-tax results of the investee, including any impairment loss on the investment in associate or jointly controlled entity for the year, are recognised in profit or loss, whereas the Group's share of the post-acquisition, post-tax items of the investee's other comprehensive income are recognised in other comprehensive income of the Group.

Any premium paid for an associate above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the associate and the entire carrying amount of the investment is subject to impairment test, by comparing the carrying amount with its recoverable amount, which is higher of value in use and fair value less costs to sell.

Notes to the Financial Statements

For the year ended 31 March 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Associates and jointly controlled entities (Continued)

Profits and losses arising on transactions between the Group and its associates or jointly controlled entities are recognised only to the extent of unrelated investors' interests in the associates or jointly controlled entities. The investor's share in the associate's or jointly controlled entity's profits and losses resulting from these transactions is eliminated against the carrying value of the associate or jointly controlled entity, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are immediately recognised in profit or loss.

Where the associate or jointly controlled entity uses accounting policies other than those of the Group for like transactions and events in similar circumstances, adjustments are made, where necessary, to conform the associate's or jointly controlled entity's accounting policies to those of the Group when the associate's or jointly controlled entity's financial statements are used by the Group in applying the equity method.

Where the Group ceases to have significant influence over an associate or jointly control over a jointly controlled entity, it is accounted for as a disposal of the entire interest in that investee. Any interest retained in that former investee at that date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of any investment in an associate. The difference between the carrying amount of the associate or jointly controlled entity attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal and is recognised in profit or loss. In addition, all amounts previously recognised in other comprehensive income in relation to that associate or jointly controlled entity would be recognised on the same basis as would be required if that associate or jointly controlled entity had directly disposed of the related assets or liabilities.

In the Company's statement of financial position, investments in associates and jointly controlled entities are carried at cost less impairment losses, if any. The results of associates and jointly controlled entities are accounted for by the Company on the basis of dividends received and receivable during the year.

2.5 Foreign currency translation

The financial statements are presented in Hong Kong dollars ("HK$"), which is also the functional currency of the Company. All values are rounded to the nearest thousand except when otherwise indicated.

In the individual 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. At the reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the reporting date retranslation of monetary assets and liabilities are recognised in profit or loss.

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.

Notes to the Financial Statements

For the year ended 31 March 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Foreign currency translation (Continued)

In the consolidated financial statements, all individual financial statements of foreign operations, originally presented in a currency different from the Group's presentation currency, have been converted into HK$. Assets and liabilities have been translated into HK$ at the closing rate at the reporting date. Income and expenses have been converted into HK$ at the exchange rates ruling at the transaction dates, or at the average rates over the reporting period provided that the exchange rates do not fluctuate significantly. Any differences arising from this procedure have been recognised in other comprehensive income and accumulated separately in exchange reserve in equity.

On disposal of a foreign operation involving loss of control over a subsidiary, joint control over a jointly controlled entity or significant influence over an associate, such exchange differences attributable to that foreign operation are reclassified from equity to profit or loss as part of the gain or loss on sale.

2.6 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the rendering of services and the use by others of the Group's assets yielding interest and dividends. 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) for commission and brokerage income, they are recognised on a trade date basis;

(b) for advisory, arrangement and placement fee income, advertising and content fee from the sales of banner advertisements and website content and management fee income, they are recognised when the services are provided;

(c) for interest income, it is recognised on time-proportion basis taking into account the principal outstanding and effective interest rate applicable; and

(d) for dividend income, it is recognised when the shareholders' right to receive payment has been established.

2.7 Borrowing costs

Borrowing costs incurred for the acquisition, construction or production of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. A qualifying asset is an asset which necessarily takes a substantial period of time to get ready for its intended use or sale. Other borrowing costs are expensed when incurred.

2.8 Goodwill

Set out below are the accounting policies on goodwill arising on acquisition of a subsidiary prior to 1 April 2010.

Notes to the Financial Statements

For the year ended 31 March 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Goodwill (Continued)

Goodwill represents the excess of the cost of a business combination over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. The cost of the business combination is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group, plus any costs directly attributable to the business combination.

Goodwill is stated at cost less accumulated impairment losses. For the purpose of impairment testing, goodwill is allocated to cash-generating units ("CGUs") and is tested annually for impairment or when there is an indication that the CGU may be impaired (see note 2.11 to the financial statements).

Any excess of the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of a business combination is recognised immediately in profit or loss.

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.

2.9 Intangible assets (other than goodwill)

Trading rights

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

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

Research and development costs

Costs associated with research activities are expensed in profit or loss as they occur. Costs that are directly attributable to development activities are recognised as intangible assets provided they meet the following recognition requirements:

(i) demonstration of technical feasibility of the prospective product for internal use or sale;

(ii) there is intention to complete the intangible asset and use or sell it;

(iii) the Group's ability to use or sell the intangible asset is demonstrated;

(iv) the intangible asset will generate probable economic benefits through internal use or sale;

(v) sufficient technical, financial and other resources are available for completion; and

(vi) the expenditure attributable to the intangible asset can be reliably measured.

Notes to the Financial Statements

For the year ended 31 March 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Intangible assets (other than goodwill) (Continued)

Research and development costs (Continued)

Direct costs include employee costs incurred on development activities along with an appropriate portion of relevant overheads. The costs of development of internally generated software, products or knowhow that meet the above recognition criteria are recognised as intangible assets and are recognised initially at cost. After initial recognition, they are carried at cost less accumulated amortisation and any impairment losses.

Development costs capitalised are amortised to profit or loss on straight-line basis over their estimated useful lives of three years. Amortisation commence when the intangible assets are available for use. The asset's amortisation method and estimated useful lives are reviewed, and adjusted if applicable, at each reporting date.

Development costs not satisfying the above criteria are expensed as incurred.

2.10 Property, plant and equipment

Property, plant and equipment, including leasehold land classified as finance leases, are stated at cost less accumulated depreciation and impairment losses.

Depreciation on property, plant and equipment is provided to write off the cost less their estimated residual value over their estimated useful lives, using the straight-line basis, as follows:

Leasehold land under finance leases	Over the lease terms
Buildings	47 years or over the lease terms, whichever is shorter
Leasehold improvements	10 years or over the lease terms, whichever is shorter
Furniture, fixtures and equipment	5 to 10 years

The assets' estimated residual value, depreciation method and estimated useful lives are reviewed, and adjusted if applicable, at each reporting date.

Gain or loss arising on retirement or disposal is determined as the difference between the net sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

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 profit or loss during the financial period in which they are incurred.

Notes to the Financial Statements

For the year ended 31 March 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Impairment of non-financial assets

Goodwill arising on acquisition of a subsidiary, development costs, other intangible assets, property, plant and equipment, and interests in subsidiaries, associates and jointly controlled entities are subject to impairment testing.

Goodwill, development costs 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 assets are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

Recoverable amount is the higher of fair value, reflecting market conditions 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 risk specific to the asset for which the estimates of future cash flows have not been adjusted.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. CGU). As a result, some assets are tested individually for impairment and some are tested at CGU level. Goodwill in particular is allocated to those CGUs that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which the goodwill is monitored for internal management purpose. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

An impairment loss is recognised as an expense immediately for the amount by which the carrying amount of an asset, or the CGU to which it belongs exceeds its recoverable amount. Impairment losses recognised for CGUs, 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 CGU, except that the carrying value of an asset will not be reduced below its individual fair value less cost to sell, or value in use, if determinable.

An impairment loss on goodwill is not reversed in subsequent periods. Impairment losses recognised in an interim period in respect of goodwill are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

In respect of other assets, an impairment loss is reversed if there has been a favourable 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. Reversal of impairment loss is recognised immediately in profit or loss.

Notes to the Financial Statements

For the year ended 31 March 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Leases

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments of such assets, are included in property, plant and equipment and the corresponding liabilities, net of finance charges, are recorded as finance lease payables.

Subsequent accounting for assets held under finance lease agreements corresponds to those applied to comparable acquired assets. The corresponding finance lease liability is reduced by lease payments less finance charges.

Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

Operating leases charges as lessee

Where the Group has the right to use of assets held under operating leases, payments made under the leases are charged to profit or loss on straight-line basis over the lease terms except where an alternative basis is more representative of the time pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made.

2.13 Financial assets

Financial assets are recognised when the Group becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on trade date. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. Derecognition of financial assets occurs when the contractual rights to receive cash flows from the financial assets expire or are transferred and substantially all of the risks and rewards of ownership have been transferred.

Notes to the Financial Statements

For the year ended 31 March 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 Financial assets (Continued)

Following the adoption of HKFRS 9 on 31 March 2010, financial assets of the Group are classified under the following categories:

— financial assets measured at amortised cost;

— financial assets measured at fair value through profit or loss; and

— financial assets measured at fair value through other comprehensive income.

Financial assets measured at amortised cost

Debt instruments are classified under this category if they satisfy both of the following conditions:

— the assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows for managing liquidity and generating income on its investment, but not for the purpose of realising fair value gains; and

— the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, with interest being the consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and are unleveraged.

Debt instruments meeting these criteria are measured initially at fair value plus transaction costs. They are subsequently measured at amortised cost using the effective interest method less any impairment. On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial assets measured at fair value through profit or loss

Debt instruments are classified under this category if they do not meet the conditions to be measured at amortised cost.

Investments in equity instruments are classified as at fair value through profit or loss, unless the Group designates an investment that is not held for trading as at fair value through other comprehensive income on initial recognition as described below.

Financial assets at fair value through profit or loss are measured at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. Transaction costs directly attributable to the acquisition of financial assets at fair value through profit or loss are recognised immediately in profit or loss.

Interest income on debt instruments and dividend income on investments in equity instruments at fair value through profit or loss is recognised in profit or loss. Fair value gain or loss does not include any dividend or interest earned on these financial assets.

Notes to the Financial Statements

For the year ended 31 March 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 Financial assets (Continued)

Financial assets measured at fair value through other comprehensive income

On initial recognition, the Group can make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at fair value through other comprehensive income. Designation at fair value through other comprehensive income is not permitted if the equity investment is held for trading.

A financial asset is held for trading if:

— it has been acquired principally for the purpose of selling it in the near term; or

— on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking; or

— it is a derivative that is not designated and effective as a hedging instrument or a financial guarantee.

Investments in equity instruments at fair value through other comprehensive income are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investments revaluation reserve. On derecognition of a financial asset that is classified as fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is reclassified to retained profits.

Dividends on these investments in equity instruments are recognised in profit or loss, unless the dividends clearly represent a recovery of part of the cost of the investment.

Impairment of financial assets

At each reporting date, financial assets measured at amortised cost are reviewed to determine whether there is any objective evidence of impairment.

Objective evidence of impairment of individual financial assets includes observable data that comes to the attention of the Group about one or more of the following loss events:

— significant financial difficulty of the debtor;

— a breach of contract, such as a default or delinquency in interest or principal payments;

— it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; or

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

Notes to the Financial Statements

For the year ended 31 March 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 Financial assets (Continued)

Impairment of financial assets (Continued)

Loss events in respect of a group of financial assets include observable data indicating that there is a measurable decrease in the estimated future cash flows from the group of financial assets. Such observable data includes but not limited to adverse changes in the payment status of debtors in the group and, national or local economic conditions that correlate with defaults on the assets in the group.

Loan subject to collective impairment assessment whose terms have been renegotiated are no longer considered past due, but are treated as new loans for measurement purposes once the minimum number of payments required under the new arrangements has been received. These renegotiated loans are segregated from other parts of the loan portfolio for the purposes of collective impairment assessment, to reflect their risk profile. Loans subject to individual impairment assessment, whose terms have been renegotiated, are subject to ongoing review to determine whether they remain impaired or should be considered past due.

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The amount of the loss is recognised in profit or loss of the period in which the impairment occurs.

If, in subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that it does not result in a carrying amount of the financial asset exceeding what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss of the period in which the reversal occurs.

Impairment losses for doubtful receivables, whose recovery is considered doubtful but not remote, are recorded using an allowance account. When the Group considered that recovery of receivables is remote, the amount considered irrecoverable is written off against the receivables directly and any amounts held in the allowance account in respect of that receivable are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

Notes to the Financial Statements

For the year ended 31 March 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 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 reporting date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on taxable profit for the year.

Deferred tax is calculated using the liability method on temporary differences at the reporting 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, including existing taxable temporary differences, 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 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, associate and jointly controlled entities, 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 reporting date.

Current tax and changes in deferred tax assets or liabilities are recognised in profit or loss, or in other comprehensive income or directly in equity if they relate to items that are charged or credited to other comprehensive income or directly in equity, respectively.

Current tax assets and current tax liabilities are presented in net if, and only if,

(a) the Group has the legally enforceable right to set off the recognised amounts, and

(b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Notes to the Financial Statements

For the year ended 31 March 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Accounting for income taxes (Continued)

The Group presents deferred tax assets and deferred tax liabilities in net if, and only if,

(a) the entity has a legally enforceable right to set off current tax assets against current tax liabilities, and

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

2.15 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 that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

2.16 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.

2.17 Retirement benefits costs and short-term employee benefits

Retirement benefits

The Group participates in several staff retirement benefit schemes for employees in Hong Kong and the People's Republic of China ("PRC"), comprising defined contribution retirement schemes and a Mandatory Provident Fund scheme (the "MPF Scheme"). The assets of these schemes are held separately from those of the Group in independently administered funds. The retirement benefit schemes are generally funded by payments from employees and by the relevant group companies. The retirement benefit scheme costs charged to profit or loss represent contributions payable by the Group to the schemes.

The subsidiaries operating in the PRC are required to participate in the defined contribution retirement schemes for their employees, organised by the relevant local government authorities. They are required to make contributions to the retirement benefit schemes at a specified percentage of the employees' relevant income and there are no other further obligations to the Group.

The Group contributes to the MPF Scheme under the Mandatory Provident Fund Schemes Ordinance for all employees in Hong Kong. Contributions are made based on a percentage of the employee's basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The Group's employer contribution vested fully with the employees when contributed into the MPF Scheme.

Notes to the Financial Statements

For the year ended 31 March 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Retirement benefits costs and short-term employee benefits (Continued)

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 reporting date is permitted to be carried forward and utilised by the respective employees in the following year. An accrual is made at the reporting 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.

2.18 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 two share option schemes and a share award scheme for remuneration of its employees and/or consultants.

All 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 and restricted shares 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 profit or loss over the vesting period if vesting conditions apply, or recognised as an expense in full at the grant date when the equity instruments granted vest immediately unless the compensation qualifies for recognition as asset, with a corresponding increase in "Share option reserve" and "Awarded shares reserve" within equity. 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 and restricted shares expected to vest. Non-market vesting conditions are included in assumptions about the number of share options and restricted shares that are expected to vest. Estimates are subsequently revised, if there is any indication that the number of share options and restricted shares expected to vest differs from previous estimates.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met.

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

Notes to the Financial Statements

For the year ended 31 March 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Share-based compensation (Continued)

The shares awarded under the share award scheme are acquired from open market. The net consideration paid, including any directly attributable incremental costs, is presented as "Shares held for Share Award Scheme" and deducted from total equity. When the award shares are transferred to the awardees upon vesting, the related weighted average cost of the awarded shares vested are credited to "Shares held for Share Award Scheme", the related service costs of award shares vested are debited to the "Awarded share reserve", and any difference will be transferred to retained profits. Where the shares held for Share Award Schemes are revoked and the revoked shares are disposed of, the related gain or loss is transferred to retained profits.

2.19 Financial liabilities

The Group's financial liabilities include borrowings, trade and other payables and finance lease liabilities. They are included in line items in the statements of financial position as "Trade payables", "Borrowings", "Accruals and other payables", "Amounts due to subsidiaries" and "Finance lease payables".

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. All interest related charges are recognised in accordance with the Group's accounting policy for borrowing costs (see note 2.7 to the financial statements).

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognised in profit or loss.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. These are subsequently stated at amortised costs, any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using 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 from the reporting date.

Trade and other payables

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

Notes to the Financial Statements

For the year ended 31 March 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Financial liabilities (Continued)

Finance lease liabilities

Finance lease liabilities are measured at initial value less the capital element of lease repayments (see note 2.12 to the financial statements).

2.20 Provisions and contingent liabilities

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 of the amount of the obligation 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 reporting 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 uncertain events not wholly within the control of the Group, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

2.21 Financial guarantees contracts

A financial guarantee contract is a contract that requires the issuer (or guarantor) to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised if and when it becomes probable that the holder of the guarantee will call upon the Group under the guarantee and the amount of that claim on the Group is expected to exceed the current carrying amount, i.e. the amount initially recognised less accumulated amortisation, where appropriate.

2.22 Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive directors are determined following the Group's major service lines.

Notes to the Financial Statements

For the year ended 31 March 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Segment reporting (Continued)

The Group has identified the following reportable segments:

(i) the brokerage segment engages in securities, futures and options dealing, provision of placement services, underwriting services, discretionary securities, futures and options dealing services, margin financing and money lending services, money lending arrangement and guarantee business, and wealth management services;

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

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

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

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

Each of these operating segments is managed separately as each of the service lines requires different resources as well as marketing approaches. All inter-segment transfers are carried out at arms length prices.

The measurement policies the Group uses for reporting segment results under HKFRS 8 are the same as those used in its financial statements prepared under HKFRSs, except that:

- share of results of associates and jointly controlled entities accounted for using the equity method;
- income tax expense; and
- corporate income and expenses which are not directly attributable to the business activities of any operating segment

are not included in arriving at the operating results of the operating segment.

Segment assets include all assets but interests in associates and jointly controlled entities. In addition, corporate assets which are not directly attributable to the business activities of any operating segment are not allocated to a segment, which primarily applies to the Group’s headquarters.

Segment liabilities exclude corporate liabilities which are not directly attributable to the business activities of any operating segment and are not allocated to a segment.

Notes to the Financial Statements

For the year ended 31 March 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Related parties

(i) A person or a close member of that person's family is related to the Group if that person:

(a) has control or joint control over the Group;

(b) has significant influence over the Group; or

(c) is a member of the key management personnel of the Group or of the Group's parent.

(ii) An entity is related to the Group if any of the following conditions applies:

(a) the entity and the Group are members of the same group.

(b) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(c) both entities are joint ventures of the same third party.

(d) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(e) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(f) the entity is controlled or jointly controlled by a person identified in (i).

(g) a person identified in (i)(a) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close family members of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include (i) that person's children and spouse or domestic partner; (ii) children of that person's spouse or domestic partner; (iii) and dependents of that person or that person's spouse or domestic partner.

Notes to the Financial Statements

For the year ended 31 March 2012

3. ADOPTION OF NEW AND AMENDED HKFRSs

3.1 Adoption of new and amended HKFRSs

During the year, the Group has adopted all the new and amended HKFRSs which are first effective for the reporting period and relevant to Group. Except as explained below, the adoption of these new and amended HKFRSs did not result in material changes to the Group's accounting policies.

- HKAS 24 (Revised) — Related Party Disclosures; and
- HKFRSs (Amendments) — Improvements to HKFRSs 2010

HKAS 24 (Revised) — Related Party Disclosures

The amendment clarified the definition of related party to remove inconsistencies. As a result, the Group has reassessed the identification of related parties and concluded that the revised definition does not have any material impact on the Group's related party disclosures in the current and previous years. The amendment also introduced modified disclosure requirements for government-related entities. This does not impact the Group because the Group is not a government-related entity.

3.2 New and amended HKFRSs that have been issued but are not yet effective

The following new and amended HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group.

The directors of the Company anticipate that all of the pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new and amended HKFRSs that are expected to have impact on the Group's accounting policies is provided below. Certain other new and amended HKFRSs have been issued but are not expected to have a material impact on the Group's financial statements.

Amendments to HKFRS 7 — Disclosures — Transfers of Financial Assets (Effective for annual periods beginning on or after 1 July 2012)

The amendments to HKFRS 7 improve the disclosure requirements for transfer transactions of financial assets and allow users of financial statements to better understand the possible effects of any risks that may remain with the entity on transferred assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period.

Notes to the Financial Statements

For the year ended 31 March 2012

3. ADOPTION OF NEW AND AMENDED HKFRSs (CONTINUED)

3.2 New and amended HKFRSs that have been issued but are not yet effective (Continued)

Amendments to HKAS 1 (Revised) — Presentation of Items of Other Comprehensive Income (Effective for annual periods beginning on or after 1 July 2012)

The amendments require entities to group together the items of other comprehensive income that may be reclassified to profit or loss in the future (e.g. exchange difference on translation of financial statements of foreign operations) by presenting them separately from those that would never be reclassified to profit or loss (e.g. investment revaluation reserve). Tax on items of other comprehensive income is allocated and disclosed on the same basis. The amendments also change the title "Statement of comprehensive income" to "Statement of profit or loss and other comprehensive income". However, entities are still allowed to use the old title. The amendments will be applied retrospectively.

Amendments to HKAS 32 — Offsetting Financial Assets and Financial Liabilities (Effective for annual periods beginning on or after 1 January 2014) and amendments to HKFRS 7 — Disclosures — Offsetting Financial Assets and Financial Liabilities (Effective for annual periods beginning on or after 1 January 2013)

The amendments to HKAS 32 clarify the requirements for offsetting financial instruments. The amendments address inconsistencies in current practice when applying the offsetting criteria and clarify the meaning of "currently has a legally enforceable right of set-off" and some gross settlement systems may be considered equivalent to net settlements. The amendments to HKFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement. The directors anticipate that the application of the amendments to HKAS 32 and HKFRS 7 may affect the Group's and the Company's disclosure regarding offsetting financial assets and financial liabilities in the future. The amendments will be applied retrospectively.

HKFRS 10 — Consolidated Financial Statements (Effective for annual periods beginning on or after 1 January 2013)

HKFRS 10 introduces a single control model for consolidation of all investee entities. An investor has control when it has power over the investee (whether or not that power is used in practice), exposure or rights to variable returns from the investee and the ability to use the power over the investee to affect those returns.

HKFRS 10 contains extensive guidance on the assessment of control. For example, the standard introduce the concept of "de facto" control where an investor can control an investee while holding less than 50% of the investee's voting rights in circumstances where its voting interest is of sufficiently dominant size relative to the size and dispersion of those of other individual shareholders to give it power over the investee. Potential voting rights are considered in the analysis of control only when these are substantive, i.e. the holder has the practical ability to exercise them.

Notes to the Financial Statements

For the year ended 31 March 2012

3. ADOPTION OF NEW AND AMENDED HKFRSs (CONTINUED)

3.2 New and amended HKFRSs that have been issued but are not yet effective (Continued)

HKFRS 10 — Consolidated Financial Statements (Effective for annual periods beginning on or after 1 January 2013) (Continued)

The standard explicitly requires an assessment of whether an investor with decision making rights is acting as principal or agent and also whether other parties with decision making rights are acting as agent of the investor. An agent is engaged to act on behalf of and for the benefit of another party and therefore does not control the investee when it exercises its decision making authority. The implementation of HKFRS 10 may result in changes in those entities which are regarded as being controlled by the Group and are therefore consolidated in the financial statements. The accounting requirements in the existing HKAS 27 on other consolidation related matters are carried forward unchanged. HKFRS 10 will be applied retrospectively subject to certain transitional provisions.

HKFRS 11 — Joint Arrangements (Effective for annual periods beginning on or after 1 January 2013)

Joint arrangements under HKFRS 11 have the same basic characteristics as joint ventures under HKAS 31. Joint arrangements are classified as either joint operations or joint ventures. Where the Group has rights to the assets and obligations for the liabilities of the joint arrangement, it is regarded as a joint operator and will recognise its interests in the assets, liabilities, income and expenses arising from the joint arrangement. Where the Group has rights to the net assets of the joint arrangement as a whole, it is regarded as having an interest in a joint venture and will apply the equity method of accounting. HKFRS 11 does not allow proportionate consolidation. In an arrangement structured through a separate vehicle, all relevant facts and circumstances should be considered to determine whether the parties to the arrangement have rights to the net assets of the arrangement. Previously, the existence of a separate legal entity was the key factor in determining the existence of a jointly controlled entity under HKAS 31. HKFRS 11 will be applied retrospectively with a joint operation which changes from equity method to accounting for assets and liabilities.

HKFRS 12 — Disclosure of Interests in Other Entities (Effective for annual periods beginning on or after 1 January 2013)

HKFRS 12 integrates and makes consistent the disclosures requirements about interests in subsidiaries, associates and joint arrangements. It also introduces new disclosure requirements, including those related to unconsolidated structured entities. The general objective of the standard is to enable users of financial statements to evaluate the nature and risks of a reporting entity's interests in other entities and the effects of those interests on the reporting entity's financial statements.

Notes to the Financial Statements

For the year ended 31 March 2012

3. ADOPTION OF NEW AND AMENDED HKFRSs (CONTINUED)

3.2 New and amended HKFRSs that have been issued but are not yet effective (Continued)

HKFRS 13 — Fair Value Measurement (Effective for annual periods beginning on or after 1 January 2013)

HKFRS 13 provides a single source of guidance on how to measure fair value when it is required or permitted by other standards. The standard applies to both financial and non-financial items measured at fair value and introduces a fair value measurement hierarchy. The definitions of the three levels in this measurement hierarchy are generally consistent with HKFRS 7 "Financial Instruments: Disclosures". HKFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price). The standard removes the requirement to use bid and ask prices for financial assets and liabilities quoted in an active market. Rather the price within the bid-ask spread that is most representative of fair value in the circumstances should be used. It also contains extensive disclosure requirements to allow users of the financial statements to assess the methods and inputs used in measuring fair values and the effects of fair value measurements on the financial statements. HKFRS 13 can be adopted early and will be applied prospectively.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Provision for impairment of receivables

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

Notes to the Financial Statements

For the year ended 31 March 2012

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

Critical accounting estimates and assumptions (Continued)

Impairment of goodwill

Determining whether goodwill is impaired (other than goodwill on acquisition of an associate) requires an estimation of the value in use of the CGUs to which the goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate the present value. As at 31 March 2012, the net 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 17.

Fair value of investment in unlisted equity instruments

The investments in unlisted equity instruments that are accounted for as "Financial assets measured at fair value through other comprehensive income" are stated at fair value. The fair value of these investments is determined using a discounted cash flow analysis. The assumptions and discount rate used to prepare the cash flow analysis involve significant estimates and judgements and hence the fair values of these investments in unlisted equity instruments are subject to uncertainty. As at 31 March 2012, the carrying amount of the Group's investment in unlisted equity instruments was approximately HK$77,386,000.

Current tax and deferred tax

The Group is mainly subjected to income tax in Hong Kong. Significant judgement is required in determining the amount of the provision and the timing of payment. There are many transactions and calculations for which the ultimate tax expense is uncertain during the ordinary course of business. The Group recognises taxes based on estimates of the likely outcome with reference to current tax laws and practices. Where the final outcome of these matters is different from the amounts that were original estimated, such differences will impact the provision for income tax and deferred tax in the period in which such determination is made.

Deferred tax assets relating to certain deductible temporary differences and tax losses will be recognised when management consider it is probable that future taxable profit will be available against which the deductible temporary differences or tax losses can be utilised. Where the expectation is different from the original estimate, such differences will impact the recognition of deferred tax assets and income tax expense in the period in which such estimate is changed.

Notes to the Financial Statements

For the year ended 31 March 2012

5. REVENUE/TURNOVER

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

	2012 HK$'000	2011 HK$'000
Advertising and content fee income	5,746	4,828
Advisory fee income	54,325	40,073
Asset management fee income	9,024	10,581
Commission and performance fee income on securities, futures and options broking	218,001	185,689
Income from margin financing and money lending operations*	32,499	20,572
Placement and underwriting fee income	12,725	21,974
Website management and related service fee income	21,186	20,427
Wealth management service fee income	4,826	2,469
	358,332	306,613

* Included interest income on impaired receivables of HK$2,060,000 (2011: HK$1,423,000)

6. OTHER OPERATING INCOME

	2012 HK$'000	2011 HK$'000
Dividend income from unlisted securities measured at fair value through other comprehensive income*	—	57
Exchange gains, net	3,764	2,658
Interest income from banks and others	2,669	1,872
Reversal of provision for impairment of trade receivables	523	1,600
Sundry income	1,628	2,178
	8,584	8,365

* Dividend income from unlisted securities relates to investments held at the end of the reporting period.

Notes to the Financial Statements

For the year ended 31 March 2012

7. SEGMENT INFORMATION

The executive directors have identified the Group's five service lines as operating segments.

These operating segments are monitored and strategic decisions are made on the basis of adjusted segment operating results.

2012	Brokerage HK$'000	Advisory HK$'000	Asset management HK$'000	Website management HK$'000	Investments HK$'000	Total HK$'000
Revenue						
From external customers	268,051	54,325	9,024	26,932	—	358,332
From other segments	—	—	—	9,862	—	9,862
Reportable segment revenue	268,051	54,325	9,024	36,794	—	368,194
Reportable segment result	9,403	11,113	(16,487)	1,019	(11,081)	(6,033)
Interest income on financial assets measured at amortised cost	35,162	—	—	2	—	35,164
Depreciation and amortisation	4,134	102	366	1,378	—	5,980
Finance costs	7,082	—	—	33	—	7,115
Provision for impairment of trade and other receivables	7,639	284	—	—	—	7,923
Reversal of provision for impairment of trade receivables	(523)	—	—	—	—	(523)
Share awards expense	2,462	715	74	238	—	3,489
Share options expense	(208)	(48)	16	(104)	—	(344)
Reportable segment assets	1,416,268	30,523	6,415	5,405	88,438	1,547,049
Additions to non-current segment assets*	5,136	103	1,567	334	—	7,140
Reportable segment liabilities	1,168,002	12,130	1,429	10,172	—	1,191,733

Notes to the Financial Statements

For the year ended 31 March 2012

7. SEGMENT INFORMATION (CONTINUED)

2011	Brokerage HK$'000	Advisory HK$'000	Asset management HK$'000	Website management HK$'000	Investments HK$'000	Total HK$'000
Revenue						
From external customers	230,704	40,073	10,581	25,255	—	306,613
From other segments	—	1,240	1,200	13,242	—	15,682
Reportable segment revenue	230,704	41,313	11,781	38,497	—	322,295
Reportable segment result	13,073	7,486	(4,583)	4,578	886	21,440
Interest income on financial assets measured at amortised cost	21,345	—	—	2	—	21,347
Depreciation and amortisation	2,194	94	59	1,544	—	3,891
Finance costs	4,051	—	—	99	—	4,150
Provision for impairment of trade and other receivables	2,112	160	—	—	—	2,272
Reversal of provision for impairment of trade receivables	(1,600)	—	—	—	—	(1,600)
Share awards expense	1,370	434	233	163	—	2,200
Share options expense	242	138	129	67	—	576
Reportable segment assets	1,449,441	18,461	3,094	6,814	88,514	1,566,324
Additions to non-current segment assets*	7,489	112	55	340	—	7,996
Reportable segment liabilities	1,234,805	8,388	1,851	11,387	—	1,256,431

Notes to the Financial Statements

For the year ended 31 March 2012

7. SEGMENT INFORMATION (CONTINUED)

The totals presented for the Group's operating segments are reconciled to the Group's key financial figures as presented in the financial statements as follows:

	2012 HK$'000	2011 HK$'000
Reportable segment revenue	368,194	322,295
Elimination of inter-segment revenue	(9,862)	(15,682)
Group's revenue	358,332	306,613
Reportable segment result	(6,033)	21,440
Other operating income	4	1,097
Provision for impairment of interests in an associate	(11,803)	—
Share of results of associates	(3,616)	(5,750)
Share of results of jointly controlled entities	1,952	(2,347)
Unallocated corporate expenses	(3,880)	(6,196)
(Loss)/Profit before income tax	(23,376)	8,244
Reportable segment assets	1,547,049	1,566,324
Interests in associates	—	29,197
Interests in jointly controlled entities	24,589	19,986
Unallocated corporate assets	5,456	5,062
Group's assets	1,577,094	1,620,569
Reportable segment liabilities	1,191,733	1,256,431
Unallocated corporate liabilities	5,436	5,698
Group's liabilities	1,197,169	1,262,129

	Reportable segment total		Unallocated		Consolidated	
	2012 HK$'000	2011 HK$'000	2012 HK$'000	2011 HK$'000	2012 HK$'000	2011 HK$'000
Other material non-cash items						
Interest income on financial assets measured at amortised cost	35,164	21,347	4	1,097	35,168	22,444
Depreciation and amortisation	5,980	3,891	309	312	6,289	4,203
Share awards expense	3,489	2,200	753	457	4,242	2,657
Share options expense	(344)	576	(52)	510	(396)	1,086

Notes to the Financial Statements

For the year ended 31 March 2012

7. SEGMENT INFORMATION (CONTINUED)

The following table sets out information about the geographical location of the Group's revenue from external customers and the Group's non-current assets*. The geographical location of customers is based on the location at which services were provided. The geographical location of non-current assets is based on the physical location of the asset, in the case of property, plant and equipment, the location of the operation to which they are allocated, in the case of goodwill, development costs and other intangible assets, and the location of operations, in the case of interests in associates and jointly controlled entities.

	Revenue from external customers		Non-current assets*	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong (domicile)#	**358,332**	306,613	**30,040**	29,349
Mainland China	**—**	—	**25,920**	21,150
United Arab Emirates	**—**	—	**—**	29,197
	358,332	306,613	**55,960**	79,696

* Non-current assets excluded such financial instruments as financial assets measured at fair value through other comprehensive income and other assets.

\# The Company is an investment holding company incorporated in Bermuda where the Group does not have any activities. The Group has the majority of its operations in Hong Kong, and therefore, Hong Kong is considered as the Group's place of domicile for the purpose of disclosures as required by HKFRS 8 "Operating Segments".

8. FINANCE COSTS

	2012	2011
	HK$'000	HK$'000
Finance charges on finance lease payables	**33**	99
Interest for margin financing and money lending services		
— bank loans and other borrowings wholly repayable within five years	**7,082**	4,051
Interest expense on financial liabilities not at fair value through profit or loss	**7,115**	4,150

Notes to the Financial Statements

For the year ended 31 March 2012

9. STAFF COSTS

	2012 HK$'000	2011 HK$'000
Directors' emoluments (note 15)		
— Fee, salaries, allowances and bonuses	14,159	14,768
— Share awards expense	462	279
— Share options expense	57	405
— Retirement benefits scheme contributions	36	36
	14,714	15,488
Other staff		
— Salaries, allowances and bonuses	106,789	78,188
— Share awards expense	3,780	2,378
— Share options expense	(453)	681
— Retirement benefits scheme contributions	2,113	1,703
— Other staff benefits	2,705	1,549
	114,934	84,499
Total staff costs	129,648	99,987
Less: Amount capitalised into development costs	(555)	(1,355)
Amount recognised in profit or loss	129,093	98,632

10. (LOSS)/PROFIT BEFORE INCOME TAX

	2012 HK$'000	2011 HK$'000
(Loss)/Profit before income tax is arrived at after charging:		
Auditors' remuneration	1,328	1,175
Amortisation of development costs and other intangible assets	454	40
Depreciation of property, plant and equipment		
— Owned assets	5,491	3,359
— Leased assets	344	804
	5,835	4,163
	6,289	4,203
Minimum lease payments under operating leases in respect of land and buildings	19,942	14,682
Net loss on disposals of property, plant and equipment	—	15
Provision for impairment of		
— Trade receivables	7,624	2,272
— Other receivables	299	—
	7,923	2,272

Notes to the Financial Statements

For the year ended 31 March 2012

11. INCOME TAX EXPENSE

For the years ended 31 March 2012 and 2011, Hong Kong Profits Tax was provided at the rate of 16.5% on the estimated assessable profits for the years.

Tax on profits assessable elsewhere have been calculated at the applicable rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	2012 HK$'000	2011 HK$'000
Current tax — Hong Kong Profits Tax		
— Current year	914	499
— Under-provision in prior year	233	71
	1,147	570

Reconciliation between income tax expense and accounting (loss)/profit at applicable tax rate is as follows:

	2012 HK$'000	2011 HK$'000
(Loss)/Profit before income tax	(23,376)	8,244
Notional tax at Hong Kong Profits Tax rate of 16.5% (2011: 16.5%)	(3,857)	1,360
Effect of different tax rates of subsidiaries operating in other jurisdictions	406	(332)
Tax effect of non-deductible expenses	11,704	7,622
Tax effect of non-taxable revenue	(2,386)	(4,359)
Tax effect of tax losses not recognised as deferred tax asset	150	250
Tax effect of prior years' unrecognised tax losses utilised this year	(5,267)	(3,908)
Tax effect of temporary differences not recognised	164	(134)
Under-provision in prior year	233	71
Income tax expense	1,147	570

12. (LOSS)/PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY

Of the consolidated loss attributable to owners of the Company of HK$24,523,000 (2011: profit of HK$7,674,000), a loss of HK$28,522,000 (2011: a loss of HK$2,273,000) has been dealt with in the financial statements of the Company.

Notes to the Financial Statements

For the year ended 31 March 2012

13. DIVIDENDS

Dividends payable to owners of the Company attributable to the year:

	2012 **HK$'000**	2011 HK$'000
Proposed final dividend of Nil (2011: HK0.5 cent) per ordinary share	**—**	4,773

At the meeting held on 17 June 2011, the directors proposed a final dividend of HK0.5 cent per ordinary share. The proposed final dividend for the year ended 31 March 2011 was approved by the shareholders in the annual general meeting held on 29 July 2011 and therefore was not accounted for in the financial statements for the year ended 31 March 2011 but recognised as distribution to owners in the current year's financial statements.

Dividends payable to owners of the Company attributable to the previous financial year, approved and paid during the year:

	2012 **HK$'000**	2011 HK$'000
Final dividend in respect of the previous financial year, approved and paid during the year, of HK0.5 cent (2011: Nil) per ordinary share	**4,773**	—

14. (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

The calculation of basic loss per share is based on loss attributable to owners of the Company for the year of HK$24,523,000 (2011: profit of HK$7,674,000) and on the weighted average of 1,048,595,063 (2011: 955,431,693, after adjusting for the rights issue completed in September 2011) ordinary shares in issue less shares held for Share Award Scheme during the year.

(b) Diluted (loss)/earnings per share

Diluted loss per share for the year ended 31 March 2012 was not presented because the impact of the exercise of share option and the vesting of share awards was anti-dilutive.

The calculation of diluted earnings per share for the year ended 31 March 2011 is based on profit attributable to owners of the Company for the year ended 31 March 2011 of HK$7,674,000 and the weighted average of 957,820,929 ordinary shares outstanding during the year ended 31 March 2011, after adjusting for rights issue completed in September 2011 and the effects of all dilutive potential shares. The weighted average number of ordinary shares used in the calculation of diluted earnings per share is calculated based on the weighted average of 955,431,693 ordinary shares in issue, after adjusting for rights issue completed in September 2011 less shares held for Share Award Scheme during the year ended 31 March 2011 plus the weighted average of 2,389,236 ordinary shares deemed to be issued at no consideration as if all the Company's share options have been exercised and the shares under Share Award Scheme had been vested.

Notes to the Financial Statements

For the year ended 31 March 2012

15. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS

Directors' emoluments

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

	Fees HK$'000	Salaries and allowance HK$'000	Discretionary bonuses HK$'000	Share options HK$'000	Share awards HK$'000	Retirement benefits scheme contributions HK$'000	Total HK$'000
2012							
Executive Directors							
Mr. Bernard POULIOT	—	2,856	180	19	154	12	3,221
Mr. Kenneth LAM Kin Hing	—	3,336	1,200	19	154	12	4,721
Mr. Richard David WINTER	—	3,288	2,800	19	154	12	6,273
Independent Non-Executive Directors							
Mr. Gordon KWONG Che Keung	181	—	—	—	—	—	181
Mr. Douglas Howard MOORE*	82	—	—	—	—	—	82
Mr. Robert Stephen TAIT	160	—	—	—	—	—	160
Mr. Robert CHAN Tze Leung **	76	—	—	—	—	—	76
	499	9,480	4,180	57	462	36	14,714
2011							
Executive Directors							
Mr. Bernard POULIOT	—	2,540	1,075	135	93	12	3,855
Mr. Kenneth LAM Kin Hing	—	3,155	2,100	135	93	12	5,495
Mr. Richard David WINTER	—	2,954	2,450	135	93	12	5,644
Independent Non-Executive Directors							
Mr. Gordon KWONG Che Keung	166	—	—	—	—	—	166
Mr. Douglas Howard MOORE*	143	—	—	—	—	—	143
Mr. Robert Stephen TAIT	185	—	—	—	—	—	185
	494	8,649	5,625	405	279	36	15,488

There was no arrangement under which a director waived or agreed to waive any remuneration in respect of the years ended 31 March 2012 and 2011.

During the years ended 31 March 2012 and 2011, 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.

* Resigned as Independent Non-Executive Director with effect from 18 October 2011

** Appointed as Independent Non-Executive Director with effect from 18 October 2011

Notes to the Financial Statements

For the year ended 31 March 2012

15. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS (CONTINUED)

Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included three (2011: three) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two (2011: two) individuals during the year are as follows:

	2012 HK$'000	2011 HK$'000
Salaries, allowances and bonuses*	10,354	7,315
Share awards expense	308	93
Share options expense	4	50
Retirement benefits scheme contributions	24	24
	10,690	7,482

* included discretionary bonus of HK$550,000 (2011: HK$1,406,000).

The emoluments of these remaining two (2011: two) highest paid individuals fell within the following bands:

	Number of individuals	
	2012	2011
HK$2,500,001–HK$3,000,000	—	1
HK$3,000,001–HK$3,500,000	1	—
HK$4,500,001–HK$5,000,000	—	1
HK$7,500,001–HK$8,000,000	1	—
	2	2

During the years ended 31 March 2012 and 2011, 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.

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16. PROPERTY, PLANT AND EQUIPMENT

Group

	Leasehold land HK$'000	Buildings HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Total HK$'000
At 1 April 2010					
Cost	2,228	627	5,312	29,893	38,060
Accumulated depreciation	(1)	(4)	(3,136)	(23,170)	(26,311)
Net carrying amount	2,227	623	2,176	6,723	11,749
Year ended 31 March 2011					
Opening net carrying amount	2,227	623	2,176	6,723	11,749
Additions	—	—	3,065	3,656	6,721
Disposals	—	—	—	(15)	(15)
Depreciation	(3)	(13)	(1,279)	(2,868)	(4,163)
Translation differences	—	—	—	11	11
Closing net carrying amount	2,224	610	3,962	7,507	14,303
At 31 March 2011					
Cost	2,228	627	8,091	33,295	44,241
Accumulated depreciation	(4)	(17)	(4,129)	(25,788)	(29,938)
Net carrying amount	2,224	610	3,962	7,507	14,303
Year ended 31 March 2012					
Opening net carrying amount	**2,224**	**610**	**3,962**	**7,507**	**14,303**
Additions	**—**	**—**	**2,014**	**4,588**	**6,602**
Disposals	**—**	**—**	**(16)**	**(3)**	**(19)**
Depreciation	**(2)**	**(15)**	**(2,197)**	**(3,621)**	**(5,835)**
Translation differences	**—**	**—**	**—**	**9**	**9**
Closing net carrying amount	**2,222**	**595**	**3,763**	**8,480**	**15,060**
At 31 March 2012					
Cost	**2,228**	**627**	**10,004**	**37,891**	**50,750**
Accumulated depreciation	**(6)**	**(32)**	**(6,241)**	**(29,411)**	**(35,690)**
Net carrying amount	**2,222**	**595**	**3,763**	**8,480**	**15,060**

Furniture, fixtures and equipment with net carrying amount of HK$227,000 (2011: HK$1,291,000) are held under finance leases. Leasehold land is held in Hong Kong on medium-term lease.

Notes to the Financial Statements

For the year ended 31 March 2012

16. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company

	Leasehold improvements HK$'000	**Furniture, fixtures and equipment** HK$'000	**Total** HK$'000
At 1 April 2010			
Cost	879	162	1,041
Accumulated depreciation	(171)	(113)	(284)
Net carrying amount	708	49	757
Year ended 31 March 2011			
Opening net carrying amount	708	49	757
Additions	—	80	80
Depreciation	(293)	(19)	(312)
Closing net carrying amount	415	110	525
At 31 March 2011			
Cost	879	242	1,121
Accumulated depreciation	(464)	(132)	(596)
Net carrying amount	415	110	525
Year ended 31 March 2012			
Opening net carrying amount	**415**	**110**	**525**
Additions	**—**	**17**	**17**
Depreciation	**(293)**	**(16)**	**(309)**
Closing net carrying amount	**122**	**111**	**233**
At 31 March 2012			
Cost	**879**	**259**	**1,138**
Accumulated depreciation	**(757)**	**(148)**	**(905)**
Net carrying amount	**122**	**111**	**233**

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For the year ended 31 March 2012

17. GOODWILL

	Group 2012 HK$'000	2011 HK$'000
At the beginning and the end of the year		
Gross carrying amount	**14,738**	14,738
Accumulated impairment	**(43)**	(43)
Net carrying amount	**14,695**	14,695

The net carrying amount of goodwill of HK$14,695,000 (2011: HK$14,695,000) relates to the CGU which is engaged in securities and futures dealings and placement services. For the purpose of the annual impairment testing, the recoverable amount was determined based on a value in use calculation, covering a detailed five-year budget plan with a discount rate of 10%.

The key assumptions used in the budget plan are:

(i) revenue will grow by 10% per annum up to financial year 2016 and thereafter stay constant for financial year 2017; and

(ii) gross margins will be maintained at their current levels throughout the five-year budget plan.

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 businesses.

Apart from the considerations described in determining the value in use of the CGU above, the Group's management is not currently aware of any other probable changes that would necessitate changes in its key estimates and any reasonably possible change in the above key estimates on which the recoverable amount is based would not cause the carrying amount of the CGU to exceed its recoverable amount.

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18. DEVELOPMENT COSTS AND OTHER INTANGIBLE ASSETS

Group

	Development costs HK$'000	Other intangible assets HK$'000	Total HK$'000
At 1 April 2010			
Cost	—	12,400	12,400
Accumulated amortisation	—	(12,200)	(12,200)
Net carrying amount	—	200	200
Year ended 31 March 2011			
Opening net carrying amount	—	200	200
Capitalised during the year	1,355	—	1,355
Amortisation	—	(40)	(40)
Closing net carrying amount	1,355	160	1,515
At 31 March 2011			
Cost	1,355	12,400	13,755
Accumulated amortisation	—	(12,240)	(12,240)
Net carrying amount	1,355	160	1,515
Year ended 31 March 2012			
Opening net carrying amount	**1,355**	**160**	**1,515**
Capitalised during the year	**555**	**—**	**555**
Amortisation	**(414)**	**(40)**	**(454)**
Closing net carrying amount	**1,496**	**120**	**1,616**
At 31 March 2012			
Cost	**1,910**	**12,400**	**14,310**
Accumulated amortisation	**(414)**	**(12,280)**	**(12,694)**
Net carrying amount	**1,496**	**120**	**1,616**

Other intangible assets represents trading rights. All amortisation are included in "depreciation and amortisation expenses" in the consolidated statement of comprehensive income.

Notes to the Financial Statements

For the year ended 31 March 2012

19. INVESTMENTS IN SUBSIDIARIES

	Company 2012 HK$'000	Company 2011 HK$'000
Investments		
— Unlisted shares, at cost	**162,917**	162,917
— Arising from share awards granted (note)	**5,104**	2,200
— Arising from share options granted (note)	**7,991**	8,335
	176,012	173,452
Less: Provision for impairment	**(53,538)**	(53,538)
	122,474	119,914

Note: The amounts represent cost arising from share awards and share options granted by the Company to employees in exchange for their services offered to certain subsidiaries.

Particulars of the principal subsidiaries as at 31 March 2012 are as follows:

Name	Place of incorporation	Particulars of issued capital	Percentage of nominal value of issued capital held by the Company Directly	Indirectly	Principal activities and place of operations
Quam Asset Management Limited	Hong Kong	100,000 ordinary shares of HK$10 each	100	—	Investment adviser and asset management/Hong Kong
Quam Asset Management (BVI) Ltd.	British Virgin Islands	5,000 ordinary shares of US$1 each	—	100	Provision of fund management services/Republic of Singapore
Quam Capital (Holdings) Limited	Hong Kong	78,260,002 ordinary shares of HK$1 each	100	—	Investment holding and import/export trading liaison/Hong Kong
Quam Capital Limited	Hong Kong	10,000,000 ordinary shares of HK$1 each	—	100	Corporate finance and investment adviser/Hong Kong
Quam Finance Limited	Hong Kong	54,200,000 ordinary shares of HK$1 each	—	100	Finance and money lending/Hong Kong
Quam Financial Management Limited	Hong Kong	1,800,000 ordinary shares of HK$1 each	—	100	Provision of insurance brokers and wealth management services/Hong Kong
Quam Private Equity Limited	Hong Kong	1,500,000 ordinary shares of HK$1 each	100	—	Investment holding/Hong Kong
Quam Securities Company Limited	Hong Kong	15,700,000 (2011: 9,700,000) ordinary shares of HK$10 each	—	100	Securities dealing and futures and options broking/Hong Kong

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For the year ended 31 March 2012

19. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name	Place of incorporation	Particulars of issued capital	Percentage of nominal value of issued capital held by the Company Directly	Indirectly	Principal activities and place of operations
Quam Ventures (BVI) Limited*	British Virgin Islands	1 ordinary share of US$1	—	100	Investment holding/Hong Kong
Quam.net Limited	Hong Kong	8,119,974 ordinary shares of HK$1 each	100	—	Investment holding/Hong Kong
Quam (H.K.) Limited	Hong Kong	5,000,000 ordinary shares of HK$1 each	—	100	Website management and other related services/Hong Kong
Quam (IA) Limited	Hong Kong	2,000 ordinary shares of HK$1 each	—	100	Investment adviser/Hong Kong
Wolf Holdings Limited*	British Virgin Islands	1,000 ordinary shares of US$1 each	100	—	Investment holding/Hong Kong

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.

* Subsidiaries not audited by BDO Limited

20. AMOUNTS DUE FROM/TO SUBSIDIARIES

(a) Amounts due from subsidiaries

	Company 2012 HK$'000	2011 HK$'000
Amounts due from subsidiaries	**366,437**	266,753
Less: Provision for impairment	**(239,403)**	(239,403)
	127,034	27,350

The amounts due are unsecured, repayable on demand and interest-free except for the amounts of HK$15,000,000 (2011: Nil) and HK$6,000,000 (2011: Nil), which bore interest at Hong Kong Interbank Offered Rate ("HIBOR") plus 2% and HIBOR plus 1.75% per annum, respectively.

(b) Amounts due to subsidiaries

The amounts due are unsecured, repayable on demand and interest-free except for the amounts of HK$33,753,000 (2011: HK$33,800,000) and HK$7,500,000 (2011: Nil) which bore interest at 6% and Hong Kong Dollar Prime Rate less 3% per annum, respectively.

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21. FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

		Group		Company	
		2012	2011	**2012**	2011
	Notes	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Listed equity securities in Thailand, at market value	(a)	**33,270**	40,077	**33,270**	40,077
Unlisted equity securities	(b)	**44,116**	34,296	**38,484**	26,574
		77,386	74,373	**71,754**	66,651

Notes:

(a) The balance represents the equity investments in Seamico Securities Public Company Limited ("Seamico"), a company listed on The Stock Exchange of Thailand ("SET"), whose fair value is determined based on the quoted market bid prices available on the SET. Mr. Bernard POULIOT and Mr. Kenneth LAM Kin Hing, two directors of the Company, are also directors and minority shareholders of Seamico.

(b) Fair value of the unlisted equity securities has been determined by using a valuation technique of discounted cash flow method. The valuation involves assumptions and estimates, including discount rates which ranged from 13% to 21% (2011: 15% to 22%) and the expected future cash flows from the unlisted equity securities. The directors believe that the estimated fair value resulting from the valuation technique, which are recorded in the statements of financial position and the related changes in fair value, which are recorded in consolidated statement of comprehensive income, are reasonable, and that they were the most appropriate value at the reporting date.

(c) The above investments in equity instruments are not held for trading. Instead, they are held for medium or long-term strategic purpose. The Group has designated these investments in equity instruments as at fair value through other comprehensive income as the directors believe that this provides a more meaningful presentation for medium or long-term strategic investments, than reflecting changes in fair value immediately in profit or loss.

(d) Movement of the financial assets at fair value through other comprehensive income is as follows:

	Group											
	Seamico		Gigabyte International Holdings Limited ("Gigabyte")		McMillen Advantage Capital Limited ("MAC")		Capital Partners Securities Co., Ltd. ("CPS")		Others		Total	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
At the beginning of the year	**40,077**	35,534	**7,700**	5,500	**—**	—	**26,574**	37,106	**22**	22	**74,373**	78,162
Capital contribution	**—**	—	**1,217**	—	**—**	—	**—**	—	**—**	—	**1,217**	—
Fair value change recognised in other comprehensive income	**(6,807)**	4,543	**(3,317)**	2,200	**—**	—	**(1,515)**	(10,532)	**10**	—	**(11,629)**	(3,789)
Reclassified from interests in associates	**—**	—	**—**	—	**13,425**	—	**—**	—	**—**	—	**13,425**	—
At the end of the year	**33,270**	40,077	**5,600**	7,700	**13,425**	—	**25,059**	26,574	**32**	22	**77,386**	74,373

Notes to the Financial Statements

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21. FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (CONTINUED)

Notes: (Continued)

(d) Movement of the financial assets at fair value through other comprehensive income is as follows: (Continued)

	Company							
	Seamico		MAC		CPS		Total	
	2012	2011	2012	2011	2012	2011	2012	2011
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At the beginning of the year	40,077	35,534	—	—	26,574	37,106	66,651	72,640
Fair value change recognised in other comprehensive income	(6,807)	4,543	—	—	(1,515)	(10,532)	(8,322)	(5,989)
Reclassified from interests in associates	—	—	13,425	—	—	—	13,425	—
At the end of the year	33,270	40,077	13,425	—	25,059	26,574	71,754	66,651

Particulars of the investee companies, disclosed pursuant to Section 129(1) of the Hong Kong Companies Ordinance are as follow:

Name	Place of incorporation	Class of shares held	Percentage of issued capital held by the Group
Gigabyte	British Virgin Islands	Ordinary	47.70
MAC	Hong Kong	Ordinary	22.69

The Group has not accounted for Gigabyte as an associate because Gigabyte's main asset is a 4.11% (2011: 4.11%) 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 investee. 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 financial assets measured at fair value through other comprehensive income.

As at 31 March 2011, the Group had accounted for MAC as an associate. Following the cessation of board representation in MAC since March 2012, the Group is unable to exercise significant influence on that investee. Accordingly, the investment has been reclassified as financial assets measured at fair value through other comprehensive income. No gain or loss has been recognised upon the reclassification of interest in MAC during the year.

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22. INTERESTS IN ASSOCIATES

	Group		Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Unlisted shares, at cost	—	—	—	38,461
Share of net assets	—	17,003	—	—
Goodwill on acquisition	—	12,194	—	—
Less: Provision for impairment	—	—	—	(5,300)
	—	29,197	—	33,161

Particulars of the principal associate as at 31 March 2011 are as follows:

Name	**Place of incorporation**	**Particulars of issued capital**	**Percentage of interest held by the Group**
MAC	Hong Kong	5,025,000 ordinary shares of HK$1 each and 13,186,893 ordinary shares of US$1 each	22.69

The following table illustrates the financial information of the Group's principal associate extracted from unaudited consolidated management accounts:

	2011
	HK$'000
Assets	76,482
Liabilities	(1,500)
Revenue	3,508
Loss for the year	(23,363)

During the year, the directors reviewed the carrying amount of the interest in an associate with reference to the business operated by the associate. An impairment loss of approximately HK$11,803,000 (2011: Nil) was recognised in the Group's profit or loss during the year, as the directors considered that the carrying amounts of the interests in the associate had exceeded its recoverable amount that was determined on the basis of fair value less cost to sell. The fair value was determined by a professional valuer by using market approach.

The Group has discontinued the recognition of its share of losses of another associate in last year because the share of cumulated losses of that associate exceeded the Group's interest in that associate. The amounts of the Group's unrecognised share of losses of that associate for that year and cumulatively were HK$123,000 and HK$123,000, respectively.

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23. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	Group	
	2012	2011
	HK$'000	HK$'000
Share of net assets	**24,589**	19,986

Particulars of the jointly controlled entities, which are unlisted corporate entities, are as follows:

Name	Country of incorporation	Particulars of registered capital	Percentage of interest held by the Group
Suzhou Gaohua Venture Investment Management Ltd.	PRC	RMB7,000,000	73
Suzhou QUAM-SND Venture Capital Enterprise	PRC	RMB30,472,726 (2011: RMB21,826,800)	73

The Group does not have control over the significant financial and operating policies of the above entities despite of the 73% ownership interest as unanimous consent with the minority shareholders is required. Thus, these entities were classified as jointly controlled entities of the Group.

The following table illustrates the financial information of the Group's jointly controlled entities extracted from unaudited management accounts:

	2012	2011
	HK$'000	HK$'000
Current assets	**852**	6,610
Non-current assets	**44,027**	24,255
Current liabilities	**(993)**	(2,177)
Non-current liabilities	**(803)**	—
Revenue	**7,793**	1,953
Expense	**(5,090)**	(5,251)

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24. OTHER ASSETS

The Group's other assets mainly comprise deposits with the Stock Exchange and clearing houses.

25. TRADE RECEIVABLES

	Group	
	2012	2011
	HK$'000	HK$'000
Securities transactions		
— Brokers and clearing house	**5,444**	4,670
— Cash clients	**25,230**	19,659
— Margin clients	**482,026**	342,201
Futures and options contracts		
— Brokers and clearing houses	**262,671**	297,135
Advisory, placement and other services		
— Clients receivables	**9,260**	10,914
	784,631	674,579
Less: Provision for impairment	**(25,158)**	(18,449)
Trade receivables, net	**759,473**	656,130

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25. TRADE RECEIVABLES (CONTINUED)

Notes:

(a) Amounts due from cash clients, brokers and clearing houses are required to be settled on the settlement dates of their respective transactions (normally one or two business days after the respective trade dates). There are no credit terms granted to clients for its advisory, placement and other services. The amounts due from cash clients bear interest at commercial rates (normally at Hong Kong Dollar Prime Rate plus a spread).

(b) Margin clients are required to pledge securities collateral to the Group in order to obtain the credit facilities for securities trading. The amount of credit facilities granted to them is determined based on a discount on the market value of securities accepted by the Group. Any excess in the lending ratio will trigger a margin call which the clients have to make good the shortfall. As at 31 March 2012, the market value of securities pledged by clients to the Group as collateral against margin client receivables was HK$1,830,606,000 (2011: HK$2,252,849,000). The amounts due from margin clients are repayable on demand and bear interest at commercial rates (normally at Hong Kong Dollar Prime Rate plus a spread).

(c) Included in the Group's margin clients and cash clients receivables as at 31 March 2012 were amounts due from a director of the Company and companies in which a director of the Company has indirect/100% interest, of HK$8,928,000 (2011: HK$4,689,000) and HK$40,000 (2011: HK$2,000), respectively, further details of which are set out in note 39 to the financial statements.

(d) Included amounts due from futures brokers was HK$40,975,000 (2011: HK$102,857,000) due from MF Global Hong Kong Limited ("MF Global HK"), which was a broker utilised by the Group for dealing in futures contracts. In October 2011, MF Global HK was placed in provisional liquidation. Based on the current information issued by the provisional liquidators, a provision for impairment of HK$6,701,000 (2011: Nil) has been recognised.

(e) The movement in the provision for impairment of trade receivables is as follows:

	Group	
	2012	2011
	HK$'000	HK$'000
At the beginning of the year	**18,449**	17,777
Amount written off	**(392)**	—
Impairment losses recognised	**7,624**	2,272
Impairment losses reversed	**(523)**	(1,600)
At the end of the year	**25,158**	18,449

At each of the reporting date, the Group reviews trade receivables for evidence of impairment on both an individual and collective basis. The above provision represents provision for individually impaired trade receivables with gross carrying amount of HK$77,037,000 (2011: HK$45,213,000). The individually impaired trade receivables relate to customers and MF Global HK that were in default or delinquency in payments.

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25. TRADE RECEIVABLES (CONTINUED)

Notes: (Continued)

(f) No ageing analysis based on invoice date is disclosed as, in the opinion of the directors, the ageing analysis does not give additional value in view of the business nature. The ageing analysis of the Group's trade receivables as at the reporting date, based on due date and net of provision, is as follows:

	Group	
	2012	2011
	HK$'000	HK$'000
Repayable on demand	**469,341**	329,926
0–30 days	**245,399**	314,874
31–60 days	**1,059**	6,828
61–90 days	**386**	722
91–180 days	**42,780**	2,971
181–360 days	**181**	809
Over 360 days	**327**	—
	759,473	656,130

(g) The ageing analysis of the trade receivables that are neither individually nor collectively considered to be impaired is as follows:

	Group	
	2012	2011
	HK$'000	HK$'000
Neither past due nor impaired	**452,197**	304,307
0–30 days past due	**252,099**	314,491
31–60 days past due	**1,059**	6,828
61–90 days past due	**386**	722
91–180 days past due	**1,805**	2,971
181–360 days past due	**8**	47
Over 360 days past due	**40**	—
	707,594	629,366

Trade receivables that were neither past due nor impaired related to a large number of diversified customers for whom there was no recent history of default.

Trade receivables that were past due but not impaired related to a large number of diversified customers that had a good track record with the Group. 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 still considered fully recoverable. The Group did not hold any collateral in respect of trade receivables that are past due but not impaired.

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For the year ended 31 March 2012

26. LOAN RECEIVABLES

	Notes	Group 2012 HK$'000	Group 2011 HK$'000
Money lending services			
Gross loan receivables	(a)	**1,872**	4,453
Less: Provision for impairment	(b)	**(43)**	(43)
Loan receivables, net		**1,829**	4,410

Notes:

(a) The loan receivables are unsecured, bear interest at annual rate of 5% (2011: 5% to 7%). The repayment terms of the loans are negotiated on an individual basis. The maturity profile of the loan receivables at the reporting date, which is analysed by the remaining periods to their contractual maturity dates, is as follows:

	Group 2012 HK$'000	Group 2011 HK$'000
On demand	**1,872**	4,453

(b) There was no movement in the provision for impairment of loan receivables for the years ended 31 March 2012 and 2011.

At each of the reporting date, certain of the Group's loan receivables were individually determined to be impaired. The Group encountered difficulties in collection of these loan receivables and appropriate provision for impairment has been made. The above provision relates to individually impaired loan receivables that were in default or delinquency in repayments with gross carrying amount of HK$43,000 (2011: HK$43,000).

(c) The ageing analysis of loan receivables that are neither individually nor collectively considered to be impaired is as follows:

	Group 2012 HK$'000	Group 2011 HK$'000
Neither past due nor impaired	**1,829**	—
1–60 days past due	**—**	2,324
Over 180 days past due	**—**	2,086
	1,829	4,410

Loan receivables that were neither past due nor impaired relate to a borrower for whom the balance has been renegotiated during the year.

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For the year ended 31 March 2012

27. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

The other receivables of the Group are neither past due nor impaired except for balance due from MF Global HK of HK$3,015,000 (2011: Nil). Due to the circumstances described in note 25(d) to the financial statements, a provision for impairment of HK$299,000 (2011: Nil) has been recognised on this amount.

28. FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2012	2011
	HK$'000	HK$'000
Mandatorily measured at fair value		
Listed equity securities, at market value		
— Hong Kong	**453**	6,928
— Overseas	**28**	23
	481	6,951
Unlisted equity securities		
— Overseas	**10,571**	7,190
	11,052	14,141

29. TRUST TIME DEPOSITS AND TRUST BANK BALANCES HELD ON BEHALF OF CUSTOMERS

From the Group's ordinary business of securities, futures and options dealing, it receives and holds money deposited by clients and other financial 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 has recognised the corresponding trade payables to respective clients and other financial institutions.

30. CASH AND CASH EQUIVALENTS

Cash at banks earn interest at floating rates based on daily bank deposits rates.

Included in cash and bank balances of the Group is Renminbi ("RMB") of HK$2,821,000 (2011: HK$1,888,000) placed with banks in Mainland China, and none of which is attributable to the Company. RMB is not a freely convertible currency. Under the Mainland China's Foreign Exchange Control Regulations and Administration of Settlement and Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through banks that are authorised to conduct foreign exchange business.

Notes to the Financial Statements

For the year ended 31 March 2012

31. TRADE PAYABLES

	Group	
	2012	2011
	HK$'000	HK$'000
Securities transactions		
— Brokers and clearing house	**60,471**	779
— Cash clients	**308,926**	405,894
— Margin clients	**81,575**	73,085
Futures and options contracts		
— Clients payables	**421,198**	480,179
Asset management, advisory and other services		
— Clients payables	**5,077**	7,834
	877,247	967,771

Accounts payable to cash clients attributable to dealing in securities transactions represents clients' undrawn monies/excess deposits placed with the Group. These amounts, together with the amounts due to brokers and clearing house, are repayable on demand up to the settlement dates of their respective transactions (normally one or two business days after the respective trade dates). Accounts payable to margin clients are repayable on demand.

Accounts payable to clients attributable to dealing in futures and options contracts includes margin deposits received from clients for their trading of futures and options contracts and clients' undrawn monies/excess deposits placed with the Group. Only the excess over the required margin deposits are repayable on demand.

Included in above were amounts due to two directors of the Company and a company in which a director of the Company has indirect equity interest of HK$3,659,000 (2011: HK$1,581,000) and Nil (2011: HK$919,000) as at 31 March 2012, respectively. The balances also included amounts due to close family members of two directors of the Company of HK$7,013,000 (2011: HK$6,292,000).

No ageing analysis is disclosed in respect of accounts payable attributable to dealing in securities and futures and options contracts as, in the opinion of directors, the ageing analysis does not give additional value in view of the business nature. The ageing analysis of the accounts payable of the Group attributable to other services is as follows:

	Group	
	2012	2011
	HK$'000	HK$'000
Within 180 days	**5,020**	7,777
Over 180 days	**57**	57
	5,077	7,834

Notes to the Financial Statements

For the year ended 31 March 2012

32. BORROWINGS

	Group		Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Bank loans				
— secured	**198,102**	196,694	**—**	—
— unsecured	**21,000**	—	**21,000**	—
Other loans				
— unsecured	**46,645**	46,683	**—**	—
	265,747	243,377	**21,000**	—

At the reporting date, the borrowings were repayable as follows:

	Group				Company	
	Bank loans (note (a))		Other loans (note (b))		Bank loans (note (c))	
	2012	2011	**2012**	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
On demand	**219,102**	196,694	**7,764**	10,779	**21,000**	—
Within one year	**—**	—	**38,881**	35,904	**—**	—
	219,102	196,694	**46,645**	46,683	**21,000**	—

Notes:

(a) Bank loans of the Group of HK$198,102,000 (2011: HK$196,694,000) were secured by marketable securities pledged to the Group by margin clients with total market value of HK$554,447,000 (2011: HK$396,000,000) as collateral against the margin client receivables. Specific written authorisation has been obtained by the Group from the margin clients for such use over the client securities. The bank loans bear floating interest rates ranging from 1.38% to 3.45% (2011: 0.60% to 2.47%) per annum.

(b) As at 31 March 2012, other loan of HK$46,645,000 bears interest at a fixed rate of 6% per annum and is repayable on 31 December 2012. The lender has the right to request for early repayment of up to US$1,000,000 (HK$7,764,000 equivalents) with one month written notice.

As at 31 March 2011, other loans of HK$11,683,000 and HK$35,000,000 bore interest at a fixed rate of 6% per annum and were repayable on 30 June 2011 and 31 July 2011 respectively. The lender has the right to request for early repayment of up to US$100,000 (HK$779,000 equivalents) and HK$10,000,000 with one month written notice.

(c) Bank loans of the Company were unsecured and bear floating interest rates ranging from 2.45% to 3.45% per annum (2011: not applicable).

Notes to the Financial Statements

For the year ended 31 March 2012

33. FINANCE LEASE PAYABLES

	Group and Company	
	2012	2011
	HK$'000	HK$'000
Total minimum lease payments		
— Due within one year	**134**	747
— Due in the second to fifth years	**—**	136
	134	883
Future finance charges on finance leases	**(2)**	(35)
Present value of finance lease payables	**132**	848
The present value of minimum lease payments is as follows:		
— Due within one year	**132**	714
— Due in the second to fifth years	**—**	134
	132	848
Less: Portion due within one year included under current liabilities	**(132)**	(714)
Non-current portion included under non-current liabilities	**—**	134

The Group and the Company has entered into finance leases for certain items of furniture, fixtures and equipment with remaining lease terms of one year (2011: ranging from one to two years). Interest rate charged under the leases is fixed and ranging from 6.4% to 8.2% (2011: 6.4% to 8.2%) per annum. These leases do not contain options for renewal or any contingent rental provisions.

Finance lease liabilities are effectively secured by the underlying assets as the rights to the leased assets would be reverted to the lessors in the event of default by repayment by the Group and the Company.

Notes to the Financial Statements

For the year ended 31 March 2012

34. DEFERRED TAX

As at 31 March 2012, deferred tax liabilities of HK$36,000 (2011: HK$36,000) had been recognised in the consolidated statement of financial position in respect of the temporary differences arising from accelerated depreciation allowances.

Deferred tax assets have not been recognised in respect of the following items:

	Group		Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Tax losses	**162,425**	203,286	**48,225**	51,158
Deductible temporary differences	**2,968**	1,975	**1,062**	677
	165,393	205,261	**49,287**	51,835

Deferred tax assets are recognised for tax loss carried forward and deductible temporary differences to the extent that realisation of the related tax benefit through the future taxable profits is probable. No deferred tax asset has been recognised due to the uncertainty of future profit streams against which the asset can be utilised. Under the current tax legislation, the tax losses can be carried forward indefinitely.

35. SHARE CAPITAL

	Number of ordinary shares of HK one third of one cent each	**HK$'000**
Authorised		
At 1 April 2010, 31 March 2011 and 31 March 2012	30,000,000,000	100,000
Issued and fully paid		
At 1 April 2010	947,613,987	3,159
Issue of shares upon exercise of share options	728,512	2
At 31 March 2011 and 1 April 2011	948,342,499	3,161
Issue of shares upon exercise of share options	6,223,170	21
Issue of shares under Rights Issue (note)	238,641,417	795
At 31 March 2012	**1,193,207,086**	**3,977**

Note:

On 30 September 2011, 238,641,417 ordinary shares of HK one third of one cent each were issued by way of rights issue at a subscription price of HK$0.25 per share. These shares rank pari passu in all aspects with other ordinary shares in issue.

Notes to the Financial Statements

For the year ended 31 March 2012

36. 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 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 2012, there are no outstanding share options granted under the Old Scheme (2011: 117,777, represented approximately 0.01% of the Company's shares in issue as at 31 March 2011). 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.

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; 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 2012, the number of shares issuable under outstanding share options granted under the New Scheme were 27,069,014 (2011: 34,734,188), which represents approximately 2.27% (2011: 3.66%) 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.

Notes to the Financial Statements

For the year ended 31 March 2012

36. SHARE OPTION SCHEMES (CONTINUED)

(b) (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$5,000,000, 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-based compensation will be settled in equity. The Group has no legal or constructive obligation to repurchase or settle the options other than by issuing the Company's ordinary shares.

The number of share options and weighted average exercise price are as follows for the reporting periods presented:

	Number of share options		Weighted average exercise price	
	2012	2011	**2012**	2011
			HK$	HK$
At the beginning of the year	**34,851,965**	42,769,716	**0.6062**	0.5728
Exercised	**(6,223,170)**	(728,512)	**0.1311**	0.1320
Adjusted upon Rights Issue	**326,423**	—	**N/A**	N/A
Forfeited	**(1,768,427)**	(7,189,239)	**0.6160**	0.4556
Lapsed	**(117,777)**	—	**0.2225**	N/A
At the end of the year	**27,069,014**	34,851,965	**0.7091**	0.6062
Exercisable at 31 March	**27,069,014**	26,584,027	**0.7091**	0.3449

For share options exercised during the year ended 31 March 2012, the weighted average share price at the date of exercise was HK$0.4000 (2011: HK$0.4091).

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For the year ended 31 March 2012

36. SHARE OPTION SCHEMES (CONTINUED)

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

The exercisable periods of share options of the Company are as follows:

	Number of share options		Weighted average exercise price	
	2012	2011	**2012**	2011
			HK$	HK$
Exercisable period:				
07/09/01–06/09/11	—	117,777	—	0.2225
09/06/07–08/06/16	**359,681**	355,609	**0.1296**	0.1311
09/06/08–08/06/16	**359,681**	355,609	**0.1296**	0.1311
09/06/09–08/06/16	**1,621,603**	8,270,931	**0.1296**	0.1311
01/03/09–28/02/18	**199,822**	316,096	**0.8340**	0.8435
01/03/10–28/02/18	**199,822**	316,096	**0.8340**	0.8435
01/03/11–28/02/18	**199,824**	316,099	**0.8340**	0.8435
06/06/09–05/06/18	**8,042,846**	8,267,905	**0.7623**	0.7710
06/06/10–05/06/18	**8,042,846**	8,267,905	**0.7623**	0.7710
06/06/11–05/06/18	**8,042,889**	8,267,938	**0.7623**	0.7710
Total	**27,069,014**	34,851,965	**0.7091**	0.6062

The weighted average remaining contractual life of share options outstanding as at 31 March 2012 is 6.01 years (2011: 6.64 years). The exercise in full of the outstanding share options as at 31 March 2012, would, under the present capital structure of the Company, result in the issue of 27,069,014 (2011: 34,851,965) additional ordinary shares of the Company and additional share capital and share premium of approximately HK$90,000 (2011: HK$116,000) and HK$11,713,000 (2011: HK$21,011,000), respectively.

In the current year, share option expense of HK$396,000 has been credited as staff costs in profit or loss for the year ended 31 March 2012 (2011: HK$1,086,000 was debited as staff costs) and the corresponding amount has been debited (2011: credited) to the share option reserve. No liabilities were recognised due to equity-settled share-based payment transactions.

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For the year ended 31 March 2012

37. SHARE AWARD SCHEMES

Company

A restricted share award scheme ("Share Award Scheme") was adopted by the Company on 19 August 2010. The purpose of the Share Award Scheme is to recognise and motivate the contribution of certain employees and/or consultants and to provide incentives and help the Group in retaining its existing employees or consultants and recruiting additional employees or consultants and to provide them with a direct economic interest in attaining the long-term business objectives of the Company.

Pursuant to the rules of Share Award Scheme, the board of directors may, from time to time, at its absolute discretion select the employees and consultants as they deem appropriate for participation in the Share Award Scheme and determines the number of restricted shares to be awarded. Existing shares would be purchased by the trustee from the market out of cash contributed by the Group and be held in trust for the relevant selected participants. The restricted shares of the Company will be vested only after satisfactory completion of time-based targets and/or time-and-performance-based targets.

The Share Award Scheme is subject to the administration of the board of directors in accordance with the rules of Share Award Scheme. The aggregate number of restricted shares awarded by the board throughout the duration of the Share Award Scheme should not in excess of 10% of the issued share capital of the Company as at the date of its adoption. The maximum number of restricted shares which may be awarded to a selected participant under the Share Award Scheme shall not exceed 1% of the issued share capital of the Company as at the date of its adoption. Any grant of the restricted shares to any directors or senior management of the Company must first be approved by the remuneration committee of the Company.

Unless terminated earlier by the board, the Share Award Scheme shall be valid and effective for a term of 10 years from the date of its adoption. However, the board has the right to renew for the Share Award Scheme up to three times and each time for another 5-year terms.

The movements in the number of Shares held for Share Award Scheme and the awarded shares of the Company are as follows:

	Shares held for Share Award Scheme		Number of awarded shares	
	2012	2011	**2012**	2011
At the beginning of the year	**100,000**	—	**29,195,000**	—
Purchased (note (a))	**—**	29,745,000	**—**	—
Granted (notes (b), (c))	**—**	(29,645,000)	**—**	29,645,000
Forfeited (note (d))	**—**	—	**(3,866,669)**	(450,000)
Vested	**—**	—	**(8,764,969)**	—
At the end of the year	**100,000**	100,000	**16,563,362**	29,195,000

Notes to the Financial Statements

For the year ended 31 March 2012

37. SHARE AWARD SCHEMES (CONTINUED)

Company (Continued)

Notes:

(a) During the year ended 31 March 2011, the Group acquired 29,745,000 ordinary shares of the Company through the trustee in the open market for the purpose of the Share Award Scheme with a consideration of HK$12,446,000.

(b) On 21 October 2010 and 1 March 2011, the board of directors approved the grants of 28,895,000 shares and 750,000 shares of the Company to be awarded to designated employees under the Share Award Scheme, which would be transferred to the employee by the trustee at nil consideration upon vesting between 21 October 2011 and 3 March 2014. Among the shares awarded mentioned above, a total of 3,000,000 shares of the Company were awarded to the directors during the year ended 31 March 2011.

(c) The fair values of award shares granted during the year ended 31 March 2011 were determined by Vigers Appraisal & Consulting Limited, an independent third party valuer, using the Black Scholes Model. The weighted average fair value of the awarded shares granted during the year ended 31 March 2011 was HK$0.32. The following table lists the inputs to the Black Scholes Model used:

Grant date	21/10/2010	01/03/2011
Share price on grant date	0.475	0.355
Risk-free rate	0.270%–1.068%	0.390%–0.631%
Dividend yield	3.4%	2.8%
Expected volatility	45%–69%	44%–66%

(d) At 31 March 2012, 4,316,669 (2011: 450,000) forfeited shares were held by the trustee under the Share Award Scheme and would be re-granted to eligible employees in future.

The remaining vesting periods of the awarded shares outstanding are as follows:

2012		2011	
Remaining vesting period	**Number of awarded shares**	Remaining vesting period	Number of awarded shares
—	—	0.56 year	9,481,633
—	—	0.92 year	249,999
0.56 year	**8,281,637**	1.56 years	9,481,633
0.92 year	**83,333**	1.92 years	249,999
1.56 years	**8,115,058**	2.56 years	9,481,734
1.93 years	**83,334**	2.93 years	250,002
	16,563,362		29,195,000

Notes to the Financial Statements

For the year ended 31 March 2012

37. SHARE AWARD SCHEMES (CONTINUED)

Subsidiary

The Group has established a subsidiary, Quam DKP Capital (HK) Limited ("QDKP"), a company incorporated in Hong Kong in February 2011, with the purpose to establish and develop private equity business of the Group. As an incentive for motivating and providing a direct economic incentive for attaining the long-term business objective of the Group, the designated management of QDKP (the "QDKP Management") would receive 25% of shareholdings in QDKP ("Initial Interests") and with an option to increase to 49% of shareholdings in QDKP ("Additional Interests") upon the attainment of the agreed performance targets pursuant to the agreement signed with QDKP Management. Otherwise, the failure to attain the performance targets or upon occurrence of agreed events will render the Group (via Quam Capital (Holdings) Limited) to buy back the Initial Interests (and Additional Interests, if any) from QDKP Management at a nominal consideration of HK$1. Notwithstanding to any provisions to the contrary, Quam Capital (Holdings) Limited, the other shareholder of QDKP, shall always remain its majority shareholder in QDKP.

The movement in the number of the awarded shares of QDKP is as follows:

	Number of awarded shares 2012
At the beginning of the year	—
Granted	2,062,500
Cancelled	(2,062,500)
At the end of the year	—

The fair values of award shares granted during the year ended 31 March 2012 were determined by Vigers Appraisal & Consulting Limited, an independent third party valuer, using the discounted cash flow method. The weighted average fair value of the awarded shares granted during the year ended 31 March 2012 was HK$0.28 (2011: not applicable).

In the current year, share awards expense of HK$4,242,000 (2011: HK$2,657,000) have been recognised by the Group as staff costs in profit or loss for the year ended 31 March 2012 and the corresponding amount had been credited to the awarded share reserve. No liabilities were recognised due to equity-settled share-based payment transactions.

Notes to the Financial Statements

For the year ended 31 March 2012

38. RESERVES

Group

The Group's contributed surplus of HK$10,708,000 (2011: HK$10,708,000) as at 31 March 2012 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;

(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;

(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;

(v) an amount of HK$25,000,000 transferred to retained profits on 30 September 2006 in accordance with the Bye-Laws of the Company;

(vi) an amount of HK$10,000,000 transferred to retained profits on 31 March 2007 in accordance with the Bye-Laws of the Company;

(vii) an amount of HK$10,000,000 transferred to retained profits on 30 September 2007 in accordance with the Bye-Laws of the Company; and

(viii) an amount of HK$10,000,000 transferred to retained profits on 31 March 2011 in accordance with the Bye-Laws of the Company.

Notes to the Financial Statements

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38. RESERVES (CONTINUED)

Company

	Share premium HK$'000	Investment revaluation reserve HK$'000	Contributed surplus HK$'000	Share option reserve HK$'000	Shares held for Share Award Scheme HK$'000	Award shares reserve HK$'000	Capital redemption reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 April 2010	126,404	(4,007)	69,821	7,732	—	—	936	3,374	204,260
Exercise of share options	137	—	—	(43)	—	—	—	—	94
Shares option arrangements	—	—	—	1,086	—	—	—	—	1,086
Shares purchased for Share Award Scheme	—	—	—	—	(12,446)	—	—	—	(12,446)
Share Award Scheme arrangements	—	—	—	—	—	2,657	—	—	2,657
Transactions with owners	137	—	—	1,043	(12,446)	2,657	—	—	(8,609)
Loss for the year	—	—	—	—	—	—	—	(2,273)	(2,273)
Other comprehensive income									
— Changes in fair value of financial assets measured at fair value through other comprehensive income	—	(5,989)	—	—	—	—	—	—	(5,989)
— Capital reduction of financial assets measured at fair value through other comprehensive income	—	10,239	—	—	—	—	—	—	10,239
Total comprehensive income for the year	—	4,250	—	—	—	—	—	(2,273)	1,977
Lapse of share options	—	—	—	(464)	—	—	—	464	—
Transfer of contributed surplus	—	—	(10,000)	—	—	—	—	10,000	—
At 31 March 2011	126,541	243	59,821	8,311	(12,446)	2,657	936	11,565	197,628

Notes to the Financial Statements

For the year ended 31 March 2012

38. RESERVES (CONTINUED)

Company (Continued)

	Share premium HK$'000	Investment revaluation reserve HK$'000	Contributed surplus HK$'000	Share option reserve HK$'000	Shares held for Share Award Scheme HK$'000	Award shares reserve HK$'000	Capital redemption reserve HK$'000	Retained profits/ (Accumulated losses) HK$'000	Total HK$'000
At 1 April 2011	126,541	243	59,821	8,311	(12,446)	2,657	936	11,565	197,628
Exercise of share options	1,186	—	—	(391)	—	—	—	—	795
Issue of shares under rights issue	58,865	—	—	—	—	—	—	—	58,865
Transaction costs attributable to issue of new shares	(1,568)	—	—	—	—	—	—	—	(1,568)
Share option arrangements	—	—	—	(396)	—	—	—	—	(396)
Share Award Scheme arrangements	—	—	—	—	—	3,657	—	—	3,657
Dividend approved in respect of previous year	—	—	—	—	—	—	—	(4,773)	(4,773)
Transactions with owners	58,483	—	—	(787)	—	3,657	—	(4,773)	56,580
Loss for the year	—	—	—	—	—	—	—	(28,522)	(28,522)
Other comprehensive income									
— Changes in fair value of financial assets measured at fair value through other comprehensive income	—	(8,322)	—	—	—	—	—	—	(8,322)
Total comprehensive income for the year	—	(8,322)	—	—	—	—	—	(28,522)	(36,844)
Lapse of share options	—	—	—	(130)	—	—	—	130	—
Vesting of awarded shares	—	—	—	—	3,668	(3,358)	—	(310)	—
At 31 March 2012	185,024	(8,079)	59,821	7,394	(8,778)	2,956	936	(21,910)	217,364

The Company's contributed surplus of HK$59,821,000 (2011: HK$59,821,000) as at 31 March 2012 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;

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For the year ended 31 March 2012

38. RESERVES (CONTINUED)

Company (Continued)

(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;

(v) an amount of HK$25,000,000 transferred to accumulated losses on 30 September 2006 in accordance with the Bye-Laws of the Company;

(vi) an amount of HK$10,000,000 transferred to accumulated losses on 31 March 2007 in accordance with the Bye-Laws of the Company;

(vii) an amount of HK$10,000,000 transferred to retained profits on 30 September 2007 in accordance with the Bye-Laws of the Company; and

(viii) an amount of HK$10,000,000 transferred to retained profits on 31 March 2011 in accordance with the Bye-Laws of the Company.

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39. 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	Notes	At 31 March 2012 Debit/(Credit) HK$'000	Maximum outstanding during the year HK$'000	At 1 April 2011 Debit/(Credit) HK$'000	Margin finance facilities approved HK$'000	Securities held
Mr. Bernard POULIOT	(a)	8,928	10,157	4,689	15,001	Marketable securities
Mr. Kenneth LAM Kin Hing	(a), (b)	(3,659)	1,816	(1,329)	10,250	Marketable securities
Ms. Elizabeth CHAN Wai Yin, spouse of Mr. Bernard POULIOT	(a), (b)	(3,196)	464	(1,175)	500	Marketable securities
Mr. Nicolas POULIOT, son of Mr. Bernard POULIOT	(a), (b)	(333)	97	—	500	Marketable securities
Mr. Stefan Andre POULIOT, son of Mr. Bernard POULIOT	(a), (b)	(153)	52	—	500	Marketable securities
Baroque Investments Limited, a company in which Mr. Bernard POULIOT has indirect interests	(a)	1	1	(919)	4,000	Marketable securities
Newer Challenge Holdings Limited, a company in which Mr. Bernard POULIOT has 100% interests	(c)	39	93	1	—	None
Porto Global Limited, a company in which Mr. Bernard POULIOT has 100% interests	(c)	—	1	1	—	None

Notes:

(a) The loans granted under margin finance facilities to two directors, spouse and sons of a director and a related company are secured by the marketable securities collateral, bear interest at Hong Kong Dollar Prime Rate plus 3% per annum and repayable on demand.

(b) The amounts due to a director, spouse of a director and a related company are unsecured, interest-free and repayable on demand.

(c) The amounts due from two related companies, which were controlled by a director of the Company are unsecured, interest bearing at Hong Kong Dollar Prime Rate plus 6% per annum and repayable on demand.

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40. OPERATING LEASE COMMITMENTS

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

	Group		Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**14,746**	16,705	**—**	1,179
In the second to fifth years, inclusive	**7,671**	10,701	**—**	—
	22,417	27,406	**—**	1,179

The Group leases a number of properties under operating leases. The leases run for an initial period of one to three years (2011: one to three years). None of the leases include contingent rentals.

41. CAPITAL COMMITMENTS

	Group		Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Contracted but not provided for capital contribution to jointly-controlled entities	**40,684**	41,916	**—**	—

Notes to the Financial Statements

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42. 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 have a direct/indirect equity interest, during the year:

	2012 HK$'000	2011 HK$'000
Related companies		
Baroque Investments Limited, a company in which Mr. Bernard POULIOT has indirect interests		
— Securities and futures trading fee	1	37
— Interest income from margin financing	—	2
Newer Challenge Holdings Limited, a company in which Mr. Bernard POULIOT has 100% interests		
— Securities and futures trading fee	1	—
— Interest income from margin financing	1	—
Directors		
Mr. Bernard POULIOT		
— Securities and futures trading fee	167	189
— Interest income from margin financing	576	397
Mr. Kenneth LAM Kin Hing		
— Securities and futures trading fee	318	1,480
— Interest income from margin financing	13	34
— Performance fee income on broking	—	82
Mr. Richard David WINTER		
— Securities and futures trading fee	1	1
Close family members of the directors		
Ms. Elizabeth CHAN Wai Yin, spouse of Mr. Bernard POULIOT		
— Securities and futures trading fee	33	15
— Interest income from margin financing	2	—
Mr. Nicolas POULIOT, son of Mr. Bernard POULIOT		
— Securities and futures trading fee	12	—
— Interest income from margin financing	1	—
Mr. Stefan Andre POULIOT, son of Mr. Bernard POULIOT		
— Securities and futures trading fee	12	—
— Interest income from margin financing	1	—
Mrs. CHAN Chan Yeuk Lan, mother-in-law of Mr. Bernard POULIOT		
— Securities and futures trading fee	66	87
Ms. Mona KWOK Ka Wai, spouse of Mr. Kenneth LAM Kin Hing		
— Securities and futures trading fee	40	187
— Interest income from margin financing	—	1
— Performance fee income on broking	—	12
An associate of the Company		
MAC		
— Referral fee expenses	5	—
— Placing fee and performance fee expenses	—	7
— Brokerage expenses	244	4

Notes to the Financial Statements

For the year ended 31 March 2012

42. RELATED PARTY TRANSACTIONS (CONTINUED)

Compensation of key management personnel

Remuneration for key management personnel represents amounts paid to the Company's directors as disclosed in note 15 to the financial statements.

43. FINANCIAL GUARANTEE CONTRACTS

The Company has granted guarantees amounting to HK$469,000,000 (2011: HK$369,000,000) with respect to bank loans to its subsidiaries. Under the guarantee, the Company would be liable to pay the bank if the bank is unable to recover the loan. At the reporting date, no provision for the Company's obligation under the guarantee contract has been made as the directors considered that it was not probable that the repayment of the loans would be in default.

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include equity investments, statutory and other deposits, loan receivables, trade and other receivables, trade and other payables and borrowings. 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. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Foreign currency risk

Foreign currency risk is the risk of losses due to adverse movements in foreign exchange rate mainly relating to receivables from or payables to foreign brokers and foreign currency deposits with banks. To mitigate the foreign currency risk, treasury and settlement divisions work closely to manage and monitor the foreign exchange exposure arising from broking in foreign shares and commodities. The policies to manage foreign currency risk have been followed by the Group since prior years and are considered to be effective.

Notes to the Financial Statements

For the year ended 31 March 2012

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Market risk (Continued)

(i) *Foreign currency risk (Continued)*

The following tables summarise the Group's and the Company's major financial assets and liabilities denominated in currencies other than the functional currency of the entities to which they relate, as at 31 March 2012 and 2011.

Group

	Expressed in HK$'000						
	Thai Baht ("THB")	United States dollars ("US$")	Japanese Yen ("JPY")	Singapore dollars ("SG$")	Renminbi ("RMB")	British Pound ("GBP")	Others
As at 31 March 2012							
Financial assets measured at fair value through other comprehensive income	**33,270**	**—**	**25,059**	**—**	**—**	**—**	**—**
Financial assets measured at fair value through profit or loss	**—**	**10,574**	**—**	**—**	**—**	**—**	**25**
Trade receivables	**1,046**	**159,982**	**1,893**	**8**	**—**	**35**	**22,257**
Other receivables	**—**	**3,193**	**—**	**—**	**—**	**—**	**93**
Trust bank balances held on behalf of customers	**10,458**	**114,407**	**80**	**212**	**106**	**2,691**	**3,225**
Cash and cash equivalents	**154**	**3,245**	**24**	**22**	**1,558**	**323**	**2,266**
Trade payables	**(11,488)**	**(264,488)**	**(2,062)**	**(212)**	**(410)**	**(2,979)**	**(25,120)**
Borrowings	**—**	**(11,645)**	**—**	**—**	**—**	**—**	**—**
Overall net exposure	**33,440**	**15,268**	**24,994**	**30**	**1,254**	**70**	**2,746**
As at 31 March 2011							
Financial assets measured at fair value through other comprehensive income	40,077	—	26,574	—	—	—	—
Financial assets measured at fair value through profit or loss	—	3	—	—	—	—	3,597
Trade receivables	—	173,803	20,631	—	—	99	4,847
Trust bank balances held on behalf of customers	43,608	108,872	—	114	—	206	1,052
Cash and cash equivalents	18	18,137	23	59	2,517	27	89
Trade payables	(43,776)	(256,344)	(22,376)	(114)	(452)	(334)	(25,199)
Borrowings	—	(11,683)	—	—	—	—	—
Overall net exposure	39,927	32,788	24,852	59	2,065	(2)	(15,614)

Notes to the Financial Statements

For the year ended 31 March 2012

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Market risk (Continued)

(i) Foreign currency risk (Continued)

Company

	Expressed in HK$'000						
	THB	US$	JPY	SG$	RMB	GBP	Others
As at 31 March 2012							
Financial assets measured at fair value through other comprehensive income	**33,270**	**—**	**25,059**	**—**	**—**	**—**	**—**
Cash and cash equivalents	**—**	**1**	**—**	**—**	**—**	**—**	**—**
Overall net exposure	**33,270**	**1**	**25,059**	**—**	**—**	**—**	**—**
As at 31 March 2011							
Financial assets measured at fair value through other comprehensive income	40,077	—	26,574	—	—	—	—
Cash and cash equivalents	—	3,233	—	—	—	—	—
Overall net exposure	40,077	3,233	26,574	—	—	—	—

As US$ is pegged to HK$, the Group does not expect any significant movements in the US$/HK$ exchange rates. No sensitivity analysis in respect of the Group's and the Company's financial assets and liabilities denominated in US$ is disclosed as in the opinion of directors, such sensitivity analysis does not give additional value in view of insignificant movement in the US$/HK$ exchange rates as at reporting date. The following tables indicate the approximate change in the Group's and Company's profit or loss for the year and equity in response to reasonably possible changes in the foreign exchange rates to which the Group and the Company has significant exposure at the reporting date.

Group

	Increase in foreign exchange rates		Increase/(Decrease) in profit or loss		Increase/(Decrease) in equity	
	2012	2011	**2012**	2011	**2012**	2011
	%	%	**HK$'000**	HK$'000	**HK$'000**	HK$'000
THB	**20**	20	**379**	(30)	**7,033**	7,985
JPY	**5**	5	**(2)**	(86)	**1,251**	1,243
SG$	**5**	5	**3**	3	**3**	3
RMB	**5**	5	**66**	103	**66**	103
GBP	**5**	5	**28**	—	**28**	—

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For the year ended 31 March 2012

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Market risk (Continued)

(i) Foreign currency risk (Continued)

Company

	Increase in foreign exchange rates		Increase/(Decrease) in profit or loss		Increase/(Decrease) in equity	
	2012	2011	**2012**	2011	**2012**	2011
	%	%	**HK$'000**	HK$'000	**HK$'000**	HK$'000
THB	**20**	20	**—**	—	**6,654**	8,015
JPY	**5**	5	**—**	—	**1,253**	1,329

Decrease in the above foreign exchange rates at each reporting date would have had the equal but opposite effect to the amounts shown above, on the basis that all other variables remain constant.

The sensitivity analysis has been determined by assuming that the change in foreign exchange rates had occurred at the reporting date and that all other variables remain constant.

The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the next annual reporting date. In the management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign currency risk as the exposure at the end of the reporting period does not reflect the exposure during the year.

(ii) Price risk

The Group and the Company are exposed to equity price risk through its investments in listed equity securities which are classified as financial assets measured at fair value through profit or loss and financial assets measured at fair value through other comprehensive income. The board of directors manages this exposure by maintaining a portfolio of investments with different risk and return profiles and will consider hedging the risk exposure should the need arise. The policies to manage price risk have been followed by the Group and the Company since prior years and are considered to be effective. The Group and the Company are not exposed to commodity price risk.

Notes to the Financial Statements

For the year ended 31 March 2012

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Market risk (Continued)

(ii) Price risk (Continued)

At 31 March 2012, if equity prices had increased/(decreased) by 10% and all other variables were held constant:

Group

— the profit or loss for the year would increase/(decrease) by approximately HK$48,000 (2011: HK$1,414,000).

— the equity other than retained profits would increase/(decrease) by approximately HK$3,327,000 (2011: HK$4,008,000).

Company

— there is no material change in profit or loss for the years ended 31 March 2012 and 2011.

— the equity other than retained profits/(accumulated losses) would increase/(decrease) by approximately HK$3,327,000 (2011: HK$4,008,000).

The sensitivity analysis has been determined by assuming that the price change had occurred at the reporting date and has been applied to the Group's and the Company's investments at that date. In the management's opinion, the sensitivity analysis is unrepresentative of the inherent price risk as the exposure at the end of the reporting period does not reflect the exposure during the year.

(iii) Interest rate risk

The Group is exposed to interest rate risk primarily through the impact of interest rate changes on bank balances, margin and cash client receivables and borrowings carrying interests at variable rates. Most of the borrowings are secured by margin clients' securities, which carry interest at variable rates.

Notes to the Financial Statements

For the year ended 31 March 2012

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Market risk (Continued)

(iii) Interest rate risk (Continued)

The following table illustrates the sensitivity of the profit/loss for the year to a change in interest rates of +1% and -1% (2011: +1% and -1%). The calculations are based on the Group's and the Company's bank balances, margin and cash client receivables and borrowings held at each reporting date. All other variables are held constant. In the management's opinion, the sensitivity analysis is unrepresentative of the inherent interest rate risk as the exposure at the end of the reporting period does not reflect the exposure during the year.

	Group		Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
If interest rates were 1% (2011: 1%) higher				
Increase in profit/Decrease in loss for the year	**8,727**	8,962	**(127)**	33
If interest rates were 1% (2011: 1%) lower				
Decrease in profit/Increase in loss for the year	**(8,727)**	(8,962)	**127**	(33)

Credit risk

The Group's credit risk arises when the clients and brokers fail to perform their obligations as at the reporting date. In order to minimise the credit risk, senior management including responsible officers of the regulated activities compile credit and risk management policies, approve credit limits and determine any debt recovery action on those delinquent receivables. In addition, the Group reviews the recoverable amount for each individual account receivables at each reporting 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.

The Group's credit risk exposure is spread over a number of counterparties and customers. Hence, the Group has no significant concentration of credit risk by a single debtor.

The Group does not hold any collateral or other credit enhancement to cover its credit risk associated with its financial assets except for margin client receivables. Further quantitative data in respect of the collateral and the Group's exposure to credit risk arising from trade and loan receivables are disclosed in notes 25 and 26 to the financial statements respectively.

The credit policies have been followed by the Group since prior years and are considered to be effective in limiting the Group's exposure to credit risk to a desirable level.

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44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk

As part of ordinary broking activities, the Group is exposed to liquidity risk arising from timing difference between settlement with clearing houses or brokers and clients. To address the risk, treasury and settlement divisions work closely to monitor the liquidity gap. The Group utilises 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.

The liquidity policies have been followed by the Group since prior years and are considered to have been effective in managing liquidity risks.

The maturity profile of the Group's and the Company's financial liabilities as at the reporting date, based on the contractual undiscounted cash flows, is as follows:

Group

	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	On demand or within 1 year HK$'000	More than 1 year but less than 5 years HK$'000
As at 31 March 2012				
Trade payables	877,247	877,247	877,247	—
Borrowings	265,747	267,846	267,846	—
Accruals and other payables	53,866	53,866	53,866	—
Finance lease payables	132	134	134	—
	1,196,992	1,199,093	1,199,093	—

	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	On demand or within 1 year HK$'000	More than 1 year but less than 5 years HK$'000
As at 31 March 2011				
Trade payables	967,771	967,771	967,771	—
Borrowings	243,377	247,717	247,717	—
Accruals and other payables	49,658	49,658	49,658	—
Finance lease payables	848	883	747	136
	1,261,654	1,266,029	1,265,893	136

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44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk (Continued)

Company

	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	On demand or within 1 year HK$'000	More than 1 year but less than 5 years HK$'000
As at 31 March 2012				
Borrowings	21,000	21,000	21,000	—
Accruals and other payables	2,421	2,421	2,421	—
Finance lease payables	132	134	134	—
Amounts due to subsidiaries	81,446	84,315	84,315	—
	104,999	107,870	107,870	—
Finance guarantees issued				
Maximum amount guaranteed (note)	198,102	198,102	198,102	—

	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	On demand or within 1 year HK$'000	More than 1 year but less than 5 years HK$'000
As at 31 March 2011				
Accruals and other payables	1,813	1,813	1,813	—
Finance lease payables	848	883	747	136
Amounts due to subsidiaries	48,668	50,696	50,696	—
	51,329	53,392	53,256	136
Finance guarantees issued				
Maximum amount guaranteed (note)	196,694	196,694	196,694	—

Note: For financial guarantee issued, the maximum amount of guarantee is allocated to the earliest period in which the guarantee could be called.

Fair value of financial instruments measured at amortised cost

The carrying amounts of the financial assets and financial liabilities measured at amortised cost as disclosed under current assets and current liabilities, respectively, approximate their fair value as they are all short term in nature.

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44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Fair value of financial instruments measured at fair value

The following tables present financial assets measured at fair value in the statements of financial position in accordance with the fair value hierarchy. The hierarchy groups financial assets into three levels based on the relative reliability of significant inputs used in measuring the fair value of these financial assets. The fair value hierarchy has the following levels:

Level 1: quoted prices (unadjusted) in active markets for identical assets;

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

Level 3: inputs for the asset that are not based on observable market data (unobservable inputs).

The level in the fair value hierarchy within which the financial asset is categorised in its entirety is based on the lowest level of input that is significant to the fair value measurement.

The financial assets measured at fair value in the statements of financial position are grouped into the fair value hierarchy as follows:

Group

	Level 1 HK$'000 (note (a))	**Level 2** HK$'000 (note (b))	**Level 3** HK$'000 (note (c))	**Total** HK$'000
As at 31 March 2012				
Financial assets measured at fair value through profit or loss				
— Listed equity securities	**481**	**—**	**—**	**481**
— Unlisted equity securities	**—**	**10,571**	**—**	**10,571**
Financial assets measured at fair value through other comprehensive income				
— Listed equity securities	**33,270**	**—**	**—**	**33,270**
— Unlisted equity securities	**—**	**—**	**44,116**	**44,116**
	33,751	**10,571**	**44,116**	**88,438**
As at 31 March 2011				
Financial assets measured at fair value through profit or loss				
— Listed equity securities	6,951	—	—	6,951
— Unlisted equity securities	—	7,190	—	7,190
Financial assets measured at fair value through other comprehensive income				
— Listed equity securities	40,077	—	—	40,077
— Unlisted equity securities	—	—	34,296	34,296
	47,028	7,190	34,296	88,514

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44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Fair value of financial instruments measured at fair value (Continued)

Company

	Level 1 HK$'000 (note (a))	**Level 2** HK$'000 (note (b))	**Level 3** HK$'000 (note (c))	**Total** HK$'000
As at 31 March 2012				
Financial assets measured at fair value through other comprehensive income				
— Listed equity securities	**33,270**	**—**	**—**	**33,270**
— Unlisted equity securities	**—**	**—**	**38,484**	**38,484**
	33,270	**—**	**38,484**	**71,754**
As at 31 March 2011				
Financial assets measured at fair value through other comprehensive income				
— Listed equity securities	40,077	—	—	40,077
— Unlisted equity securities	—	—	26,574	26,574
	40,077	—	26,574	66,651

There have been no significant transfers between levels 1, 2 and 3 in the reporting period. The methods and valuation techniques used for the purpose of measuring fair value are unchanged from the previous reporting periods.

Notes:

(a) Fair values of the listed equity securities have been determined by reference to their quoted bid prices at the reporting date and have been translated using the spot foreign currency rates at the end of the reporting period where appropriate.

(b) The Group's unlisted equity securities classified under financial assets measured at fair value through profit or loss represent the Group's investments in investment funds. The fair value of these investments is determined with reference to the investment funds' net asset value at the reporting date.

(c) The fair value of these unlisted equity securities has been estimated using a valuation technique based on assumptions and estimates including the discount rate as detailed in note 21(b). If these inputs to the valuation model were 1% higher/lower while all other variable were held constant, the carrying amount of the unlisted equity securities would decrease/increase by HK$2,354,000 (2011: HK$2,908,000).

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44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Fair value of financial instruments measured at fair value (Continued)

The Group's financial assets classified in Level 3 use valuation techniques based on unobservable inputs that are significant to the fair value measurement. The movement of financial instruments within this level is as follows:

	Group		Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Unlisted financial assets measured at fair value through other comprehensive income				
At the beginning of the year	**34,296**	42,628	**26,574**	37,106
Capital contribution	**1,217**	—	**—**	—
Fair value change recognised in other comprehensive income	**(4,822)**	(8,332)	**(1,515)**	(10,532)
Reclassified from interests in associates	**13,425**	—	**13,425**	—
At the end of the year	**44,116**	34,296	**38,484**	26,574

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For the year ended 31 March 2012

45. SUMMARY OF FINANCIAL ASSETS AND LIABILITIES BY CATEGORY

The carrying amounts of the Group's and the Company's financial assets and liabilities as recognised at reporting dates may be categorised as follows. See notes 2.13 and 2.19 to the financial statements for explanations about how the category of financial instruments affects their subsequent measurement.

	Group		Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Financial assets				
Financial assets measured at fair value through other comprehensive income	**77,386**	74,373	**71,754**	66,651
Financial assets measured at fair value through profit or loss	**11,052**	14,141	**—**	—
Financial assets measured at amortised cost				
— Other assets	**5,841**	6,869	**—**	—
— Trade receivables	**759,473**	656,130	**—**	—
— Loan receivables	**1,829**	4,410	**—**	—
— Other receivables	**5,003**	2,219	**—**	—
— Amounts due from subsidiaries	**—**	—	**127,034**	27,350
— Trust time deposits held on behalf of customers	**300,264**	211,957	**—**	—
— Trust bank balances held on behalf of customers	**289,404**	439,834	**—**	—
— Cash and cash equivalents	**60,013**	122,510	**3,973**	3,397
	1,421,827	1,443,929	**131,007**	30,747
	1,510,265	1,532,443	**202,761**	97,398
Financial liabilities				
Financial liabilities measured at amortised cost				
— Trade payables	**877,247**	967,771	**—**	—
— Borrowings	**265,747**	243,377	**21,000**	—
— Accruals and other payables	**53,866**	49,658	**2,421**	1,813
— Finance lease payables	**132**	848	**132**	848
— Amounts due to subsidiaries	**—**	—	**81,446**	48,668
	1,196,992	1,261,654	**104,999**	51,329

Notes to the Financial Statements

For the year ended 31 March 2012

46. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and make adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 March 2012 and 31 March 2011.

Certain subsidiaries of the Company are regulated by the Securities and Futures Commission and the Insurance Authority. These subsidiaries are required to maintain certain minimum liquid capital and net asset value according to the Securities and Futures Ordinance and the Insurance Companies Ordinance, respectively. Management monitors these subsidiaries' liquid capital or net asset value to ensure they meet the minimum requirement in accordance with the Securities and Futures (Financial Resources) Rules and the Insurance Companies Ordinance. These externally imposed capital requirements have been complied with by the relevant group entities for the years ended 31 March 2012 and 2011.

The Group monitors capital using a gearing ratio, which is net debt divided by capital. For this purpose, net debt includes borrowings and finance lease payables less cash and cash equivalents as shown in the consolidated statement of financial position. Total capital includes total equity, as shown in the consolidated statement of financial position, plus net debt. The Group aims to maintain the gearing ratio at a reasonable level. The gearing ratio as at the reporting dates is as follows:

	2012 **HK$'000**	2011 HK$'000
Borrowings	**265,747**	243,377
Finance lease payables	**132**	848
Total debt	**265,879**	244,225
Less: Cash and cash equivalents	**(60,013)**	(122,510)
Net debt	**205,866**	121,715
Total equity	**379,925**	358,440
Total capital	**585,791**	480,155
Gearing ratio	**35%**	25%

Five-Year Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years, as extracted from the published audited financial statements, and reclassified as appropriate, is set out below.

	Year ended 31 March				
	2012	2011	2010	2009	2008
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
RESULTS					
Revenue	**358,332**	306,613	286,625	296,907	395,954
	358,332	306,613	286,625	296,907	395,954
Fair value (loss)/gain on financial assets measured at fair value through profit or loss	**(7,571)**	4,239	7,196	—	—
Fair value (loss)/gain on financial assets at fair value through profit or loss	**—**	—	—	(10,382)	236
Other operating income	**8,584**	8,365	22,530	15,917	24,688
Cost of services provided	**(154,244)**	(142,646)	(162,606)	(173,028)	(158,272)
Staff costs	**(129,093)**	(98,632)	(76,152)	(77,993)	(99,614)
Depreciation and amortisation expenses	**(6,289)**	(4,203)	(4,395)	(4,807)	(3,699)
Other operating expenses, net	**(72,513)**	(53,245)	(48,971)	(47,209)	(66,690)
Finance costs	**(7,115)**	(4,150)	(2,892)	(4,739)	(12,173)
Provision for impairment of interest in an associate	**(11,803)**	—	—	—	—
Share of results of associates	**(3,616)**	(5,750)	(314)	(4,398)	(118)
Share of results of jointly controlled entities	**1,952**	(2,347)	(1,470)	—	—
(Loss)/Gain on disposal of an associate	**—**	—	(41)	—	27,037
(Loss)/Profit before income tax	**(23,376)**	8,244	19,510	(9,732)	107,349
Income tax (expense)/credit	**(1,147)**	(570)	—	1,786	(4,219)
(Loss)/Profit for the year attributable to the owners of the Company	**(24,523)**	7,674	19,510	(7,946)	103,130

	As at 31 March				
	2012	2011	2010	2009	2008
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
ASSETS AND LIABILITIES					
Total assets	**1,577,094**	1,620,569	1,087,076	817,601	836,301
Total liabilities	**(1,197,169)**	(1,262,129)	(734,447)	(535,356)	(520,115)
	379,925	358,440	352,629	282,245	316,186

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