



Daiwa Capital Markets Hong Kong
Limited

大和資本市場香港有限公司

31 March 2012

Report of the directors

The directors submit herewith their annual report together with the audited financial statements for the year ended 31 March 2012.

Principal place of business

Daiwa Capital Markets Hong Kong Limited (“the Company”) is a company incorporated and domiciled in Hong Kong and has its registered office and principal place of business at Level 28, One Pacific Place, 88 Queensway, Hong Kong.

Principal activities

The principal activities of the Company are securities and futures dealing, provision of corporate finance advisory services and issuance of listed structured products. The principal activity and other particulars of its subsidiary are set out in note 11 to the financial statements.

The Company is a licensed corporation under the Hong Kong Securities and Futures Ordinance and is a corporate participant on The Stock Exchange of Hong Kong Limited and the Hong Kong Futures Exchange Limited.

Financial statements

The loss of the Group and of the Company for the year ended 31 March 2012 and the state of the Group’s and the Company’s affairs as at that date are set out in the financial statements on pages 6 to 51.

During the year, no interim or final dividend was declared and paid in respect of the year ended 31 March 2012 (2011: US\$Nil). The directors do not recommend the payment of a final dividend for the year ended 31 March 2012.

Share capital

Details of share capital of the Company are set out in note 20(a) to the financial statements.

Directors

The directors during the year and up to the date of the report are:

Terence Patrick Mackey	
Shoichi Saito	
Nagahisa Miyabe	
Hironori Oka	(appointed on 18 April 2011)
Sumio Otsuka	(appointed on 1 October 2011)
Masami Tada	(appointed on 1 April 2012)
Yoshio Urata	(appointed on 1 April 2011 and resigned on 31 March 2012)
Akihiko Kanamura	(resigned on 1 April 2011)
Hiroyuki Nomura	(resigned on 16 April 2011)
Kazuyoshi Mizukoshi	(resigned on 1 October 2011)
Yuichi Akai	(resigned on 1 October 2011)

There being no provision in the Company's articles of association for the annual retirement of directors, all the remaining directors continue in office.

At no time during the year was the Company, any of its holding companies or its fellow subsidiaries or subsidiary a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Directors' interests in contracts

No contract of significance to which the Company, any of its holding companies or its fellow subsidiaries or subsidiary was a party, and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Auditors

KPMG will retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of KPMG as auditors of the Company is to be proposed at the forthcoming annual general meeting.

By order of the board



Hong Kong, 25 JUN 2012



Independent auditor's report to the shareholders of Daiwa Capital Markets Hong Kong Limited *(Incorporated in Hong Kong with limited liability)*

Report on the financial statements

We have audited the consolidated financial statements of Daiwa Capital Markets Hong Kong Limited ("the Company") and its subsidiaries (together "the Group") set out on pages 6 to 51, which comprise the consolidated and Company balance sheets as at 31 March 2012, and the consolidated and Company statements of comprehensive income, the consolidated and Company statements of changes in equity and the consolidated and Company cash flow statements 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 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.

In addition, the directors also have a responsibility to ensure that the Company's financial statements are in accordance with the records kept under the Hong Kong Securities and Futures (Keeping of Records) Rules and satisfy the requirements of the Hong Kong Securities and Futures (Accounts and Audit) Rules.

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 141 of the Hong Kong Companies Ordinance, and to report to you on the other matters set out in the preceding paragraph, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.



Independent auditor's report to the shareholders of
Daiwa Capital Markets Hong Kong Limited (continued)
(Incorporated in Hong Kong with limited liability)

Report on the financial statements (continued)

Auditor's responsibility (continued)

We conducted our audit in accordance with Hong Kong Standards on Auditing and with reference to the Practice Note 820 "The Audit of Licensed Corporations and Associated Entities of Intermediaries" 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, and whether the Company's financial statements are in accordance with the records kept under the Hong Kong Securities and Futures (Keeping of Records) Rules and satisfy the requirements of the Hong Kong Securities and Futures (Accounts and Audit) Rules.

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 the 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 the 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 Company's 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 Hong Kong Companies Ordinance.



Independent auditor's report to the shareholders of
Daiwa Capital Markets Hong Kong Limited (continued)
(Incorporated in Hong Kong with limited liability)

Report on matters under the Hong Kong Securities and Futures (Keeping of Records) Rules and Hong Kong Securities and Futures (Accounts and Audit) Rules of the Hong Kong Securities and Futures Ordinance

In our opinion, the Company's financial statements are in accordance with the records kept under the Hong Kong Securities and Futures (Keeping of Records) Rules and satisfy the requirements of the Hong Kong Securities and Futures (Accounts and Audit) Rules.

A handwritten signature of the KPMG firm, written in a cursive style.

Certified Public Accountants

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

25 JUN 2012

Consolidated statement of comprehensive income for the year ended 31 March 2012

(Expressed in United States dollars)

	<i>Note</i>	<i>2012</i>	<i>2011</i>
Turnover	3	\$ 103,988,842	\$ 96,600,795
Other revenue	4	57,098,921	45,196,992
Other net (loss)/income	4	(3,348,187)	3,702,176
Staff costs	5	(123,013,617)	(127,072,086)
Depreciation	10	(8,659,370)	(4,571,276)
Other operating expenses		<u>(117,436,018)</u>	<u>(92,507,558)</u>
Loss from operations		\$ (91,369,429)	\$ (78,650,957)
Finance costs	6(a)	<u>(1,708,934)</u>	<u>(1,088,970)</u>
Loss before taxation	6	\$ (93,078,363)	\$ (79,739,927)
Income tax credit/(charge)	7(a)	<u>3,170</u>	<u>(105,562)</u>
Loss for the year		<u>\$ (93,075,193)</u>	<u>\$ (79,845,489)</u>
Other comprehensive income for the year			
Exchange difference on translation of financial statements of the subsidiary		\$ 8,766	\$ (8,192)
Available-for-sale securities: net movement in the investment revaluation reserve		<u>165,833</u>	<u>146,844</u>
		<u>\$ 174,599</u>	<u>\$ 138,652</u>
Total comprehensive income for the year		<u>\$ (92,900,594)</u>	<u>\$ (79,706,837)</u>

The notes on pages 18 to 51 form part of these financial statements.

Statement of comprehensive income for the year ended 31 March 2012

(Expressed in United States dollars)

	<i>Note</i>	<i>2012</i>	<i>2011</i>
Turnover	3	\$ 103,988,842	\$ 96,600,795
Other revenue	4	57,098,921	46,144,492
Other net (loss)/income	4	(3,348,187)	3,697,178
Staff costs	5	(123,013,617)	(105,028,109)
Depreciation	10	(8,659,370)	(4,476,222)
Other operating expenses		<u>(117,419,041)</u>	<u>(116,169,607)</u>
Loss from operations		\$ (91,352,452)	\$ (79,231,473)
Finance costs	6(a)	<u>(1,708,934)</u>	<u>(1,088,970)</u>
Loss before taxation	6	\$ (93,061,386)	\$ (80,320,443)
Income tax	7(a)	<u>-</u>	<u>-</u>
Loss for the year		\$ (93,061,386)	\$ (80,320,443)
Other comprehensive income for the year			
Available-for-sale securities: net movement in the investment revaluation reserve		<u>165,833</u>	<u>146,844</u>
Total comprehensive income for the year		<u>\$ (92,895,553)</u>	<u>\$ (80,173,599)</u>

The notes on pages 18 to 51 form part of these financial statements.

Consolidated balance sheet at 31 March 2012

(Expressed in United States dollars)

	<i>Note</i>	<i>2012</i>	<i>2011</i>
Non-current assets			
Intangible assets	9	\$ 380,548	\$ 382,047
Fixed assets	10	31,612,218	16,779,690
Available-for-sale securities	12	2,341,814	2,165,197
Other non-current deposits		2,875,799	3,381,100
		\$ 37,210,379	\$ 22,708,034
Current assets			
Financial assets at fair value through profit or loss	13	\$ 22,606,256	\$ 1,528,008
Receivables from reverse repurchase agreements	14	328,989,228	-
Amount due from the intermediate holding company	15	-	1,858
Amounts due from fellow subsidiaries	15	-	1,504
Accounts receivable	22	2,200,465,654	1,615,123,258
Other receivables and prepayments	22	24,087,623	21,293,105
Cash and cash equivalents	16	537,341,604	370,150,519
		\$ 3,113,490,365	\$ 2,008,098,252
Current liabilities			
Financial liabilities at fair value through profit or loss	17	\$ 15,146,214	\$ 124,237
Amount due to a fellow subsidiary	15	328,479,544	-
Subordinated loan	18	-	35,000,000
Accounts payable	22	2,212,177,161	1,605,384,472
Current taxation	19(a)	16,009	47,574
Accruals and other payables	22	122,416,656	83,595,314
		\$ 2,678,235,584	\$ 1,724,151,597
Net current assets		\$ 435,254,781	\$ 283,946,655
Total assets less current liabilities		\$ 472,465,160	\$ 306,654,689

Consolidated balance sheet at 31 March 2012 (continued)

(Expressed in United States dollars)

	<i>Note</i>	<i>2012</i>	<i>2011</i>
Non-current liabilities			
Deferred tax liabilities	19(b)	\$ -	\$ 19,121
Subordinated loan	18	35,000,000	-
Accruals and other payables	22	-	1,269,814
		<u>\$ 35,000,000</u>	<u>\$ 1,288,935</u>
Net assets		<u>\$ 437,465,160</u>	<u>\$ 305,365,754</u>
Representing:			
Share capital	20(a)	\$ 557,860,644	\$ 332,860,644
General reserve	21(a)	12,008,165	12,008,165
Investment revaluation reserve	21(b)	280,586	114,753
Translation reserve	21(c)	(3,382)	(12,148)
Accumulated losses		<u>(132,680,853)</u>	<u>(39,605,660)</u>
		<u>\$ 437,465,160</u>	<u>\$ 305,365,754</u>

Approved and authorised for issue by the board of directors on 25 JUN 2012


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The notes on pages 18 to 51 form part of these financial statements.

Balance sheet at 31 March 2012

(Expressed in United States dollars)

	<i>Note</i>	<i>2012</i>	<i>2011</i>
Non-current assets			
Intangible assets	9	\$ 380,548	\$ 382,047
Fixed assets	10	31,612,218	16,590,869
Investment in a subsidiary	11	2,284,581	2,284,581
Available-for-sale securities	12	2,341,814	2,165,197
Other non-current deposits		2,875,799	3,362,685
		\$ 39,494,960	\$ 24,785,379
Current assets			
Financial assets at fair value through profit or loss	13	\$ 22,606,256	\$ 1,528,008
Receivables from reverse repurchase agreements	14	328,989,228	-
Accounts receivable	22	2,200,465,654	1,615,123,258
Other receivables and prepayments	22	24,087,623	20,881,748
Cash and cash equivalents	16	536,793,227	358,484,453
		\$ 3,112,941,988	\$ 1,996,017,467
Current liabilities			
Financial liabilities at fair value through profit or loss	17	\$ 15,146,214	\$ 124,237
Amount due to a fellow subsidiary	15	328,479,544	-
Amount due to a subsidiary	15	2,382,165	3,387,117
Subordinated loan	18	-	35,000,000
Accounts payable	22	2,212,177,161	1,605,384,472
Accruals and other payables	22	122,399,660	71,146,520
		\$ 2,680,584,744	\$ 1,715,042,346
Net current assets		\$ 432,357,244	\$ 280,975,121
Total assets less current liabilities		\$ 471,852,204	\$ 305,760,500

Balance sheet at 31 March 2012 (continued)

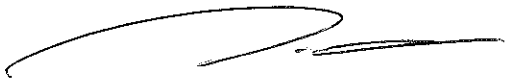
(Expressed in United States dollars)

	<i>Note</i>	<i>2012</i>	<i>2011</i>
Non-current liabilities			
Subordinated loan	18	\$ 35,000,000	\$ -
Accruals and other payables	22	-	1,012,743
		<u>\$ 35,000,000</u>	<u>\$ 1,012,743</u>
Net assets		<u>\$ 436,852,204</u>	<u>\$ 304,747,757</u>
Representing:			
Share capital	20(a)	\$ 557,860,644	\$ 332,860,644
General reserve	21(a)	12,008,165	12,008,165
Investment revaluation reserve	21(b)	280,586	114,753
Accumulated losses		<u>(133,297,191)</u>	<u>(40,235,805)</u>
		<u>\$ 436,852,204</u>	<u>\$ 304,747,757</u>

Approved and authorised for issue by the board of directors on 25 JUN 2012



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) Directors



The notes on pages 18 to 51 form part of these financial statements.

Consolidated statement of changes in equity for the year ended 31 March 2012 (Expressed in United States dollars)

	Note	Share capital	General reserve	Investment revaluation reserve	Translation reserve	(Accumulated losses)/ retained profits	Total
At 1 April 2010		\$ 282,860,644	\$ 12,008,165	\$ (32,091)	\$ (3,956)	\$ 40,239,829	\$ 335,072,591
Shares issued during the year	20(a)	\$ 50,000,000	-	-	-	-	\$ 50,000,000
Loss for the year		-	-	-	-	\$ (79,845,489)	\$ (79,845,489)
Other comprehensive income		-	-	146,844	(8,192)	-	138,652
Total comprehensive income for the year		-	-	146,844	(8,192)	\$ (79,845,489)	\$ (79,706,837)
At 31 March 2011		\$ 332,860,644	\$ 12,008,165	\$ 114,753	\$ (12,148)	\$ (39,605,660)	\$ 305,365,754
At 1 April 2011		\$ 332,860,644	\$ 12,008,165	\$ 114,753	\$ (12,148)	\$ (39,605,660)	\$ 305,365,754
Shares issued during the year	20(a)	\$ 225,000,000	-	-	-	-	\$ 225,000,000
Loss for the year		-	-	-	-	\$ (93,075,193)	\$ (93,075,193)
Other comprehensive income		-	-	165,833	8,766	-	174,599
Total comprehensive income for the year		-	-	165,833	8,766	\$ (93,075,193)	\$ (92,900,594)
At 31 March 2012		\$ 557,860,644	\$ 12,008,165	\$ 280,586	\$ (3,382)	\$ (132,680,853)	\$ 437,465,160

The notes on pages 18 to 51 form part of these financial statements.

Statement of changes in equity for the year ended 31 March 2012 (Expressed in United States dollars)

	Note	Share capital	General reserve	Investment revaluation reserve	(Accumulated losses)/ retained profits	Total
At 1 April 2010		\$ 282,860,644	\$ 12,008,165	\$ (32,091)	\$ 40,084,638	\$ 334,921,356
Shares issued during the year	20(a)	\$ 50,000,000	\$ -	\$ -	\$ -	\$ 50,000,000
Loss for the year		\$ -	\$ -	\$ -	\$ (80,320,443)	\$ (80,320,443)
Total comprehensive income		-	-	146,844	-	146,844
Total comprehensive income for the year		\$ -	\$ -	\$ 146,844	\$ (80,320,443)	\$ (80,173,599)
At 31 March 2011		\$ 332,860,644	\$ 12,008,165	\$ 114,753	\$ (40,235,805)	\$ 304,747,757
At 1 April 2011		\$ 332,860,644	\$ 12,008,165	\$ 114,753	\$ (40,235,805)	\$ 304,747,757
Shares issued during the year	20(a)	\$ 225,000,000	\$ -	\$ -	\$ -	\$ 225,000,000
Loss for the year		\$ -	\$ -	\$ -	\$ (93,061,386)	\$ (93,061,386)
Total comprehensive income		-	-	165,833	-	165,833
Total comprehensive income for the year		\$ -	\$ -	\$ 165,833	\$ (93,061,386)	\$ (92,895,553)
At 31 March 2012		\$ 557,860,644	\$ 12,008,165	\$ 280,586	\$(133,297,191)	\$ 436,852,204

The notes on pages 18 to 51 form part of these financial statements.

Consolidated cash flow statement for the year ended 31 March 2012 *(Expressed in United States dollars)*

	<i>Note</i>	<i>2012</i>	<i>2011</i>
Operating activities			
Loss before taxation	\$	(93,078,363)	\$ (79,739,927)
Adjustments for:			
Depreciation		8,659,370	4,571,276
Loss on disposal of fixed assets		4,143,938	458,797
Dividend income		(183,760)	(810,574)
Interest income		(3,108,676)	(692,941)
Interest expense		1,708,934	1,088,970
Exchange differences		(461)	(7,657)
		<hr/>	<hr/>
Operating loss before changes in working capital	\$	(81,859,018)	\$ (75,132,056)
Decrease/(increase) in other non-current deposits		505,301	(1,639,794)
(Increase)/decrease in financial assets at fair value through profit or loss		(21,078,248)	49,813,149
Increase in receivables from reverse repurchase agreements		(328,989,228)	-
Decrease in amount due from the intermediate holding company		1,858	2,235
Increase in amounts due from fellow subsidiaries		1,504	(419)
Increase in accounts receivable		(585,342,396)	(1,062,659,961)
Increase in other receivables and prepayments		(2,128,821)	(16,126,575)
Increase/(decrease) in financial liabilities at fair value through profit or loss		15,021,977	(35,307,239)
Increase in amount due to a fellow subsidiary		328,479,544	-
Increase in accounts payable		606,792,689	1,127,847,681
Increase in accruals and other payables		37,886,427	61,339,259
		<hr/>	<hr/>
Cash (used in)/generated from operations	\$	(30,708,411)	\$ 48,136,280
Tax paid			
– Hong Kong Profits Tax paid		(47,574)	(76,076)
		<hr/>	<hr/>
Net cash (used in)/generated from operating activities	\$	(30,755,985)	\$ 48,060,204
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>

Consolidated cash flow statement
for the year ended 31 March 2012 (continued)
(Expressed in United States dollars)

	<i>Note</i>	<i>2012</i>	<i>2011</i>
Investing activities			
Dividend received	\$	203,820	\$ 787,612
Interest received		2,422,919	680,233
Payment for purchase of fixed assets		(27,635,836)	(11,935,300)
Payment for purchase of intangible assets		-	(340,306)
Payment for purchase of available-for-sale securities		-	(322,471)
		<u> </u>	<u> </u>
Net cash used in investing activities	\$	(25,009,097)	\$ (11,130,232)
		<u> </u>	<u> </u>
Financing activities			
Proceeds from issue of shares	\$	225,000,000	\$ 50,000,000
Interest paid		(2,043,833)	(1,277,485)
		<u> </u>	<u> </u>
Net cash generated from financing activities	\$	222,956,167	\$ 48,722,515
		<u> </u>	<u> </u>
Increase in cash and cash equivalents	\$	167,191,085	\$ 85,652,487
Cash and cash equivalents at 1 April	16	<u>335,150,519</u>	<u>249,498,032</u>
Cash and cash equivalents at 31 March	16	<u>\$ 502,341,604</u>	<u>\$ 335,150,519</u>

The notes on pages 18 to 51 form part of these financial statements.

Cash flow statement

for the year ended 31 March 2012

(Expressed in United States dollars)

	<i>Note</i>	<i>2012</i>	<i>2011</i>
Operating activities			
Loss before taxation	\$	(93,061,386)	\$ (80,320,443)
Adjustments for:			
Depreciation		8,659,370	4,476,222
Loss on disposal of fixed assets		4,143,938	458,792
Dividend income		(183,760)	(810,574)
Interest income		(3,108,676)	(692,903)
Interest expense		1,708,934	1,088,970
Exchange differences		(9,285)	125
Operating loss before changes in working capital	\$	(81,850,865)	\$ (75,799,811)
Decrease/(increase) in other non-current deposits		486,886	(1,621,379)
(Increase)/decrease in financial assets at fair value through profit or loss		(21,078,248)	49,813,149
Increase in receivables from reverse repurchase agreements		(328,989,228)	-
Increase in accounts receivable		(585,342,396)	(1,062,659,961)
Increase in other receivables and prepayments		(2,540,178)	(15,933,894)
Increase/(decrease) in financial liabilities at fair value through profit or loss		15,021,977	(35,307,239)
Increase in amount due to a fellow subsidiary		328,479,544	-
(Decrease)/increase in amount due to a subsidiary		(1,193,773)	677,895
Increase in accounts payable		606,792,689	1,127,847,681
Increase in accruals and other payables		50,575,296	53,071,733
Net cash (used in)/generated from operating activities	\$	(19,638,296)	\$ 40,088,174

Cash flow statement
for the year ended 31 March 2012 (continued)
(Expressed in United States dollars)

	<i>Note</i>	<i>2012</i>	<i>2011</i>
Investing activities			
Dividend received	\$	203,820	\$ 787,612
Interest received		2,422,919	680,195
Payment for purchase of fixed assets		(27,635,836)	(11,766,132)
Payment for purchase of intangible assets		-	(340,306)
Payment for purchase of available-for-sale securities		-	(322,471)
		<hr/>	<hr/>
Net cash used in investing activities	\$	(25,009,097)	\$ (10,961,102)
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Financing activities			
Proceeds from issue of shares	\$	225,000,000	\$ 50,000,000
Interest paid		(2,043,833)	(1,277,485)
		<hr/>	<hr/>
Net cash generated from financing activities	\$	222,956,167	\$ 48,722,515
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Increase in cash and cash equivalents	\$	178,308,774	\$ 77,849,587
Cash and cash equivalents at 1 April	16	323,484,453	245,634,866
		<hr/>	<hr/>
Cash and cash equivalents at 31 March	16	\$ 501,793,227	\$ 323,484,453
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>

The notes on pages 18 to 51 form part of these financial statements.

Notes to the financial statements

(Expressed in United States dollars)

1 Principal activities

The principal activities of the Company are securities and futures dealing, provision of corporate finance advisory services and issuance of listed structured products. The principal activity and other particulars of its subsidiary are set out in note 11 on the financial statements.

The Company is a licensed corporation under the Hong Kong Securities and Futures Ordinance and is a corporate participant of The Stock Exchange of Hong Kong Limited and the Hong Kong Futures Exchange Limited.

2 Significant accounting policies

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKAS”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. A summary of the significant accounting policies adopted by the Group is set out below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. None of them has a significant impact on the Group’s and the Company’s results of operations and financial positions.

The Group and the Company have not adopted any amendments, new standards and interpretations issued but not yet effective for the year ended 31 March 2012 (see note 29).

(b) Basis of preparation of the financial statements

The measurement basis used in the preparation of the financial statements is the historical cost basis except that financial instruments classified as held for trading and as available-for-sale securities are stated at their fair value as explained in the accounting policies set out below.

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

2 Significant accounting policies (continued)

(b) Basis of preparation of the financial statements (continued)

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

(c) Subsidiaries and controlled entities

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases.

Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

In the Company's balance sheet, an investment in a subsidiary is stated at cost less impairment losses (see note 2(i)), unless the investment is classified as held for sale or included in a disposal group that is classified as held for sale.

(d) Investment in securities

The Group's and the Company's policies for investments in debt and equity securities, other than investment in a subsidiary are as follows:

Investments in securities held for trading are classified as current assets and are initially stated at fair value. At each balance sheet date the fair value is remeasured, with any resultant gain or loss being recognised in profit or loss.

Other investments in securities are classified as available-for-sale securities and are initially recognised at fair value plus transaction costs. At each balance sheet date the fair value is remeasured, with any resultant gain or loss being recognised directly in equity, except for impairment losses (see note 2(i)) and in the case of monetary items, foreign exchange gains and losses which are recognised directly in profit or loss.

Investments are recognised/derecognised on the date the Company commits to purchase/sell the investments or they expire.

2 Significant accounting policies (continued)

(e) *Investments in derivative financial instruments*

The Group's and the Company's policies for investments in derivative financial instruments are as follows:

Trading financial instruments are financial assets or financial liabilities which are acquired or incurred principally for the purpose of trading, or are part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivative financial instruments that do not qualify for hedge accounting are accounted for as trading instruments.

These financial assets and financial liabilities are carried at fair value. At each balance sheet date the fair value is remeasured, with any resultant gain or loss being recognised in profit or loss. The net gain or loss recognised in the profit or loss includes any dividends on these investments as these are recognised in accordance with the policies set out in note 2(q). Upon disposal or repurchase, the difference between the net sales proceeds or the net payment and the carrying value is included in the profit or loss.

Fair value measurement principles

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price, i.e. the fair value of the consideration given or received, unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets. When transaction price provides the best evidence of fair value at initial recognition, the financial instrument is initially measured at the transaction price and any difference between this price and the value initially obtained from a valuation model is subsequently recognised in the profit or loss on an appropriate basis over the life of the instrument but not later than when the valuation is supported wholly by observable market data or the transaction is closed out.

Subsequent measurement of the fair value of financial instruments is based on their quoted market prices at the balance sheet date without any deduction for estimated future selling costs. Financial assets are priced at current bid prices, while financial liabilities are priced at current asking prices.

If there is no publicly available latest traded price nor a quoted market price on a recognised stock exchange or a price from a broker/dealer for non-exchange-traded financial instruments, or if the market for it is not active, the fair value of the instrument is estimated using valuation techniques that provide a reliable estimate of prices which could be obtained in actual market transactions.

Investments are recognised/derecognised on the date the Group and the Company commits to purchase/sell the investments or they expire.

2 Significant accounting policies (continued)

(f) Repurchase transactions

Securities sold subject to a simultaneous agreement to repurchase these securities at a certain later date at a fixed price (repurchase agreements) are retained in the financial statements and measured in accordance with their original measurement principles. The proceeds from the sale are reported as liabilities and are carried at amortised cost.

Securities purchased subject to a simultaneous agreement to resell these securities at a certain later date at a fixed price (reverse repurchase agreements) are not recognised in the financial statements. The payments for the purchase are reported as receivables and are carried at amortised cost.

Interest incurred on repurchase agreements and reverse repurchase agreements are recognised as interest expense/interest income over the life of each agreement using the effective interest method.

(g) Fixed assets

Fixed assets are stated in the balance sheet at cost less accumulated depreciation and impairment losses (see note 2(i)). Depreciation is calculated to write off the cost of fixed assets on a straight line basis over their estimated useful lives as follows:

- Leasehold improvements	6 years or over the term of the lease, whichever is shorter
- Furniture, fixtures and office equipment	4 years
- Motor vehicles	4 years
- Computer equipment	4 years

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

(h) Exchange trading rights

Exchange trading rights represent the rights to trade on the relevant exchanges and are stated at cost less impairment losses (see note 2(i)).

Any conclusion that the useful life of trading rights is indefinite is reviewed annually.

2 Significant accounting policies (continued)

(i) Impairment of assets

(i) Impairment of investments in securities and accounts and other receivables

Investment in securities and accounts and other receivables that are stated at cost or amortised cost or are classified as available-for-sale securities are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such evidence exists, any impairment loss is determined and recognised as follows:

- For accounts and other receivables that are carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for accounts and other receivables are reversed if in a subsequent period the amount of the impairment loss decreases.
- For available-for-sale securities, the cumulative loss that had been recognised directly in equity is removed from equity and is recognised in profit or loss. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

Impairment losses recognised in profit or loss in respect of available-for-sale equity securities are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognised directly in equity.

Impairment loss in respect of available-for-sale debt securities are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised. Reversals of impairment losses in such circumstances are recognised in profit or loss.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

- exchange trading rights;
- fixed assets; and
- investment in a subsidiary.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for trading rights that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

2 Significant accounting policies (continued)

(i) Impairment of assets (continued)

(ii) Impairment of other assets (continued)

– Calculation of recoverable amount

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

– Recognition of impairment losses

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

– Reversals of impairment losses

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(j) Accounts and other receivables

Accounts and other receivables are initially recognised at fair value and thereafter stated at amortised cost less impairment losses for bad and doubtful debts (see note 2(i)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less impairment losses for bad and doubtful debts (see note 2(i)).

2 Significant accounting policies (continued)

(k) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are also included as a component of cash and cash equivalents for the purpose of the cash flow statement.

(l) Accounts and other payables

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

(m) Employee benefits

Salaries, annual bonuses, contribution to defined contribution plans and cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(n) Income tax

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

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

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

2 Significant accounting policies (continued)

(n) Income tax (continued)

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

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

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

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset.

Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities if, and only if, the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

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

2 Significant accounting policies (continued)

(o) Operating lease

Leases of assets under which the lessor do not transfer all the risks and benefits of ownership to the Group are classified as operating leases.

Where the Group has the use of assets under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(p) Provisions and contingent liabilities

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

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

(q) Revenue recognition

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

- Commission and brokerage income is recognised on a trade date basis when the relevant securities transactions are executed.
- Underwriting commission is recognised when the obligation under the underwriting or sub-underwriting agreement has expired.
- Advisory fee income is recognised when the services are rendered.
- Dividend income from listed investments is recognised when the share price of the investments is quoted ex-dividend.

2 Significant accounting policies (continued)

(q) Revenue recognition (continued)

- Interest income is recognised as it accrues using the effective interest rate method.
- Rental income received under operating leases is recognised as other operating income in equal instalments over the periods covered by the lease term.
- Research fee income and management fee income are recognised when the services are rendered.

(r) Translation of foreign currencies

Foreign currency transactions during the year are translated at the exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rates ruling at the balance sheet date. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rate. Exchange gains and losses are recognised in profit or loss.

(s) Related parties

- (1) A person, or a close member of that person's family, is related to the Group if that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or the Group's parent.
- (2) An entity is related to the Group if any of the following conditions applies:
 - (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) 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).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

2 Significant accounting policies (continued)

(s) *Related parties (continued)*

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

(vi) The entity is controlled or jointly controlled by a person identified in (1).

(vii) A person identified in (1)(i) 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 members of the family 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.

(t) *Securities borrowing and lending*

Securities borrowing and securities lending transactions are generally entered into on a collateralised basis. The transfer of the securities themselves is not reflected on the balance sheet unless the risks and rewards of ownership are also transferred.

3 Turnover

	<i>The Group and the Company</i>	
	<i>2012</i>	<i>2011</i>
Commission and brokerage income	\$ 85,162,099	\$ 77,289,880
Underwriting and other commission income	15,344,968	16,900,225
Financial advisory fee income	1,921,091	2,165,666
Other commission income	1,560,684	245,024
	<u>\$ 103,988,842</u>	<u>\$ 96,600,795</u>

4 Other revenue and other net (loss)/income

	<i>The Group</i>		<i>The Company</i>	
	<i>2012</i>	<i>2011</i>	<i>2012</i>	<i>2011</i>
Other revenue				
Dividend income on proprietary trading positions	\$ 183,760	\$ 810,574	\$ 183,760	\$ 810,574
Research fees income from group companies	16,553,903	32,286,126	16,553,903	32,286,126
Management fees and services fees income from group companies	36,625,730	10,787,055	36,625,730	10,787,055
Interest income	3,108,676	692,941	3,108,676	692,903
Rental income from related companies	626,852	620,296	626,852	1,567,834
	<u>\$ 57,098,921</u>	<u>\$ 45,196,992</u>	<u>\$ 57,098,921</u>	<u>\$ 46,144,492</u>
Other net (loss)/income				
Net profit on back-to-back trading in debt securities	\$ 891,900	\$ 2,356,008	\$ 891,900	\$ 2,356,008
Net (loss)/profit on proprietary trading in equity securities	(772,518)	1,309,686	(772,518)	1,309,686
Net gain on foreign currency swap transactions	36,318	124,380	36,318	124,380
Net gain/(loss) on foreign currency forward transactions	155,307	(505,683)	155,307	(505,683)
Loss on disposal of fixed assets	(4,143,938)	(458,797)	(4,143,938)	(458,792)
Net exchange gain	176,079	645,893	176,079	645,791
Others	308,665	230,689	308,665	225,788
	<u>\$ (3,348,187)</u>	<u>\$ 3,702,176</u>	<u>\$ (3,348,187)</u>	<u>\$ 3,697,178</u>

5 Staff costs

	<i>The Group</i>		<i>The Company</i>	
	2012	2011	2012	2011
Salaries, wages and other benefits	\$119,615,613	\$124,630,481	\$119,615,613	\$103,058,615
Contributions to defined contribution plan	<u>3,398,004</u>	<u>2,441,605</u>	<u>3,398,004</u>	<u>1,969,494</u>
	<u>\$123,013,617</u>	<u>\$127,072,086</u>	<u>\$123,013,617</u>	<u>\$105,028,109</u>

6 Loss before taxation

Loss before taxation is arrived at after charging:

	<i>The Group and the Company</i>	
	2012	2011
(a) Finance costs		
Interest expenses on bank loans	\$ 3,142	\$ 29,229
Interest expenses paid to the ultimate holding company	1,144,315	-
Interest expenses paid to an intermediate holding company	-	975,279
Interest expenses paid to a fellow subsidiary	<u>471,789</u>	<u>-</u>
	\$ 1,619,246	\$ 1,004,508
Other financing expenses	<u>89,688</u>	<u>84,462</u>
	<u>\$ 1,708,934</u>	<u>\$ 1,088,970</u>

	<i>The Group</i>		<i>The Company</i>	
	2012	2011	2012	2011
(b) Other items				
Commission and brokerage charges	\$ 38,266,356	\$ 26,602,725	\$ 38,266,356	\$ 26,602,725
Underwriting expenses	4,058,404	9,242,759	4,058,404	9,242,759
Operating lease charges on properties	18,428,125	12,426,541	18,428,125	12,215,801
Auditors' remuneration	<u>382,089</u>	<u>192,053</u>	<u>375,595</u>	<u>165,723</u>

7 Income tax in the statement of comprehensive income

(a) Taxation in the statement of comprehensive income represents:

	<i>The Group</i>		<i>The Company</i>	
	2012	2011	2012	2011
Current tax - Hong Kong Profits Tax				
Provision for the year	\$ (16,009)	\$ (85,634)	\$ -	\$ -
Under-provision in respect of prior year	-	(8,711)	-	-
	<u>\$ (16,009)</u>	<u>\$ (94,345)</u>	<u>\$ -</u>	<u>\$ -</u>
Deferred tax				
Origination and reversal of temporary difference	19,179	(11,217)	-	-
	<u>\$ 3,170</u>	<u>\$ (105,562)</u>	<u>\$ -</u>	<u>\$ -</u>

The provision for Hong Kong Profits Tax for 2012 is calculated at 16.5% (2011: 16.5%) at the estimated assessable profits for the current and prior years. The Company has not made any provision for Hong Kong Profits Tax as the Company sustained a loss for both the current and prior years.

(b) Reconciliation between tax (credit)/charge and accounting loss at applicable tax rates:

	<i>The Group</i>		<i>The Company</i>	
	2012	2011	2012	2011
Loss before taxation	<u>\$ (93,078,363)</u>	<u>\$ (79,739,927)</u>	<u>\$ (93,061,386)</u>	<u>\$ (80,320,443)</u>
Notional tax on loss before taxation, calculated at 16.5%	\$ (15,357,930)	\$ (13,157,088)	\$ (15,355,129)	\$ (13,252,873)
Tax effect of non-deductible expenses	266,900	160,921	266,657	160,921
Tax effect of non-taxable revenue	(357,150)	(239,945)	(375,717)	(239,939)
Tax effect of unused tax losses not recognised	15,403,525	13,316,812	15,403,525	13,316,812
Under-provision in respect of prior years	-	8,711	-	-
Others	41,485	16,151	60,664	15,079
Tax (credit)/charge	<u>\$ (3,170)</u>	<u>\$ 105,562</u>	<u>\$ -</u>	<u>\$ -</u>

8 Directors' remuneration

Directors' remuneration disclosed pursuant to section 161 of the Hong Kong Companies Ordinance is as follows:

	2012	2011
Directors' fees	\$ -	\$ -
Salaries, allowances and benefits in kind	2,362,802	1,843,319
Bonuses	362,406	437,473
Retirement scheme contributions	65,870	56,778
	<u> </u>	<u> </u>

9 Intangible assets

	<i>The Group and the Company</i>		
	<i>Trading rights</i>	<i>Club debentures</i>	<i>Total</i>
Cost:			
At 1 April 2011	\$ 419,448	\$ 382,043	\$ 801,491
Exchange differences	-	(1,499)	(1,499)
	<u> </u>	<u> </u>	<u> </u>
At 31 March 2012	\$ 419,448	\$ 380,544	\$ 799,992
Accumulated impairment loss:			
At 1 April 2011 and 31 March 2012	419,444	-	419,444
	<u> </u>	<u> </u>	<u> </u>
Net book value:			
At 31 March 2012	\$ 4	\$ 380,544	\$ 380,548
	<u> </u>	<u> </u>	<u> </u>

	<i>The Group and the Company</i>		
	<i>Trading rights</i>	<i>Club debentures</i>	<i>Total</i>
Cost:			
At 1 April 2010	\$ 419,448	\$ 41,862	\$ 461,310
Additions	-	340,306	340,306
Exchange differences	-	(125)	(125)
	<u> </u>	<u> </u>	<u> </u>
At 31 March 2011	\$ 419,448	\$ 382,043	\$ 801,491
Accumulated impairment loss:			
At 1 April 2010 and 31 March 2011	419,444	-	419,444
	<u> </u>	<u> </u>	<u> </u>
Net book value:			
At 31 March 2011	\$ 4	\$ 382,043	\$ 382,047
	<u> </u>	<u> </u>	<u> </u>

10 Fixed assets

	The Group			The Company		
	Leasehold improvements	Furniture, fixtures and office equipment	Motor vehicles	Leasehold improvements	Furniture, fixtures and office equipment	Motor vehicles
			Total			Total
Cost:						
At 1 April 2011	\$ 1,895,261	\$ 33,145,054	\$ 317,947	\$ 1,748,441	\$ 32,653,056	\$ 317,947
Additions	10,330,458	12,727,219	-	10,330,458	12,727,219	-
Disposals	(1,831,503)	(10,796,398)	(2,568)	(1,702,352)	(10,475,552)	(2,568)
Transfer from related companies	-	4,578,159	-	17,669	4,749,311	-
At 31 March 2012	\$ 10,394,216	\$ 39,654,034	\$ 315,379	\$ 10,394,216	\$ 39,654,034	\$ 315,379
Accumulated depreciation:						
At 1 April 2011	\$ 825,339	\$ 17,443,228	\$ 310,005	\$ 696,188	\$ 17,122,382	\$ 310,005
Charge for the year	782,264	7,869,165	7,941	782,264	7,869,165	7,941
Written back on disposals	(1,011,290)	(7,472,674)	(2,567)	(882,139)	(7,151,828)	(2,567)
At 31 March 2012	\$ 596,313	\$ 17,839,719	\$ 315,379	\$ 596,313	\$ 17,839,719	\$ 315,379
Net book value:						
At 31 March 2012	\$ 9,797,903	\$ 21,814,315	\$ -	\$ 9,797,903	\$ 21,814,315	\$ -
			\$ 31,612,218			\$ 31,612,218

10 Fixed assets (continued)

	The Group			The Company			
	Leasehold improvements	Furniture, fixtures and office equipment	Motor vehicles	Leasehold improvements	Furniture, fixtures and office equipment	Motor vehicles	Total
Cost:							
At 1 April 2010	\$ 1,113,044	\$ 22,758,903	\$ 317,947	\$ 965,781	\$ 22,399,063	\$ 317,947	\$ 23,682,791
Additions	782,660	11,152,640	-	782,660	10,983,472	-	11,766,132
Disposals	-	(765,191)	-	-	(729,479)	-	(729,479)
Exchange difference	(443)	(1,298)	-	-	-	-	-
At 31 March 2011	\$ 1,895,261	\$ 33,145,054	\$ 317,947	\$ 1,748,441	\$ 32,653,056	\$ 317,947	\$ 34,719,444
Accumulated depreciation:							
At 1 April 2010	\$ 580,890	\$ 13,442,330	\$ 291,783	\$ 481,733	\$ 13,149,524	\$ 291,783	\$ 13,923,040
Charge for the year	244,793	4,308,261	18,222	214,455	4,243,545	18,222	4,476,222
Written back on disposals	-	(306,394)	-	-	(270,687)	-	(270,687)
Exchange difference	(344)	(969)	-	-	-	-	-
At 31 March 2011	\$ 825,339	\$ 17,443,228	\$ 310,005	\$ 696,188	\$ 17,122,382	\$ 310,005	\$ 18,128,575
Net book value:							
At 31 March 2011	\$ 1,069,922	\$ 15,701,826	\$ 7,942	\$ 1,052,253	\$ 15,530,674	\$ 7,942	\$ 16,590,869

11 Investment in a subsidiary

This comprises unlisted shares, at cost.

Details of the subsidiary as at 31 March 2012 are as follows:

<i>Name of company</i>	<i>Place of incorporation</i>	<i>Percentage of ordinary shares held</i>	<i>Principal activity</i>
Daiwa Institute of Research (Hong Kong) Limited ("DIRHK")	Hong Kong	100%	Dormant

12 Available-for-sale securities

	<i>The Group and the Company</i>	
	<i>2012</i>	<i>2011</i>
Club debentures	\$ 2,341,814	\$ 2,165,197

13 Financial assets at fair value through profit or loss

	<i>The Group and the Company</i>	
	<i>2012</i>	<i>2011</i>
Listed equity securities	\$ 7,458,548	\$ 1,528,008
Positive fair value of derivatives (note 23)		
- with a fellow subsidiary	<u>15,147,708</u>	<u>-</u>
	<u>\$ 22,606,256</u>	<u>\$ 1,528,008</u>

No securities were borrowed from fellow subsidiary (2011: Market value of \$124,237) as at 31 March 2012.

As at 31 March 2012, the market value of securities placed by a fellow subsidiary to the Company for over-the-counter transactions amounted to \$128,069,128 (2011: \$Nil).

The above financial assets at 31 March 2012 were classified as held for trading.

14 Receivables from reverse repurchase agreements

	<i>The Group and the Company</i>	
	<i>2012</i>	<i>2011</i>
Receivables from reverse repurchase agreements	\$ 328,989,228	\$ <u> </u> -

As of 31 March 2012, the fair value of collateral accepted in respect of the reverse repurchase transactions was \$443,507,876 (2011: \$Nil), the Group and the Company has not recognised this collateral in the statement of financial position.

These transactions are conducted under terms that are usual and customary to securities repurchase transactions and borrowing and lending activities.

15 Amounts due from/to group companies

Amounts due from/to group companies are unsecured, non-interest bearing and repayable on demand, except for amount due to a fellow subsidiary, which is secured, interest-bearing and have fixed terms of repayment.

16 Cash and cash equivalents

	<i>The Group</i>		<i>The Company</i>	
	<i>2012</i>	<i>2011</i>	<i>2012</i>	<i>2011</i>
Deposits with banks	\$428,028,355	\$244,023,840	\$428,028,355	\$244,023,840
Cash at bank and in hand	<u>109,313,249</u>	<u>126,126,679</u>	<u>108,764,872</u>	<u>114,460,613</u>
Cash and cash equivalents in the balance sheet	\$537,341,604	\$370,150,519	\$536,793,227	\$358,484,453
Less: pledged deposit	<u>(35,000,000)</u>	<u>(35,000,000)</u>	<u>(35,000,000)</u>	<u>(35,000,000)</u>
Cash and cash equivalents in the cash flow statement	<u>\$502,341,604</u>	<u>\$335,150,519</u>	<u>\$501,793,227</u>	<u>\$323,484,453</u>

17 Financial liabilities at fair value through profit or loss

	<i>The Group and the Company</i>	
	<i>2012</i>	<i>2011</i>
Listed equity securities	\$ 9,351	\$ 124,237
Negative fair value of derivatives (note 23)	<u>15,136,863</u>	<u>-</u>
	<u>\$ 15,146,214</u>	<u>\$ 124,237</u>

The above financial liabilities at 31 March 2012 were classified as held for trading.

18 Subordinated loan

At 31 March 2012 and 31 March 2011, the subordinated loan is due to the ultimate holding company and the immediate holding company respectively. It is unsecured, interest bearing and repayable as follows:

	<i>The Group and the Company</i>	
	<i>2012</i>	<i>2011</i>
Repayable within one year	\$ -	\$ 35,000,000
Repayable after one year but within five years	<u>35,000,000</u>	<u>-</u>
	<u>\$ 35,000,000</u>	<u>\$ 35,000,000</u>

Details of the terms of the subordinated loan at 31 March 2012 are as follows:

<i>Principal</i>	<i>Interest rate</i>	<i>Maturity date</i>
US\$35,000,000	LIBOR + 2.2%	1 March 2014

During the year, the maturity date of the subordinated loan was extended to 1 March 2014.

19 Income tax in the consolidated balance sheet

(a) Current taxation:

Current taxation in the consolidated balance sheet represents provision for Hong Kong Profits Tax for the current year.

19 Income tax in the consolidated balance sheet (continued)

(b) *Deferred tax liabilities recognised:*

The components of deferred tax liabilities recognised in the balance sheet and the movements during the year are as follows:

	<i>The Group</i>	
	<i>Depreciation allowances in excess of related depreciation</i>	
	2012	2011
Deferred tax arising from:		
At 1 April	\$ 19,121	\$ 7,922
(Charged)/credited to profit or loss	(19,179)	11,217
Exchange difference	58	(18)
	<u> </u>	<u> </u>
At 31 March	<u>\$ -</u>	<u>\$ 19,121</u>

(c) *Deferred tax assets not recognised*

The Group and the Company have not recognised deferred tax assets in respect of tax losses of \$257,850,000 (2011: \$164,495,000) as it is not probable that future taxable profits against which the losses can be utilised will be available. The tax losses do not expire under current tax legislation.

20 Share capital

(a)

	<i>The Group and the Company</i>			
	2012		2011	
	<i>No. of shares</i>	<i>Amount</i>	<i>No. of shares</i>	<i>Amount</i>
Authorised:				
Ordinary shares of HK\$10 each	10,000,000	\$ 21,126,414	10,000,000	\$ 21,126,414
Ordinary shares of US\$10 each	<u>53,673,423</u>	<u>536,734,230</u>	<u>31,173,423</u>	<u>311,734,230</u>
	<u>63,673,423</u>	<u>\$557,860,644</u>	<u>41,173,423</u>	<u>\$332,860,644</u>

20 Share capital (continued)

(a) (continued)

	<i>The Group and the Company</i>			
	2012		2011	
	<i>No. of shares</i>	<i>Amount</i>	<i>No. of shares</i>	<i>Amount</i>
Issued and fully paid:				
Ordinary shares of HK\$10 each				
– At 1 April and 31 March	10,000,000	\$ 21,126,414	10,000,000	\$ 21,126,414
Ordinary shares of US\$10 each				
– At 1 April	31,173,423	\$ 311,734,230	26,173,423	\$ 261,734,230
– Shares issued	22,500,000	225,000,000	5,000,000	50,000,000
– At 31 March	53,673,423	\$ 536,734,230	31,173,423	\$ 311,734,230
	63,673,423	\$ 557,860,644	41,173,423	\$ 332,860,644

The Company's authorised share capital was increased to US\$557,860,644 by the creation of 22,500,000 ordinary shares of US\$10.00 each by ordinary resolutions of shareholders on 11 August 2011 and 27 September 2011. These new ordinary shares rank pari passu in all respects with the existing shares in the capital of the Company. 22,500,000 ordinary shares were issued to the existing shareholders at par for cash on 11 August 2011 and 27 September 2011.

(b) *Capital management*

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern. As the Group is part of a larger group, the Group's sources of additional capital and policies for distribution of excess capital may also be affected by the larger Group's capital management objectives.

The Group defines "capital" as including all components of equity plus loans from group companies with no fixed terms of repayment and subordinated loan, less unaccrued proposed dividends. Trading balances that arise as a result of trading transactions with other group companies are not regarded by the Group as capital. On this basis the amount of capital employed at 31 March 2012 was \$472,465,160 (2011: \$340,365,754).

The Group's capital structure is regularly reviewed and managed with due regard to the capital management practices of the larger group to which the Group belongs. Adjustments are made to the capital structure in light of changes in economic conditions affecting the Company or the Group, to the extent that these do not conflict with the directors' fiduciary duties towards the Group or the requirements of the Hong Kong Companies Ordinance.

20 Share capital (continued)

(b) Capital management (continued)

As a licensed corporation registered under the Hong Kong Securities and Futures Ordinance, the Company is also subject to the capital requirements of the Hong Kong Securities and Futures (Financial Resources) Rules (“FRR”). The minimum paid-up share capital requirement is HK\$10,000,000 and the minimum liquid capital requirement is the higher of HK\$3,000,000 and the variable required liquid capital as defined in the FRR. The Company monitors its compliance with the requirements of the FRR on a daily basis. The Company complied with the requirements of the FRR at all times during the year.

The Company is also an issuer of the Hong Kong listed structured products, it is required to maintain minimum of shareholders’ equity of HK\$2,000,000,000 according to the Main Board Listing Rules under the Stock Exchange of Hong Kong Limited. The Company complied with this requirement at all times during the year.

21 Reserves

(a) General reserve

The general reserve was established in accordance with the Hong Kong Banking Ordinance when the Company was a restricted license bank.

(b) Investment revaluation reserve

The investment revaluation reserve comprises the cumulative change in the fair value of available-for-sale securities held at balance sheet date and is dealt with in accordance with the accounting policies in note 2(d).

(c) Translation reserve

The translation reserve comprises the exchange differences arising from the translation of the financial statements of the subsidiary into the presentation currency of the Group.

22 Group companies

The following balances with ultimate holding and fellow subsidiary companies are included in the indicated balance sheet captions in addition to those balances with group companies indicated elsewhere in these financial statements:

	<i>The Group</i>		<i>The Company</i>	
	2012	2011	2012	2011
Accounts receivable	\$ 1,088,544,933	\$ 334,825,063	\$ 1,088,544,933	\$ 334,825,063
Other receivables and prepayments	13,921,542	16,193,409	13,921,542	16,193,409
Accounts payable	(468,151,146)	(1,250,051,239)	(468,151,146)	(1,250,051,239)
Accruals and other payables	<u>(3,390,510)</u>	<u>(8,536,654)</u>	<u>(3,390,510)</u>	<u>(8,536,654)</u>

23 Derivatives

The major derivative financial instruments traded by the Group and the Company are equity and foreign exchange derivative contracts, which are over-the-counter and exchange-traded derivative contracts. For financial reporting purposes, all derivative instruments are classified as held for trading.

	<i>The Group and the Company</i>			
	2012		2011	
	<i>Assets</i>	<i>Liabilities</i>	<i>Assets</i>	<i>Liabilities</i>
Fair value of derivatives				
Equity derivatives	\$ 15,136,863	\$ 15,136,863	\$ -	\$ -
Foreign exchange derivatives	10,845	-	-	-
	\$ 15,147,708	\$ 15,136,863	\$ -	\$ -

24 Financial instruments

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. These risks are limited by the Group's financial management policies and practices described below:

(a) Credit risk

The Group's credit risk is primarily attributable to accounts receivable from clients, brokers and clearing houses. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of accounts receivable due from clients, credit evaluations are performed on all clients. Receivables arising from unsettled stock broking transactions are due on the settlement date commonly adopted by the relevant market convention, which is usually within a few days from the trade date. Because of the short settlement period involved, credit risk relating to such accounts receivable is considered small.

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

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

24 Financial instruments (continued)

(b) Liquidity risk

The Group and the Company maintains sufficient reserves of cash and adequate committed lines of funding from reputable financial institutions to meet its liquidity requirements in the short and longer term.

The following table details the remaining contractual maturities at the balance sheet date of the Group's and the Company's financial liabilities. These are based on undiscounted cash flows (including interest payments computed using contractual rates or if floating, based on rates current at the balance sheet date), except for the financial liabilities at fair value through profit or loss which are part of the trading portfolio and are short term in nature:

	The Group							
	2012			2011				
	Carrying amount	Total contractual undiscounted cash flow	Within 1 year	More than 1 year but less than 2 years	Carrying amount	Total contractual undiscounted cash flow	Within 1 year	More than 1 year but less than 2 years
Amount due to a fellow subsidiary	\$ 328,479,544	\$ 328,479,544	\$ 328,479,544	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts payable	2,212,177,161	2,212,177,161	2,212,177,161	-	1,605,384,472	1,605,384,472	1,605,384,472	-
Accruals and other payables	122,416,656	122,416,656	116,592,000	5,824,656	84,865,128	84,865,128	83,595,314	1,269,814
Subordinated loan	35,000,000	36,475,833	770,000	35,705,833	35,000,000	35,246,750	35,246,750	-
	<u>\$ 2,698,073,361</u>	<u>\$ 2,699,549,194</u>	<u>\$ 2,658,018,705</u>	<u>\$ 41,530,489</u>	<u>\$ 1,725,249,600</u>	<u>\$ 1,725,496,350</u>	<u>\$ 1,724,226,536</u>	<u>\$ 1,269,814</u>

During the year, the maturity date of the subordinated loan was extended to 1 March 2014.

24 Financial instruments (continued)

(b) Liquidity risk (continued)

	The Company							
	2012			2011				
	Carrying amount	Total contractual undiscounted cash flow	Within 1 year	More than 1 year but less than 2 years	Carrying amount	Total contractual undiscounted cash flow	Within 1 year	More than 1 year but less than 2 years
Amount due to a fellow subsidiary	\$ 328,479,544	\$ 328,479,544	\$ 328,479,544	\$ -	\$ -	\$ -	\$ -	\$ -
Amount due to a subsidiary	2,382,165	2,382,165	2,382,165	-	3,387,117	3,387,117	3,387,117	-
Accounts payable	2,212,177,161	2,212,177,161	2,212,177,161	-	1,605,384,472	1,605,384,472	1,605,384,472	-
Accruals and other payables	122,399,660	122,399,660	116,575,004	5,824,656	72,159,263	72,159,263	71,146,520	1,012,743
Subordinated loan	35,000,000	36,475,833	770,000	35,705,833	35,000,000	35,246,750	35,246,750	-
	<u>\$ 2,700,438,530</u>	<u>\$ 2,701,914,363</u>	<u>\$ 2,660,383,874</u>	<u>\$ 41,530,489</u>	<u>\$ 1,715,930,852</u>	<u>\$ 1,716,177,602</u>	<u>\$ 1,715,164,859</u>	<u>\$ 1,012,743</u>

During the year, the maturity date of the subordinated loan was extended to 1 March 2014.

24 Financial instruments (continued)

(c) Interest rate risk

The majority of the Group's and the Company's financial assets and liabilities are non-interest bearing. Interest bearing assets include deposits at bank and reverse repurchase contracts. Interest bearing liabilities include bank loans, short-term loans borrowed from a fellow subsidiary and subordinated loan borrowed from the ultimate holding company. All these assets and liabilities except for subordinated loan mature or reprice in the short term. The terms and interest rates of the subordinated loan are disclosed in note 18. As a result, the Group and the Company is subject to limited exposure to interest rate risk due to fluctuations in the prevailing levels of market interest rates.

The following table details the interest rate profile of the Group's and the Company's interest bearing assets and liabilities at the balance sheet date:

		2012		2011
	<i>Effective interest rate</i>		<i>Effective interest rate</i>	
Assets				
Deposits at bank	0.59%	\$428,028,355	0.33%	\$244,023,840
Reverse repurchase contracts	1.43%	328,989,228	-	-
Liabilities				
Short-term loan	0.69%	(328,479,544)	-	-
Subordinated loan	2.54%	<u>(35,000,000)</u>	2.74%	<u>(35,000,000)</u>
Total net interest bearing assets		<u>\$393,538,039</u>		<u>\$209,023,840</u>

At 31 March 2012, it is estimated that a general increase/decrease of 0.2% (2011: 0.2%) in interest rates, with all other variables held constant, would decrease/increase the Group's and the Company's profit before tax and retained profits by approximately \$69,000 (2011: \$70,000).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the balance sheet date and had been applied to the exposure to interest rate risk for the above financial instruments in existence at that date. The impact on the Group's and the Company's profit before tax is estimated as an annualised impact on interest income or expense of such a change in interest rates. The analysis is performed on the same basis for 2011.

24 Financial instruments (continued)

(d) Foreign currency risk

The Group is exposed to foreign currency risk primarily through its agency brokerage transactions that are denominated in currencies other than the functional currency of the operations to which they relate.

At 31 March 2012, the Group and the Company had the following major net assets/(liabilities) denominated in foreign currencies:

	2012	2011
Net assets in Indonesian Rupiah	\$ 133,778	\$ 145,108
Net assets in Japanese Yen	266,327	486,339
Net assets in Euro	954,757	122,545
Net assets in British Pound	5,654,795	87,024
Net assets in Taiwanese Dollar	88,428	60,118
Net assets in Singapore Dollar	266,344	12,332
Net assets in Malaysian Ringgit	184,903	93,740
Net assets in Korean Won	801,914	315,832
Net liabilities in Philippine Peso	(78,206)	(100,937)
Net assets/(liabilities) in Swiss Franc	127,695	(12,867)
Net assets in Australian Dollar	192,788	72,853
Net assets in New Zealand Dollar	49,422	39,813
Net assets in Thai Baht	88,056	130,334
Net assets/(liabilities) in Hong Kong Dollars	<u>14,182,947</u>	<u>(5,346,106)</u>

The Group ensures that the net exposure to foreign currencies is kept to an acceptable level by buying or selling foreign currencies at spot rates from time to time.

24 Financial instruments (continued)

(d) Foreign currency risk (continued)

At 31 March 2012, the Group and the Company had the following major outstanding commitment to buy or sell foreign currencies.

	<i>The Group and the Company</i>			
	2012		2011	
	<i>Buy</i>	<i>Sell</i>	<i>Buy</i>	<i>Sell</i>
Commitment to buy/(sell)				
Philippine Peso	\$ 293,116	\$ (292,567)	\$ 691,007	\$ (689,646)
Commitment to buy/(sell)				
Thai Baht	302,025	(301,293)	-	(78,959)
Commitment to buy/(sell)				
Indonesian Rupiah	396,731	(396,932)	-	-
Commitment to buy/(sell)				
Japanese Yen	156,944	(180,024)	418,898	(602,611)
Commitment to buy/(sell)				
Hong Kong Dollars	623,355	(657,105)	2,590,397	(543,114)

As shown in the above analysis, the net foreign exchange exposure is not significant to the Group and the Company. The management do not expect there will be significant impact to the profit after tax and retained profits in respect of reasonably possible change in the exchange rates at the balance sheet date.

(e) Equity price risk

The Group is exposed to equity price changes arising from equity investments classified as trading securities.

It is estimated that a general increase/decrease of 5% (2011: 5%) in the market price of equity instruments, with all other variables held constant, would decrease/increase the Group's and the Company's loss before tax and accumulated losses by approximately \$372,460 (2011: \$70,200).

The sensitivity analysis above has been determined assuming that the change in equity price had occurred at the balance sheet date and had been applied to the exposure to equity price risk for the above financial instruments in existence at that date. The analysis is performed on the same basis for 2011.

The Company held short positions in derivative financial instruments of \$15,136,863 (note 23). It also held long positions in derivative financial instruments of \$15,136,863 (note 23) by entering into back-to-back transactions with its fellow subsidiary on these corresponding short positions. Therefore, the equity price risk on these derivative financial instruments is considered to be insignificant.

24 Financial instruments (continued)

(f) Fair values

Financial instruments carried at fair value

The following table presents the carrying value of financial instruments measured at fair value at the balance sheet date across the three levels of the fair value hierarchy defined in HKFRS 7, *Financial Instruments: Disclosures*, with the fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

- Level 1 - Fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments
- Level 2 - Fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data
- Level 3 - Fair values measured using valuation techniques in which any significant input is not based on observable market data

		<i>The Group and the Company</i>			
		<i>2012</i>			
		<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
Assets					
Available-for-sale					
-	Club debentures	\$ -	\$ 2,341,814	\$ -	\$ 2,341,814
Financial assets at fair value through profit or loss					
		<u>7,458,548</u>	<u>15,147,708</u>	<u>-</u>	<u>22,606,256</u>
		<u>\$ 7,458,548</u>	<u>\$ 17,489,522</u>	<u>\$ -</u>	<u>\$ 24,948,070</u>
Liabilities					
Financial liabilities at fair value through profit or loss					
		<u>\$ 9,351</u>	<u>\$ 15,136,863</u>	<u>\$ -</u>	<u>\$ 15,146,214</u>

24 Financial instruments (continued)

(f) Fair values (continued)

Financial instruments carried at fair value (continued)

	<i>The Group and the Company</i>			
	<i>2011</i>			
	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
Assets				
Available-for-sale				
– Club debentures	\$ -	\$ 2,165,197	\$ -	\$ 2,165,197
Financial assets at fair value through profit or loss	<u>1,528,008</u>	<u>-</u>	<u>-</u>	<u>1,528,008</u>
	<u>\$ 1,528,008</u>	<u>\$ 2,165,197</u>	<u>\$ -</u>	<u>\$ 3,693,205</u>
Liabilities				
Financial liabilities at fair value through profit or loss	<u>\$ 124,237</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 124,237</u>

During the year, there were no transfers between instrument in Level 1 and Level 2.

(g) Estimation of fair values

Fair value estimates are generally subjective in nature, and are made as of a specific point in time based on the characteristic of the financial instruments and relevant market information. Where available, the most suitable measure for fair value is the quoted market price at the balance sheet date or date close to the balance sheet date, without any deduction for estimated future selling costs.

In the absence of organised secondary market for most financial instruments, direct market prices are not available. The fair values of such instruments were therefore calculated on the basis of well-established valuation technique using current market parameters. In particular, the fair value is a theoretical value applicable at a given reporting date, and hence can only be used as an indicator of value realisable in a future sale.

25 Material related party transactions

In addition to the transactions and balances disclosed elsewhere in these consolidated financial statements, the Group and the Company entered into the following material related party transactions:

	<i>The Group</i>		<i>The Company</i>	
	2012	2011	2012	2011
Brokerage commission earned from				
– fellow subsidiaries	\$ 9,643,715	\$ 1,983,769	\$ 9,643,715	\$ 1,983,769
– an intermediate holding company	-	16,342,575	-	16,342,575
Underwriting and selling commission earned from				
– fellow subsidiaries	2,565,368	1,184,774	2,565,368	1,184,774
– an intermediate holding company	-	936,867	-	936,867
Brokerage commission paid to				
– fellow subsidiaries	(10,297,119)	(5,446,174)	(10,297,119)	(5,446,174)
– an intermediate holding company	-	(8,589,613)	-	(8,589,613)
Interest expense paid to				
– fellow subsidiaries	(471,790)	-	(471,790)	-
– an intermediate holding company	-	(975,279)	-	(975,279)
– the ultimate holding company	(1,144,315)	-	(1,144,315)	-
Research fee paid to				
– fellow subsidiaries	(1,452,495)	(1,316,632)	(1,452,495)	(1,316,632)
– a subsidiary	-	-	-	(29,349,238)
Rental income from				
– fellow subsidiaries	626,852	620,296	626,852	620,296
– a subsidiary	-	-	-	947,538
Research fee income earned from an intermediate holding company and fellow subsidiaries	16,553,903	32,286,126	16,553,903	32,286,126
Management fee income earned from an intermediate holding company and fellow subsidiaries	<u>36,625,730</u>	<u>10,787,055</u>	<u>36,625,730</u>	<u>10,787,055</u>

26 Credit facilities

The Group has aggregate credit facilities provided by authorised institutions and group companies amounting to \$305,321,000 (2011: \$237,079,000) and \$2,041,087,000 (2011: \$1,847,875,000) respectively. The credit facilities provided by authorised institutions were not utilised as at 31 March 2012 (2011: \$Nil). Included in the credit facilities provided by group companies was a subordinated loan facility of \$140,000,000 provided by an intermediate holding company. \$35,000,000 of such facility was utilised as at 31 March 2012 and 2011 (see note 18).

27 Commitments

At 31 March 2012, the Group and the Company had the following commitments in the ordinary course of business:

- (a) Forward and swap transactions in the foreign exchange market are disclosed in note 24(d).
- (b) The total future minimum lease payments under non-cancellable operating leases are payable as follows:

	<i>The Group</i>		<i>The Company</i>	
	2012	2011	2012	2011
Within one year	\$ 14,910,837	\$ 15,957,099	\$ 14,910,837	\$ 15,826,253
After one year but within five years	47,574,686	47,936,205	47,574,686	47,925,906
More than five years	21,154,697	32,594,959	21,154,697	32,594,959
	<u>\$ 83,640,220</u>	<u>\$ 96,488,263</u>	<u>\$ 83,640,220</u>	<u>\$ 96,347,118</u>

28 Parent and ultimate holding company

The directors consider the immediate parent and ultimate holding company at 31 March 2012 to be Daiwa Capital Markets Asia Holding, B.V., which is incorporated in Netherlands, and Daiwa Securities Group Inc., which is incorporated in Japan respectively. Daiwa Securities Group Inc. produces financial statements available for public use.

29 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 March 2012

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and five new standards which are not yet effective for the year ended 31 March 2012 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group and the Company.

	<i>Effective for accounting periods beginning on or after</i>
Amendments to HKFRS 7, <i>Financial instruments: Disclosures</i> - <i>Transfers of financial assets</i>	1 July 2011
Amendments to HKAS 12, <i>Income taxes - Deferred tax:</i> <i>Recovery of underlying assets</i>	1 January 2012
Amendments to HKAS 1, <i>Presentation of financial statements</i> - <i>Presentation of items of other comprehensive income</i>	1 July 2012
HKFRS 10, <i>Consolidated financial statements</i>	1 January 2013
HKFRS 13, <i>Fair value measurement</i>	1 January 2013
HKAS 27, <i>Separate financial statements</i> (2011)	1 January 2013
Revised HKAS 19, <i>Employee benefits</i>	1 January 2013
HKFRS 9, <i>Financial instruments</i>	1 January 2015

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