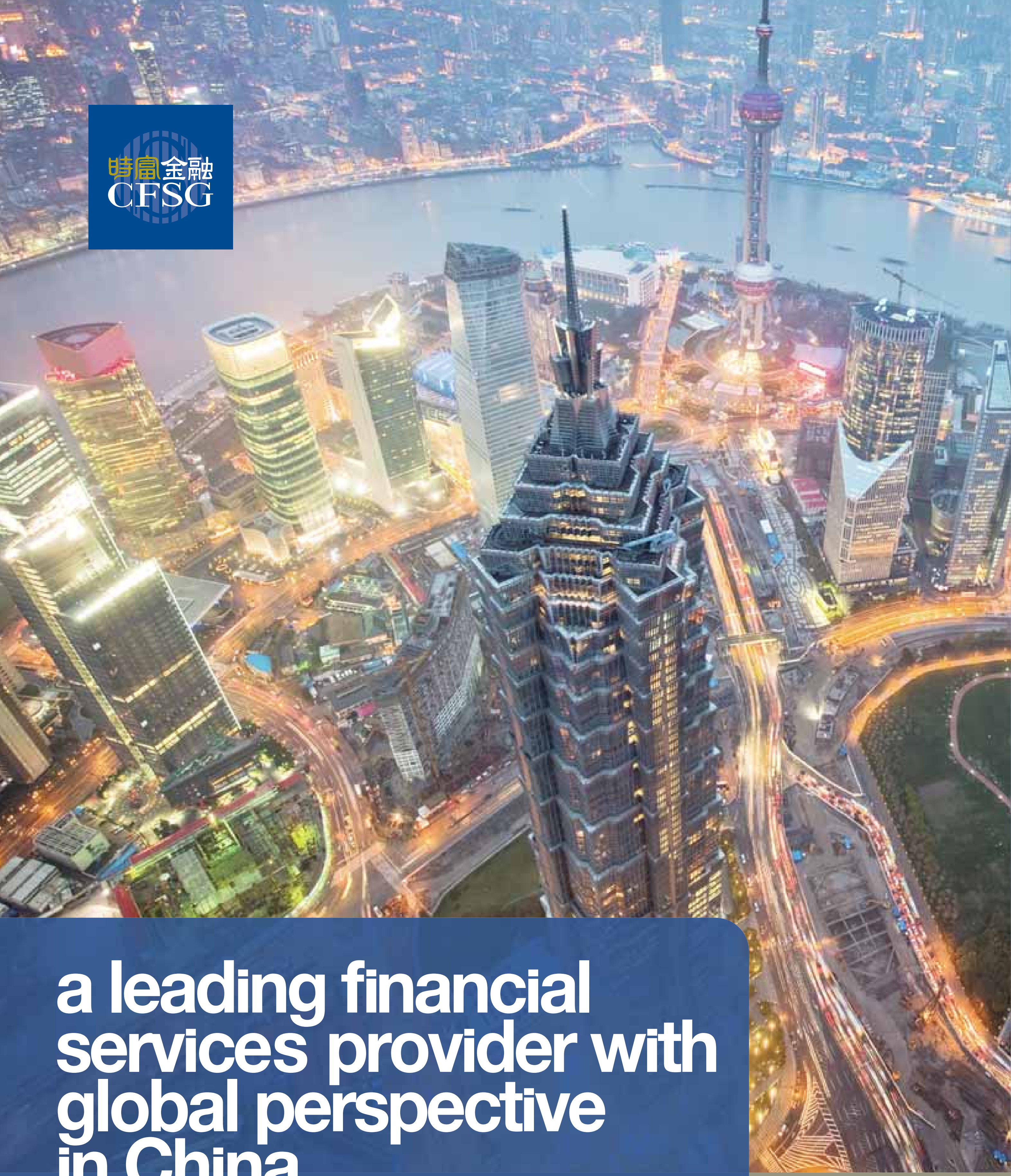


# a leading financial services provider with global perspective in China

CASH Financial Services Group Limited
(Stock Code: 510)

2010 Annual Report

Design Concept of New CFSG Corporate Identity

Tian Yuan Di Fang

CFSG's new corporate identity features a round dollar sign enclosed in a square embodying the traditional Chinese design concept of "A Domed Sky Above the Flat Earth". As the old saying goes: "The sky is round while the earth is flat – the rule of the sage thus rules the world." The logo hence represents the leading position of CFSG in China's financial services industry and the company's renowned focus on innovation. "Masters are round while statesmen are square." The flat earth symbolises integrity, rules, standards, and order, illustrating how CFSG's professional management and advanced systems position it well in a highly regulated industry. Meanwhile, the round sky signifies supremacy and respect, representing CFSG's "people-oriented" and "customer-centric" approach to meeting clients' boundary-less needs in investment and wealth management through our commitment to innovation.

Colour

The corporate blue is used to convey an all-round wisdom and financial liquidity. This emphasises CFSG's pragmatism, stability, professionalism and reliability, all of which are pre-requisites for a leading financial services institution in China.

Backdrop

The round dollar sign is indicative of the strong financial support behind CFSG from its holding company, CASH, together with its extensive shareholder network that spans across Asia and Europe and provides unparalleled strength.

Fonts – A Mix of Chinese and Western Cultures

The fonts conjure up the blend of Chinese and Western cultures, respect for tradition and contemporary vision, which characterise CFSG. The Chinese characters are written in calligraphic style, using elegant, ancient Seal Script (Zhuan Shu), the earliest form of Chinese calligraphy, for "時富" and the more "modern" Clerical Script (Li Shu) for "金融". The combination reflects CFSG's embrace of both Chinese and Western management concepts – the traditional Chinese philosophical belief in a "people-oriented" culture that regards people as an important asset, and the western management view that highlights professional knowledge, a spirit of innovation and the drive to continuously adding value to clients.

# contents


# CORPORATE PROFILE

## CASH Financial Services Group Limited

**("CFSG" or "Group", stock code: 510)**
**is a leading financial services conglomerate in China.**

CFSG has been providing our broad-based clients with a comprehensive range of financial products and quality services that cater for their versatile investment and wealth management needs. Pricerite Stores Limited ("Pricerite"), a subsidiary of CFSG, cares for the home improvement needs of customers. Pricerite is committed to offering customers a quality shopping environment and enables them to enjoy better living every day.

Since our establishment in 1972, CFSG builds lasting businesses as a leading player in the investment and financial services sectors. Our comprehensive range of financial services includes international trading services for securities (HK, US and China B-shares), commodities and forex, futures and options, mutual funds, bonds, equity linked instruments (ELI) and principle guaranteed notes (PGN), insurance, market research and analysis, wealth management and advisory services, asset management, investment banking and institutional sales.

# CORPORATE PROFILE


As a leading technology-focused financial services provider, coupled with our professional human talents, CFSG is committed to operating a state-of-the-art platform to meet the investment needs of clients in today's boundary-less world. In 1998, CFSG was the first in Hong Kong to develop electronic trading via the Internet, demonstrating our innovation and dedication to integrating technology into daily life. We have developed the world's first 3D AI Broker and the edge-cutting CASH SNS. 3D AI Broker is a real-time, humanoid system that substantially enhances interactive online communication. CASH SNS is the most comprehensive financial portal that contains financial market information, financial education, entertainment games, interactive sharing, etc. It is a breakthrough from the original one-way information provision. More recently, we have developed HK's first one-stop iPhone app providing securities trading and real-time quotes.

CFSG is an associate of Celestial Asia Securities Holdings Limited ("CASH", stock code: 1049). Our mission is to be a "Total Caring Organisation": creating value for stakeholders, delivering superior shareholder returns, caring for employees' welfare, being a trusted partner to clients we serve and a responsible corporate citizen in the communities and environment we operate.

Our shareholders include ARTAR Group, one of Saudi Arabia's top 10 prominent investment groups, and an investment group in Austria, Europe. These alliances have broadened CFSG's shareholder base from Asia to the Middle East and Europe, raising our international recognition.

Leveraging our advanced electronic trading platform, CFSG has developed an extensive distribution network to reach our institutional, corporate and individual clients across China. Along with our headquarters in Hong Kong, we have established a Mainland head office in Shanghai, with branch offices strategically located in Beijing, Chongqing, Shenzhen, Xiamen, and Xian.

Known for our innovation and quality services, CFSG has been widely recognised by the industry. In 2008, CFSG was the first organisation in Hong Kong to obtain the stringent ISO 9001:2008 certification, with zero non-conformity. Other accolades include a Top Service Brand award from the Hong Kong Brand Development Council, the Distinguished Salesperson Awards from The Hong Kong Management Association, a Certificate of Merit of the Hong Kong Awards for Industries in Technological Achievement from the Hong Kong Productivity Council, a Certificate of Merit of the Hong Kong Awards for Industries in Innovation and Creativity from the Hong Kong General Chamber of Commerce, a Certificate of Merit of Wastewi$e Label in Hong Kong Awards for Environmental Excellence from Environmental Campaign Committee, a Certificate of Merit in the Best Brand Enterprise Award from the Hong Kong Productivity Council, etc.

For further information,
please visit www.cashon-line.com.

## Pricerite
## is the largest home furnishing specialist in Hong Kong.

Through our comprehensive network of outlets, we are committed to offering value-for-money products and services that exceed customer expectations. We also strive to foster a caring culture for our customers, employees, vendors, communities and natural environment.

We attain leadership by innovation — innovation in our product mix, merchandising, store layout and entire market strategy in home improvement product retailing. Our constant efforts to increase our understanding of customers' expectations and needs through the use of information technology to gain accurate and timely data and use of market research tools drive our customer-focused innovations.

We deliver through a balanced fusion of technology and people. We utilise technology to enhance product delivery, operating efficiency and ultimately our logistical strength. We complement this with our dedicated workforce to develop and source the best products, to build our brand and create our customer-friendly shopping environment, as well as to assist our customers with the best service possible.


Pricerite is known for its relentless effort in enhancing customer satisfaction, which is acknowledged by obtaining various accreditations, such as the Premier Service Brand from the Hong Kong Brand Development Council, the PRC Consumers' Favourite Brands Campaign 2008 from the China Enterprise Reputation & Credibility Association (Overseas) Ltd, the Hong Kong and Macau Merchants of Integrity Award in the both 2007 and 2008 from the Guangzhou Daily and Ming Pao Daily News, the Distinguished Salespersons Awards from The Hong Kong Management Association, and the Service and Courtesy Awards from Hong Kong Retail Management Association. Other service certifications obtained include the Q-Mark Service Scheme certification, the Quality Tourism Services Trademark from Hong Kong Tourism Board, and the "No Fakes" Pledge.

For further information,
please visit www.pricerite.com.hk.

# CORPORATE INFORMATION


CORPORATE INFORMATION

## BOARD OF DIRECTORS

Executive:

| | |
|---|---|
| KWAN Pak Hoo Bankee | (Chairman) |
| CHAN Chi Ming Benson | (CEO) |
| LAW Ping Wah Bernard | (CFO) |
| CHENG Man Pan Ben | (ED) |
| YUEN Pak Lau Raymond | (Deputy CFO) |

Independent Non-executive:
CHENG Shu Shing Raymond
LO Kwok Hung John
LO Ming Chi Charles

## AUDIT COMMITTEE

CHENG Shu Shing Raymond
(committee chairman)
LO Kwok Hung John
LO Ming Chi Charles

## REMUNERATION COMMITTEE

CHENG Shu Shing Raymond
(committee chairman)
LO Ming Chi Charles
KWAN Pak Hoo Bankee

## COMPANY SECRETARY

LUKE Wing Sheung Suzanne, FCIS

## AUTHORISED REPRESENTATIVES

KWAN Pak Hoo Bankee
(alternate: LAW Ping Wah Bernard)
CHENG Man Pan Ben
(alternate: LUKE Wing Sheung Suzanne)

## PRINCIPAL BANKERS

Wing Hang Bank, Limited
Nanyang Commercial Bank, Limited
Standard Chartered Bank (Hong Kong) Limited
Oversea-Chinese Banking Corporation Limited
Industrial and Commercial Bank of China (Asia) Limited
The Bank of East Asia, Limited
DBS Bank (Hong Kong) Limited
KBC Bank N.V.
The Hong Kong and Shanghai Banking Corporation Limited
Shanghai Commercial Bank Limited


**AUDITOR**
Deloitte Touche Tohmatsu
Certified Public Accountants

**SOLICITORS**
Sidley Austin

**REGISTERED OFFICE**
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

**HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS**
21/F Low Block
Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

**REGISTRARS AND TRANSFER OFFICE IN HONG KONG**
Tricor Standard Limited
26/F Tesbury Centre
28 Queen's Road East
Hong Kong

**WEBSITE**
www.cashon-line.com

**STOCK CODE ON MAIN BOARD**
510

**CONTACTS**
Telephone : (852) 2287 8788
Facsimile : (852) 2287 8700


# FINANCIAL REVIEW

For the year ended 31 December 2010, the Group recorded revenue of HK$1,294.2 million, representing an increase of 83.4% as compared to HK$705.5 million for the previous year. The increase in revenue was mainly attributable to the full-year contribution of the CRMG Group (the retail management division) which was acquired in the second half of 2009. Overall, the Group recorded a turnaround net profit of HK$64.9 million for the year ended 31 December 2010 as compared to a net loss of HK$20.6 million last year.

## Financial Services Business

The robust recovery in the stock market in last year could no longer be sustainable in early 2010. The local and global stock markets became to turn sluggish soon after the news relating to Europe's sovereign debt crisis first came to light. The public finances of the five European countries including Greece which had deteriorated badly in recent years led to their credit ratings lowered and triggered worries about another new credit crunch that might result from their huge debts not being met when falling due. While the worry that a double dip recession caused by this new round of financial crisis had badly hit the local stock market, it was further battered by the harsh austerity measures adopted by the Chinese government to rein in rising inflation and to slash sky-high property prices across the country. The drops in both liquidity and market turnover had reflected the investors' cautious reaction to China's several increases to banks' reserve requirement ratios since the beginning of the year. However, the quantitative easing policies and economic stimulus measures adopted by the central banks in several developed countries aiming at stimulating the economy ultimately caused an abundant influx of fund into Asian region including Hong Kong. The excessive capital influx was driving up the assets and commodities prices. In the second half of the year under review, there was a sharp rebound in the trading volume of the local stock market. The trading volume of the local stock market in the year under review was about 10.9% higher that that of the previous year. Furthermore, fund-raising and mergers and acquisitions activities in Hong Kong were vigorous during the year under review

and Hong Kong had successfully maintained its position as the largest listing market by fund-raising size in the world with about a record-high HK$445 billion raised in 2010. For the year ended 31 December 2010, the Group's financial services group recorded revenue of HK$283.0 million as compared to HK$249.0 million for the previous year. The increase in revenue during the year under review was mainly attributable to the remarkable performance of our Investment Banking Division. During the year under review, the Group's financial services group recorded a profit of HK$32.6 million as compared to HK$8.4 million for the previous year.

# FINANCIAL REVIEW


## Retail and Franchising Business — CRMG Group

Thanks to the quantitative easing monetary policies and economical stimulus measures adopted by the governments all over the world, the overall economic performance in Hong Kong had remained positive throughout the year under review amid the uncertainties in the external business environment including the recent financial turmoil in the euro zone countries having adversely affected the pace of the growth in exports to the region. The improvement in the city's labour market had kept the same pace with the economic recovery with the unemployment rate in Hong Kong falling to its recent record low of 4.0% by the end of 2010 after reaching its recent peak of 5.4% in June 2009. To ride on the gradual improvement of the local economy and the resilience of the labour market, the CRMG Group has accelerated its growth strategies to expand its retail network in Hong Kong by opening 7 new stores during the year to 35 stores at the end of the year. The boom in the local property market recently had also in part accounted for the growth in the CRMG Group's revenue, especially the sales of its great value-for-money furnishing products. All-year-round products plan of the CRMG Group had made its time-to-market sales strategy fruitful during the year under review. In particular, the unexpected prolonged humid season in the spring of the year helped boost the sales performance of the electronic appliance products. In addition, the CRMG Group has received a one-off compensation from the Urban Renewal Authority for the early termination of tenancy of our store located in Kwun Tong Town Centre to make way for the Kwun Tong Redevelopment Project. Together with our introduction of recent brand rejuvenation, consistent improvement in our customer services, stringent product quality control and operational effectiveness, the CRMG Group was pleased to record revenue of HK$1,011.2 million, representing a notable 19.1% growth as compared to HK$849.1 million last year. For the year ended 31 December 2010, the CRMG Group recorded a profit of HK$47.7 million as a result of the substantial growth in revenue largely contributed by the aforesaid factors.

## Liquidity and Financial Resources

The Group's total equity amounted to HK$944.7 million as at 31 December 2010 as compared to HK$792.7 million at the end of the previous year. The change was the combined result of the increase in retained earnings due to the reported profit for the year and the placing of 70 million new shares to investors in October 2010, raising net proceeds of approximately HK$73.9 million during the year.

As at 31 December 2010, the Group had total bank borrowings of approximately HK$436.7 million, comprising bank loans of HK$342.6 million and overdrafts of HK$94.1 million.

Among the above bank borrowings, HK$215.3 million were collateralised by its margin clients' securities pledged to the Group. Other bank loans totally of HK$148.6 million were secured by the investment properties, property in Hong Kong and pledged deposits respectively. The remaining bank borrowings were unsecured.

As at 31 December 2010, our cash and bank balances including the trust and segregated accounts totalled HK$1,102.2 million as compared to HK$1,106.1 million at the end of the previous year.

Total deposits of HK$0.6 million were pledged as securities for a standby letter of credit facility and bank guarantees granted by banks to the Group. In addition, pursuant to a letter of undertaking provided by the Group to a bank, the Group undertakes to maintain deposits of not less than HK$15.0 million with the bank as a pre-condition for an overdraft facility of HK$15.0 million granted by this bank. Accordingly, a bank deposit of approximately HK$17.1 million was held for this purpose.

The liquidity ratio as at 31 December 2010 remained healthy at 1.2 times, as compared to 1.1 times as at 31 December 2009. The gearing ratio as at 31 December 2010, which represents the ratio of interest bearing borrowings of the Group divided by the total equity, decreased to 46.3% from 53.3% as at 31 December 2009. The decrease was due to the strengthened capital base after the aforesaid placing. On the other hand, we have no material contingent liabilities at the end of the year.

## Foreign Exchange Risks

As at the end of the year, the Group did not have any material un-hedged foreign exchange exposure or interest rate mismatches.

## Material Acquisitions and Disposals

The Group did not make any material acquisitions or disposals during the year under review. In January 2011, subsequent to the reporting date, the Group announced a possible spin-off of Pricerite Stores Limited and its fellow subsidiaries for a separate listing on the Main Board of the Stock Exchange. The possible spin-off is in progress.

## Capital Commitment

As at 31 December 2010, the Group did not have any material outstanding capital commitment.

## Material Investments

As at 31 December 2010, the Group was holding a portfolio of listed investments with market values of approximately HK$42.4 million and net gain on listed investments and unlisted investment funds totally of HK$71.4 million was recorded for the year.

We did not have any future plans for material investments, nor addition of capital assets.


## INDUSTRY AND BUSINESS REVIEW

### Financial Services Business

### Industry Review

Two-thousand-and-ten continued to be a year of recovery for both the global economy and equity markets. Global GDP is now back to its pre-crisis level. However, the phase and pace of recovery varies considerably across different regions. Western economies remained sluggish in contrast to the buoyant East. During 2010, the emerging economies, which represent approximately one-third of the world's GDP, accounted for more than two-thirds of the global growth. Against this backdrop, these countries experienced an abundant influx of funds that fuelled asset and commodity prices. A number of fast-growing countries including China, India, and Brazil have hiked interest rates to curb local inflation.

In the Mainland, the Central Government promptly increased the banks' reserve ratio and interest rates when CPI hit the 4% threshold. It also introduced a series of administrative measures to contain the surging housing prices, while home affordability has consistently become the most burning issue in all forums. These policies include limiting home ownership per family to one unit in twenty major cities and reducing the loan-to-value ratio for financing the second or third property purchase. Some of these policies have helped slow down the growing pace in tier-one cities. Meanwhile, stock market sentiment was sluggish with the Shanghai Composite index ending the year at 2,940, a decline of 14.5% since the beginning of the year.

The Hang Seng index rebounded moderately with a 5.3% gain to conclude the year at 23,035. In terms of market capitalisation, the index rose HK$17.87 trillion since the beginning of this year and ended the year with an increase of 18% to HK$21.08 trillion. The average daily turnover was at HK$69 billion, 10.9% higher compared to the previous year.

While the market turnover and index level held steady, 2010 marked another record year for total funds raised in Hong Kong. After a historical year of 2009, the corporate finance activities continued to grow quickly following the quantitative easing adopted by various developed countries. Both primary and secondary fund-raising, mergers and acquisitions activities were vigorous and aggregated HK$850 billion of new funds. For example, the world largest dually-listed IPO in 2010, Agricultural Bank of China, raised HK$171 billion. Hong Kong listed 113 companies and raised HK$445 billion to finish the year first in the world.

## Business Review

The local stock market turnover for the year was 10.9% higher than that in 2009. The Group's financial services business recorded a revenue of HK$283.0 million, an increase of 13.6% compared to HK$249.0 million last year.

## Securities Broking

Trading volume of the Hong Kong securities market showed a moderate growth compared to 2009. Yet the Group experienced a significant rise in trading volume thanks to the successful strategy of the year for strengthening the institutional sales force, establishing a team of client relationship manager to serve the premium clients, developing trading models, strategies and tools to cater for the rapidly changing market environment and increasingly sophisticated trading requirements of various investor categories.

The income for the margin financing business rebounded quickly due mainly to the record-breaking IPO activities and the differential pricing for various investors during the year under review. To capture opportunities that arose from the sharp increase in IPOs, we introduced a differential interest rate scheme for clients who have different borrowing requirements. The new programme offers reduced funding rates for IPO financing for clients with low gearing. The new pricing strategy helped bring in new clients with different IPO funding needs.

On the back of the quantitative easing adopted in several major developed countries, the commodities market experienced strong inflows of funds and significant price increases to mark a record-breaking year. Both the broking and margin financing income displayed a healthy recovery in 2010.

While the number of our frontline sales agents remained steady, the average age of the group has been increasing throughout the past years. To maintain the vitality of the team, we made special efforts to attract younger talents and provide additional guidance and training. We believe this strategy will help replenish the retiring workforce as well as rejuvenate the team. In addition, the sales force for institutional clients has been strengthened to capture the increasing demand from institutional investors and fund raising for private equity and PIPE deals.

## Wealth Management

While competition was more intense than ever during the year under review, we managed to maintain a steady turnover thanks to the adaptive strategies adopted in the early part of the year. In 2010, the business unit expanded its presence in China by relocating seasoned managers to the headquarters in Shanghai. This relocation strategy has helped instill financial planning concepts into the local staff who are now better equipped to serve clients with wealth management needs.

In an effort to control the increasing overheads, the unit streamlined the department structure and moved into a new office to ensure a more efficient operation and cohesive working environment in the last quarter.

With an objective to smooth out revenue volatility and increase income diversity, the unit set up an advisory team with strengthened service and research capability to serve high-value clients. Under this prestige programme, clients will receive active portfolio management and valued-added services. The new offering will help retain and attract new funds from both within and outside the existing business system.

Positioned as a total solution wealth management service provider, our frontline sales professionals are equipped with multiple tools that cater to clients' diverse investment needs, including MPFs, general insurance, asset management and securities broking. Looking ahead, the unit will continue to recruit qualified agents and provide systematic training on product knowledge and marketing skills to enhance productivity.

To further enhance the service scope and capability of the advisory team, the unit will strengthen the fund research and investment advisory content to support the introduction of model portfolio service. This new product will serve to complement our third-party offerings. The objective is to provide unique and personalized service to suit the needs of our clients and deepen the firm-client relationships.

One of the key strategies in 2011 is to devote more resources to the development of the China market with a view to significantly increasing its new business volume in the coming year. In so doing, it will leverage on the existing platform in China and expand its presence in Southern provinces.


## Asset Management

As an important driver of our strategy of product and income diversification, the asset management business achieved a 30% growth in the second half of 2010, outperforming the increase in Hang Seng Index and Hang Seng China Enterprises Index, thanks to the recovery of the stock market, abundant flows of capital via Hong Kong to the China market, and more importantly our persistent efforts to achieve higher risk-adjusted returns for clients. The result reinforces our belief in the benefits derived from this business model: a growing opportunity to increase the base income and earn incentive fees when we achieve superior investment returns for our clients.

To promote the asset management service, the division took every opportunity to work with financial media to gain exposure and enhance corporate brand throughout the year. Our research and commentaries are now well followed by the market.

We expect while excess liquidity to stay in the foreseeable in China, the government will continue to implement various monetary tightening policies to combat inflation. That said, attractive valuations and long term growth prospects will support the continued recovery of the market. We are confident that the business unit will be able to capitalize on the momentum and achieve an above-average growth in 2011.

On the service level, the unit is contemplating the introduction of a new fee structure for different market segments. The combination of reduced management fee and higher performance fee appeals to the fee sensitive individuals. This fee structure is popular in China and we believe it will help attract new business from this market.

## Investment Banking

The corporate finance activities in the world were vigorous in 2010. With the help of the year's largest IPO Agricultural Bank of China, Hong Kong was again ranked top in terms of funds raised in the year. Against this backdrop, the business unit maintained its strategy to focus on financial advisory and corporate transactions. It participated in a number of transactions in the capacity of placing agent, underwriter and financial adviser and made a remarkable profit contribution in the year. By taking a proactive approach, the business achieved good success in fund raising for clients via IPO, rights issue, share placing and equity line of credit. It has also secured sponsorship mandates for IPO in 2011. The effective implementation of the strategy helped the business expand its income as well as client base.

In light of the steaming IPOs and the secondary market activities locally, 2011 is expected to be another robust year for capital market transactions in Hong Kong. The investment banking business will continue to seek fund-raising and IPO opportunities in addition to financial advisory services for mergers and acquisition activities and corporate transactions. The division will also serve as a source and agent to line up fund-seeking corporations and investors.

## China Development

One of the Group's key strategies in recent years is to focus on the positioning of our footing for business development in China. With that, the Group continued to dedicate more resources to China in 2010 with a view to enhancing the driving force of the development. In so doing, we set up two new offices in Xiamen and Xi'an in addition to the existing locations in Beijing, Chongqing, Shenzhen, and the head office in Shanghai. Each office actively participated in investment seminars organized by local operators and media to provide educational information on wealth management and investment. These joint events were effective in gaining market exposure and promoting our brand to prospective clients. After joining WTO, China was going through tremendous change both in terms of government policies for the financial markets and investor's behaviour. The chance to meet the investing public face-to-face in exhibitions and seminars helped us reinforce our local strengths. The offices in China also serve as the local contacting points for business associates and partners for the Group.

In addition to brand marketing and positioning for future development, the setup in China also functions as a back and support office. It has assumed a good part of the operational work for the Group, freeing up resources in Hong Kong to focus on client servicing and location-specific tasks. This original cost savings project has now elevated to a need-based strategy as the Hong Kong market becomes more China-focused. An increasing number of companies and amount of market information are now drawn from China. The local offices function more effectively in terms of data gathering and produce more market-based research.

As part of the network building strategy, we formed two alliances with local institutions to promote our brand and services. With Zhongcai Futures, an established futures dealing company in Eastern China, we provided training and published research on index futures. We believe investors' education is an important element in developing a healthy investment environment. Along this belief, we set up a training centre with Northwestern University of Xi'an to facilitate on-the-job training for finance graduates. We believe this is part of our corporate social responsibilities to educate the general public about investment and promote a regulated investment society. While fulfilling our corporate responsibility, these collaborations have also enhanced our brand awareness among the local sophisticated investing public. We believe brand recognition is crucial for the development of our business.

We plan to expand our coverage network by opening new offices in cities which we believe present significant potential for business development due to their concentrated or emerging high-net-worth market in the medium terms. Special attention will be given to the business development in the Pearl River Delta where the GDP growth and securities trading volume ranked top in the country. Our objective is to continue to build networks and connections in preparation for the eventual opening up of the market.

## New Business

In recent years, there has been a strong demand for immigration advice to people interested in obtaining the Hong Kong resident status. In response to the appealing business opportunity, the Group set up an immigration advisory service division in late 2009. The qualified investment under the Capital Investment Entrant Scheme has recently been restricted to financial assets only. This new policy will help divert funds under the Scheme to financial institutions like CFSG. The investment in financial assets under the Scheme generates attractive revenue and recurring fee income throughout the investment period. The business unit will take advantage of this policy change and work more closely with the investment advisory team to promote the immigration service.

This new business extends our services upstream and captures the potential investors well ahead of the competitors. It also complements our service offerings particularly in the PRC market. Most importantly, it supports our objective to provide fully-fledged financial services and diversify income sources.


## Other Development

CASH SNS is the world's first comprehensive social networking website of its kind in the financial community. To promote benefits and usage of the site, we launched a series of simulated trading competitions in Hong Kong and Mainland China which received overwhelming responses from the investing community. The website includes a wide array of features. One can find not only financial news, but also games, video sharing, celebrity blogs and etc. All in all, it is a web space where investors meet friends who share the same interest and exchange stock tips and trading ideas.

To provide convenient and technologically advanced features to our clients, we collaborated with SmarTone-Vodafone to launch the first and only mobile IPO application service in Hong Kong. The application allows users to apply for IPOs, view stock quotes and news on the mobile device anytime anywhere.

As an ongoing effort to improve service experience, we launched iPhone App CASH RTQ, the first one-stop real time stocks and index futures quotation application which at the same time offers placing orders and portfolio information. We were in the top position of iPhone App download (finance category) quickly after the launch. Through CASH RTQ, users can easily access real-time snapshot or streaming quotes, do trading and manage their portfolio. The application is connected to the 3G mobile trading platform which enables users to capture every investment opportunity in the market.

In recent years, the demand for RMB-denominated investment products has been growing substantially as the Hong Kong stock market is increasingly related to that of China and RMB savings are rapidly accumulating locally. In an effort to prepare for the introduction of RMB-denominated products, we have modified our trading platform and settlement system for the new development.

**RAYMOND YUEN**
Deputy Chief Financial Officer

**BENSON CHAN**
Chief Executive Officer

**BEN CHENG**
Executive Director

## Outlook

Asia, led by the fast-growing China, will continue to fuel global economic growth in 2011. Neighboring economies like Taiwan and Hong Kong will benefit from their privileged access to the Mainland, be it trade, tourism, or capital markets. In Hong Kong, the real GDP is expected to show a growth of 4%–5% as it continues to benefit from the local real estate boom, tourism and offshore RMB centre strategy.

With the excess liquidity worldwide and expected asset and consumer price inflation in East, interest rates in emerging economies will likely continue to rise over the course of next 12 months. Yet, the US will likely embark on another round of quantitative easing, forcing it to keep interest rates at almost zero for longer. The risk lies in the West. With many government and bank debts due for renewal in the near term, the ability to refinance these debts is a concern. Many Western economies are experiencing slow growth domestically with stagnant wages and falling real estate prices offset by imported inflation as a result of rising commodity prices. The mixed forces make the policy direction more complex. Premature or delayed policy tightening could hamper the already fragile recovery.

After achieving a double-digit GDP growth two years in a row, the Mainland government proved to the world China's economic resilience. While 2011 will be the first year of the 12th Five Year Plan, the ability of the economy to maintain a high digit growth is almost certain. Against a backdrop of higher-than-expected inflation in 2010 especially that of real estate, food and wages, the government has switched from a growth-focus to a stable-oriented economic policy. It will likely combine monetary and administrative measures to stabilise economic growth.


## Corporate Strategy

The Group is generally optimistic about the economic outlook for 2011. Corporate earnings continue to look favorable against a backdrop of strong economic growth in China. The Group believes the economy will continue to recover but at a lower rate compared to 2010. That said, real wages in recent years have remained nearly static but property, and food costs have been increasing at double digits and more. Consequently, the living index of salaried people is deteriorating. The combination of loose liquidity and rising inflation is a main challenge ahead that could diminish the global and local market confidence.

The Group took an aggressive stance in 2010 to focus on "profitability and growth" in its business propositions, in particular in the development of new businesses and China. The Board believes that the 21st century is the century of China. China is a growth engine and offers a once-in-a-lifetime window of opportunities to the world. China's development in the next 10 years will bring profound impact to the world. More importantly, the Group has built a strong platform that positions itself favorably as it aims to accelerate the pace of growth.

Two-thousand-and-eleven will be a year where we focus on expanding our growth through client acquisition. In addition to reactivating dormant accounts and converting prospects into clients, we will leverage on our existing client base to further develop the enterprise client base.

Leading the pack with advanced technology attributes that provide convenient service will continue to be an objective for platform development. We believe infrastructure is a core component of our business operation, which supports our client relationship management systems, dealing systems and product databases. We will keep on investing in infrastructure that is key to our positioning as a boundary-less service provider.

We believe income diversification through business diversification is essential. As such, we will continue to diversify and stabilise income sources by increasing the fee portion of the income generated from the portfolio as well as seek out new business opportunities that complement the existing portfolio.

With the PRC market as our future expansion focus, we aim to equip our platform with multi-faceted and diversified capabilities in preparation for the eventual opening up of the financial markets. In the meantime, we will continue to work with Mainland securities and brokerage firms for referral opportunities.

Service excellence remains a company culture. By exercising our philosophy in "Five Core Values", we believe we will be able to elevate our service level, exceed clients' expectations and ultimately maintain as one of the most respectable financial service companies in China.

Overall, we will continue to diversify our revenue mix through strengthening existing businesses, enriching product types, and sourcing new income streams in concert with our business development in China. Our goal is to position CFSG as clients' financial services house of choice that has comprehensive product offerings to meet their diverse financial needs and values their business relationships.


Retail and Franchising — Pricerite

## Business Overview

Riding on the economic recovery in 2010, Pricerite has accelerated its growth strategies in 2010. During the year, we have opened 7 new stores and successfully managed to renew most of the existing stores, expanding our sales area in Hong Kong at a satisfactory pace.

Continuing the rejuvenation programme from previous years, we have fully implemented revamped store format, by new store design and new concept, in all new stores and existing stores with lease renewal during the period. Such store revamp including new store interiors covering fixtures and racks, lightings, flooring and display settings, new corporate logo as well as enhancement in store operating system.

Benefiting from both better buying sentiment and our expansion strategies, we have achieved a significant growth in store traffic, transaction size and average sales ticket size. Year to year sales growth, in particular, has outperformed industry statistics published in overall retail sales level and furniture and fixtures category level.



The new corporate identity together with the introduction of revamped store format has created a more comfortable and cozy shopping environment with a feel of home.

## Store Revamp

Our new corporate logo was widely adopted at Pricerite stores. The new corporate identity together with the introduction of revamped store format has created a more comfortable and cozy shopping environment with a feel of home. In the newly opened Pricerite stores in 2010, we have increased area of room setting and introduced a new idea of home-setting display to provide more home decorative ideas to customers, helping them better visualize the mix-and-match effect of our home furnishing items. In addition, we have added iProduct corners in some new stores to demonstrate our new digital product catalogues using iPad devices. Customers can use the iPad device to view detailed product information and latest promotion offers at their fingertips.


## New Corporate Identity

With the adoption of new corporate logo in late 2009 to better convey our core values and operating philosophies, namely, people and customer focus, rejuvenation by innovation and commitment in green, we have launched a TV campaign to promote our "Service from the heart" and caring cultures in early 2010. The TV campaign featured our stringent control in quality assurance and our "One-to-one customer service". Our brand promises in exceptional value were not now only delivered through great products and cozy shopping environment, but also through our differentiated services.

## Service Differentiation

Our "One-to-one customer service" set the new standard in the home-furnishing retail market that it benchmarks the personalized service agents provide to their own clients in financial service industry. Each of our specialized furniture salesperson is committed to serving customers beyond sales floor. For every furniture transaction, each specialized salesperson will present a name card with dedicated mobile number to customers for any enquiry before and after product delivery. We believe such end-to-end shopping experience could save our customers lot of hassle and enhance the entire shopping experience.

Macau home delivery service was another new service initiative in 2010. With increasing customer enquiries about product delivery to Macau, we have during the year offered door to door furniture delivery service to Macau customers, aiming to deliver customers a more convenient shopping experience.


## Another Year of Service Excellence

Our excellence in customer services was further recognized when we won the 2010 Service & Courtesy Award in both Supervisory Level and Junior Frontline Level (under Furniture & Home Accessories Category) organized by Hong Kong Retail Management Association. The award is highly respected as the Oscars of the retail trade in Hong Kong. Among the keen participating retail practitioners, Pricerite have occupied 7 out of the 9 finalists in the Award programme. Earlier in the year, we have also won service awards including 42nd Distinguished Salesperson Award (DSA) organized by The Hong Kong Management Association, The Hong Kong Top Service Brand Award, Certification Trade Mark — Quality Tourism Service Scheme, Q-Mark Service Certification, Business Super Brands & Super Brands, 2009 Customer Service Excellence Award — Bronze Award (Counter Service) and 活力之星 organized by FACE Magazine Marketing Limited.

## Product Innovation

During the year, we rolled out Tailor Size Furniture, which offered customers minor size tailoring service (and colors in some models) in most of our wooden furniture, sofas and mattress according to their requirements.

On the other hand, further to the launch of Tailor Made Furniture (TMF) in 2009, we have increased our TMF counters and specialized consultants at selected stores, facilitating TMF service processing.

We have also adjusted of our product mix to cater for changes in economic situation and customer preferences. Following the economy recovery, we have introduced more furniture series with such quality material as full Italian leather or wood veneer. Our aims remain to offer stylish products with high quality and practicality at affordable prices.

To cope with the business expansion, we have strengthened our merchandising and product development team and accelerated our development in household product ranges. Different sustainable materials were explored and applied in new product development.

## Corporate Awards

In early 2010, Pricerite received the Silver Award of the 2009 Hong Kong Awards for Environmental Excellence — Sectoral Awards, being the highest award granted by The Hong Kong Awards for Environmental Excellence (HKAEE) in the year under Retailers sector. We also received Wastewi$e Label in Excellence Class organized by HKAEE. The awards demonstrated that we have put continuous effort in developing sustainable green measures and put them in practices.


Other awards we won included ERB Manpower Developer Award Scheme — The honour of Manpower Developer 1st, for our professional training & development to staff; Hong Kong Corporate Citizenship Award — Enterprise sector in services industry & Hong Kong Corporate Citizenship Award — Outstanding Corporate volunteer team; as well as Caring Company — 5 Years Plus, for being a caring brand for 5 consecutive years. We were delighted to see that our commitment in being a caring and social responsible organization was once again recognized by the market.

## Outlook

Year 2011 is unquestionably another year of challenges and opportunities. The ongoing rising of rental, the statutory minimum wage (SMW) rate and the inflationary pressure of all other aspects will unavoidably increase the operating expenses. Yet, we believe that we will continue to benefit from the vigorous momentum generated in 2010 for further business growth.

More importantly, Pricerite regard 2011 a right moment to realize China market development plan. We have planned in develop retail network in Guangdong province and are currently preparing our first store in Guangzhou. Outside Guangdong Province, we had during the year entered into a franchising arrangement with OrientHome, one of the largest distributor and retailer of building materials, home furnishings and lawn & gardening equipments in China. We are excited that such expansion strategies will enable us to build retail presence and capture market share in China within a short period of time.

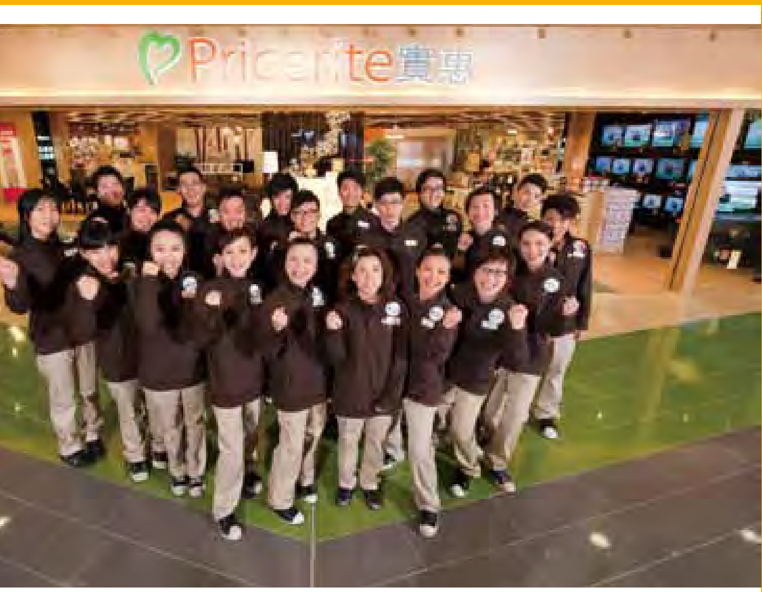
# EMPLOYEE INFORMATION

At 31 December 2010,

## the Group had 1,379 employees.

## EMPLOYEE INFORMATION

Our employees were remunerated according to their performance, working experience and market conditions. The total amount of remuneration cost of employees of the Group for the year under review was approximately HK$222.6 million.




### Benefits

The Company and some of its subsidiaries provide employee benefits including mandatory provident fund scheme, medical insurance scheme, discretionary share options, performance bonus and sales commission for their staff. The Company also provides its employees in the PRC with medical and other subsidies, and contributes to the retirement benefit plans.

### Training

The Group has implemented various training policies and organised a number of training programs aimed specifically at improving the skills of its employees and generally to increase the competitiveness, productivity and efficiency of the Group including training in areas such as product knowledge, customer service, selling techniques, team building, communication, languages, presentation, coaching, quality management and also professional regulatory training programs as required by regulatory bodies. The Group also arranges for relevant staffs, who are licensed persons under the SFO, to attend the requisite training courses to fulfill/comply with the continuous professional training as prescribed in the SFO. The Group conducts an initial staff orientation for new employees in order to familiarise them with the Group's history and strategy, corporate culture, quality management measures, rules and regulations. This orientation aims to prepare the new employees for the positions by establishing a sense of belongingness and cooperation; by supplying necessary information that resolves an employee's concerns; and by removing any potential barriers for job effectiveness and continuous learning.

# BOARD OF DIRECTORS AND SENIOR MANAGEMENT

## Executive Directors

CHAIRMAN

**Bankee Pak-hoo KWAN**

## BOARD OF DIRECTORS AND SENIOR MANAGEMENT

He is responsible for the overall business strategy of the Group.

Chairman, MBA, BBA, FFA, MHKSI, CPM(HK), MHKIM, aged 51, joined the Board on 11 August 2000. He is responsible for the overall business strategy of the Group. Mr Kwan has extensive experience in corporate management, strategic planning, marketing management, financial advisory and banking. He graduated from the Murdoch University of Perth, Australia with a Master's degree in Business Administration, and from the Chinese University of Hong Kong with a Bachelor's degree in Business Administration. Mr Kwan is a fellow of the Institute of Financial Accountants of the United Kingdom and a member of the Hong Kong Securities Institute. Mr Kwan is also a Certified Professional Marketer (Hong Kong) of Hong Kong Institute of Marketing and a member of Hong Kong Institute of Marketing.

Mr Kwan is a firm believer in youth education and development. He is a John Harvard fellow of the Harvard University, US; a member of the Harvard University Asia Center Advisory Committee; an honorary university fellow of The Open University of Hong Kong; a trustee of New Asia College of the Chinese University of Hong Kong; an advisory professor and an honorary member of the Board of Trustees of Nanjing University. Mr Kwan is also an honorary advisor of several higher education institutions, including the Graduate School of Business, Hong Kong Polytechnic University; the LiPACE of The Open University of Hong Kong; and the Academy of Oriental Studies of Peking University. Furthermore, Mr Kwan is appointed as an honorary advisor of the Fong Yun Wah Foundation and the China Charity Federation.

In addition to education, Mr Kwan is also active in serving to requite the community. He is a member of the Chinese People's Political Consultative Conference, Shanghai Committee, and an advisor of the Executive Committee of Virtual Community Management of Shanghai Municipal of Bureau of Public Security. Mr Kwan has also been a member of the Central Policy Unit of the Government of the HKSAR. After being the chairman of the Hong Kong Retail Management Association ("Association") for two consecutive terms, Mr Kwan continues to serve the Association as their honorary advisor. Currently, he is also a general committee member of the Hong Kong Brand Development Council; a convenor of the Retail Trade Training Board of Vocational Training Council; and an honorary advisor of the CEPA Business Opportunities Development Alliance. Mr Kwan is a member of the Corporate Advisory Council of Hong Kong Securities Institute, the Hong Kong Quality Assurance Agency Governing Council, the SME Development Fund Vetting Committee of the Trade and Industry Department, the Consumer Council and the Consultation Panel of the West Kowloon Cultural District Authority. In December 2009, Mr Kwan was named "Entrepreneur of the Year 2009" in the Asia Pacific Entrepreneurship Awards organised by Enterprise Asia, which recognised his outstanding entrepreneurial success and significant contributions to economic life and society.

Mr Kwan is a substantial Shareholder and the chairman of CASH. He is a member of the Remuneration Committee, as well as a member of the remuneration committee of CASH.

CHIEF EXECUTIVE OFFICER
**Benson Chi-ming CHAN**

He is in charge of the Group's overall business development and management.

CEO, MBA, BA, FCCA, CPA, MHKSI, aged 44, joined the Board on 5 October 2007. He is in charge of the Group's overall business development and management. Mr Chan has extensive experience in the field of auditing, accounting, investment banking and corporate finance. He is a holder of Master Degree of Business Administration from The Hong Kong University of Science and Technology and Bachelor of Arts (Hons.) Degree in Accountancy from The Hong Kong Polytechnic University. He is a fellow member of The Association of Chartered Certified Accountants, a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants and a member of the Hong Kong Securities Institute. Mr Chan is also the managing director and a responsible officer of Celestial Capital (the investment banking group of the Group).

## CHIEF FINANCIAL OFFICER

### Bernard Ping-wah LAW

He is in charge of the Group's overall financial and accounting management.

CFO, MBA, FCCA, FCPA, MHKSI, aged 52, joined the Board on 11 August 2000. He is in charge of the Group's overall financial and accounting management. Mr Law has extensive experience in financial management and accountancy. He graduated from the University of Warwick, United Kingdom with a Master's degree of Business Administration. He is a fellow member of The Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants, and a member of Hong Kong Securities Institute. Mr Law is also an executive director and chief financial officer of CASH.

## EXECUTIVE DIRECTOR
### Ben Man-pan CHENG

He is the managing director of the equity sales and trading, Pearl River Delta, and is responsible for the overall business and operations in the region.

ED, BA, FCCA, CPA, aged 41, joined the Board on 7 June 2004. He is the managing director of the equity sales and trading, Pearl River Delta, and is responsible for the overall business and operations in the region. Mr Cheng has extensive experience in auditing, accounting, financial controlling and project management. Mr Cheng graduated from The City University of Hong Kong with a Bachelor's degree in Accountancy. He is a fellow member of The Association of Chartered Certified Accountants and a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants. Mr Cheng is a responsible officer of Celestial Securities and Celestial Commodities.

**DEPUTY CHIEF FINANCIAL OFFICER**

**Raymond Pak-lau YUEN**

He is responsible for overseeing Group's finance, treasury, accounting and financial management.

Deputy CFO, BA, FCCA, CPA, ACA, aged 47, joined the Board on 1 December 2008. He is responsible for overseeing Group's finance, treasury, accounting and financial management. Mr Yuen has extensive experience in internal audit, credit risk management and operations control. He graduated from The City University of Hong Kong with a Bachelor of Arts in Accountancy. He is a fellow member of The Association of Chartered Certified Accountants, a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants and an associate of The Institute of Chartered Accountants in England and Wales.

# BOARD OF DIRECTORS AND SENIOR MANAGEMENT

## Independent Non-executive Directors

### Raymond Shu-shing CHENG

INED, aged 55, joined the Board on 18 September 2002. Mr Cheng has extensive experience in watch manufacturing industry and is the managing director of a watch manufacturing and trading company in Hong Kong. He is a honorary fellow of The Professional Validation Centre of Hong Kong Business Sector and a member of Young Industrialists Council Ltd. Mr Cheng was the winner of The Young Industrialist Awards for the year 1992 and a member of The Watches and Clocks Advisory Committee of Hong Kong Trade Development Council. He was the chairman of The Federation of Hong Kong Watch Trades and Industries Limited and is currently an advisor of the federation. Mr Cheng is also the chairman of the Audit Committee and the Remuneration Committee.

### John Kwok-hung LO

INED, MBA, LLB, FCCA, CFC, aged 52, joined the Board on 27 September 2005. Mr Lo has extensive experience in the accounting, auditing and finance field and is the managing partner of a certified public accounting firm in Hong Kong. He graduated from the Oklahoma City University, US with a Master's degree in Business Administration and from the University of London, United Kingdom with a Bachelor's degree in Laws. Mr Lo is a fellow of The Association of Chartered Certified Accountants. Mr Lo is also a Certified Financial Consultant of US. Mr Lo is also a member of the Audit Committee.

### Charles Ming-chi LO

INED, JP, CPA, FFSI, aged 61, joined the Board on 27 October 2008. Mr Lo has extensive professional and business experience in financial and investment services in Australia, Hong Kong and other Asian countries. He is a Justice of the Peace for the State of New South Wales, Australia, a Certified Practising Accountant of the CPA Australia, and a fellow member of the Financial Services Institute of Australasia. Mr Lo is also a member of the Audit Committee and the Remuneration Committee.

## Majone Pui-lai CHENG

COO, aged 38, received a Master Degree of Science in Financial Management from the University of London, United Kingdom and a Bachelor Degree in Economics from The University of Hong Kong. Ms Cheng joined the Group in March 1998 and has extensive relevant experiences in the financial services industry. She is in charge of the overall operations of the Group.

## Anthony Tak-tim YUEN

Non-executive Chairman, CASH Wealth Management, aged 57, received a Master Degree of Business Administration from the University of Hong Kong and attended the Harvard University's Advanced Management Program, and is also a Chartered Wealth Manager. Mr Yuen joined the Group in April 2009 and has extensive experience in the field of wealth management and insurance in Hong Kong and China. He is responsible for formulating business strategies for the wealth management business of the Group.

## Angela Sze-kai WONG

Chief Executive Officer, CASH Wealth Management, aged 43, received an Executive Master of Business Administration from Tsinghua University, Beijing and is a Chartered Financial Analyst. Ms Wong joined the Group in February 2004 and has extensive experience in financial services and wealth management in North America, Hong Kong and China. She is responsible for the overall wealth management business of the Group.

## Derek Hin-sing NG

Chief Executive Officer, Pricerite, aged 42, received a Master Degree of Business Administration from Southern Illinois University Carbondale in USA and a Bachelor Degree of Business Administration from Ottawa University in USA, and is a CERTIFIED FINANCIAL PLANNER[CM] professional. Mr Ng joined the Group in January 1997 and has extensive experience in the field of corporate development and retail business. He is in charge of the overall strategic development and operation of the Group's retail business.

## Senior Management

### James Siu-pong LEUNG

Deputy Chief Executive Officer, Pricerite, aged 48, received a Master Degree of Business Administration from Heriot-Watt University in UK and a Bachelor Degree of Social Sciences from The University of Hong Kong. Mr Leung joined the Group in October 2001 and has extensive experience in the field of retail management business. He is in charge of the retail operation management of the Group's retail business.

### Bob Yau-ching CHAN

Chief Economist, aged 48, received a Doctorate Degree of Philosophy in Business from Purdue University, US and a Master Degree of Business Administration from the University of Wisconsin-Madison, US, and is a Chartered Financial Analyst. Dr Chan joined the Group in September 2000 and has extensive experience in corporate development, financial management, strategic analysis and portfolio management. He is responsible for providing global macroeconomic viewpoints to clients of the Group.

### Wing-kai WONG

Managing Director, CASH Dynamic Opportunities Investment Limited, aged 43, received a Doctorate Degree in Finance and Physics and a Master Degree in Computer Science from Stanford University, and a Master Degree of Advanced Studies from the University of Cambridge. Dr Wong joined the Group in April 2009 and has extensive experience in the field of strategic investment and portfolio management. He is responsible for overseeing the Group's investment activities.

### Daphne Wai-suen NG

Managing Director, Investment Banking Group, aged 40, received a Master Degree of Science in Financial Analysis from The Hong Kong University of Science and Technology and a Bachelor Degree of Arts (Honours) in Accountancy from The Hong Kong Polytechnic University, and was admitted an Associate of The Institute of Chartered Secretaries and Administrators. Ms Ng joined the Group in October 1998 and has extensive experience in the field of corporate finance and investment banking. She is a responsible officer of Celestial Capital. She is in charge of the provision of corporate finance advisory services and investment banking services.

## Patrick Ho-yin YIU

Managing Director, Asset Management, aged 37, received a Bachelor Degree of Economics from The Chinese University of Hong Kong. Mr Yiu joined the Group in April 2006 and has extensive relevant experiences in the financial services field. He is a responsible officer of CASH Asset Management Limited licensed to engage in type 9 (asset management) regulated activity under the SFO. He is in charge of the provision of asset management services.

## Horace Pak-leung KWAN

General Manager, Equity Sales & Trading, Hong Kong, aged 47, is an ordinary member of Hong Kong Securities Institute. Mr Kwan joined the Group in March 1998 and has extensive experience in equity dealings, operations and product knowledge. He is a responsible officer of Celestial Securities and Celestial Commodities respectively. He is in charge of the equity sales and trading business in Hong Kong. He is the brother of Mr Kwan Pak Hoo Bankee (the chairman of the Group) and the spouse of Ms Chan Siu Fei Susanna (a senior management of the Group).

## Tonnie Lai-man YU

General Manager, Equity Sales & Trading, Pearl River Delta, aged 49, is an ordinary member of Hong Kong Securities Institute. Ms Yu joined the Group in July 1998 and has extensive experience in the financial services industry. She is a responsible officer of Celestial Securities. She is responsible for developing the equity sales and trading business in Pearl River Delta.

## Samuel Po-shing WONG

Head of Research (Trading Strategies and Risk Management), CASH Dynamic Opportunities Investment Limited, aged 44, received a Doctorate Degree of Philosophy in Statistics from the Stanford University. Dr Wong joined the Group in January 2011 and has extensive experience in the field of financial risk management and consultancy. Dr Wong serves as an adjunct associate professor in the Department of Statistics at The Chinese University of Hong Kong. He is responsible for the research and investment activities of the Group.

### Susanna Siu-fei CHAN

Head of Operations, Service Assurance, aged 38, received a Bachelor Degree of Business Studies (Hons) in Management from National University of Ireland. Ms Chan joined the Group in February 1998 and has extensive experience in the securities brokerage industry and business operations. She is responsible for the overall functions of dealing, settlement and customer services of the Group. She is the spouse of Mr Kwan Pak Leung Horace (a senior management of the Group).

### Eddy Kin-chi KWOK

Head of Operations, Administration, aged 38, received a Bachelor Degree of Commerce in Accounting and Finance from the University of New South Wales. Mr Kwok joined the Group in April 2006 and has extensive experience in auditing, accounting and compliance control. He is responsible for the functions of risk management and credit control of the Group.

### Connie Wai-yin SHUM

Head of Compliance, aged 36, received a Master Degree of Professional Accounting from the Hong Kong Polytechnic University and a Bachelor Degree of Business Administration (Hons) in Finance from Hong Kong Baptist University. Ms Shum joined the Group in March 1999 and has extensive experience in risk management, credit control and operations. She is responsible for all brokerage compliance issues of the Group.

### Hon-wo SHUM

Legal Counsel, aged 38, received a Master Degree in Laws from City University of Hong Kong, a Master Degree in Laws from Renmin University of China and a Bachelor Degree in Laws from University of Hong Kong, and is a qualified solicitor of the HKSAR. Mr Shum joined the Group in August 2005 and has extensive experience in legal field. He is the Group's legal counsel and is responsible for all legal issues of the Group.

### Wallace Hon-ming WONG

Qualified Accountant, aged 44, is a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants. Mr Wong joined the Group in March 2000 and has extensive relevant experiences in the field of accounting and auditing. He is also the financial controller of the Group.

### Suzanne Wing-sheung LUKE

Company Secretary, aged 42, is a fellow of The Institute of Chartered Secretaries and Administrators. Ms Luke joined the Group in May 2000 and has extensive listed company secretarial experience. In addition to taking the role as company secretary of the Company, she is also the company secretary of CASH.

# Corporate Governance Report

This CG Report presents the corporate governance matters during the year ended 31 December 2010 required to be disclosed under the Listing Rules.

## ADOPTION OF THE PRINCIPLES IN THE CG CODE

The Board has adopted the Principles which align with the requirements set out in the CG Code. During the year under review, the Company had duly complied with the Principles and the CG Code and the Board is not aware of any deviations from the Principles.

### Directors' Securities Transactions

The Company has also adopted the Model Code. Having made specific enquiry with the Directors, all the Directors confirmed that they have complied with the required standards as set out in the Model Code during the year under review.

## BOARD OF DIRECTORS

The Board is responsible for formulating the strategies and policies of the business development of the Group, while the management is delegated with the powers and authorities for overseeing the day-to-day operations of the Group under the leadership of the Board.

During the year under review, the Board had held the following number of physical meetings of the Directors:

- 7 meetings of the full Board
- 13 meetings of the EDs

Out of the 7 full Board meetings, 4 of them were held to discuss and approve the annual/interim financial performance/results and/or review the quarterly business operation of the Group, while 3 meetings were to consider and resolve the corporate transactions and issues of the Company which arose during the year under review. The ED meetings were held to report, discuss and/or resolve for the ordinary business and operation matters.

During the year under review, the composition of the Board, and the respective attendances of the Directors at the above Directors' meetings are presented as follows:

| | | **Attendance** | |
|---|---|---|---|
| **Director** | **Board capacity** | **Full Board meetings** | **ED meetings** |
| Mr Kwan Pak Hoo Bankee | ED & Chairman | 7/7 | 13/13 |
| Mr Chan Chi Ming Benson | ED & CEO | 7/7 | 13/13 |
| Mr Law Ping Wah Bernard | ED & CFO | 7/7 | 13/13 |
| Mr Cheng Man Pan Ben | ED | 6/7 | 13/13 |
| Mr Yuen Pak Lau Raymond | ED & Deputy CFO | 5/7 | 13/13 |
| Mr Cheng Shu Shing Raymond | INED | 6/7 | N/A |
| Mr Lo Kwok Hung John | INED | 7/7 | N/A |
| Mr Lo Ming Chi Charles | INED | 7/7 | N/A |

During the year under review, none of the Directors above had or maintained any financial, business, family or other material/relevant relationship with any of the other Directors.

The terms of the appointments of the EDs and the INEDs were governed by the respective employment or service contracts while the appointments of the directorship were subject to, as to EDs, retirement, rotation and re-election at least once every 3 financial years and, as to INEDs, retirement and re-election every year, all at annual general meetings of the Company.

## REMUNERATION COMMITTEE

Throughout the year under review, the Company had maintained a Remuneration Committee. The role and function of the Remuneration Committee includes:

- recommendation to the Board on the remuneration policy and structure for all remuneration of the Directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration;

- determination of the specific remuneration packages of all EDs and senior management based on delegated responsibility, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment, and recommendations to the Board of the remuneration of NEDs;
- review and approve of performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time;
- review and approve of the compensation payable to EDs and senior management in connection with any loss or termination of their office or appointment to ensure that such compensation is determined in accordance with relevant contractual terms and that such compensation is otherwise fair and not excessive for the Company;
- review and approve of compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that such arrangements are determined in accordance with relevant contractual terms and that any compensation payment is otherwise reasonable and appropriate; and
- ensure that no Director or any of his associates is involved in deciding his own remuneration.

Terms of reference of the Remuneration Committee had been compiled since the establishment of the Remuneration Committee and each version was endorsed and adopted by the Remuneration Committee. A revised version of the terms of reference was adopted on 1 January 2009 and has been posted onto the corporate website of the Company.

During the year under review, the Remuneration Committee had held 1 physical meeting for the purpose of considering the remuneration of the Directors.

The composition of the Remuneration Committee, and the respective attendances of the committee members are presented as follows:

| **Member** | **Board capacity** | **Attendance** |
|---|---|---|
| Mr Cheng Shu Shing Raymond | INED | 1/1 |
| Mr Lo Ming Chi Charles | INED | 1/1 |
| Mr Kwan Pak Hoo Bankee | Chairman of the Board | 1/1 |

The chairman of the Remuneration Committee since its establishment has been Mr Cheng Shu Shing Raymond.

The summary of the work performed by the Remuneration Committee for the year under review included:

- endorsement to the remuneration policy and structure for the Directors and senior management;
- review and approval of the specific remuneration package of each Director and senior management including benefits in kind, pension rights and compensation payments.

## REMUNERATION POLICY FOR DIRECTORS

The Company adopted a remuneration policy providing guideline for Directors' remuneration.

Under the remuneration policy, Directors' remuneration should be based on internal equity factors and external market conditions and will be reviewed from time to time.

The remuneration of EDs generally consists of:

- fixed monthly salary/allowance — which is set in accordance to the Director's duties, responsibilities, skills, experiences and market influences;
- pension — which is based on the local Mandatory Provident Fund Contribution Scheme;
- short term variable incentive — which may include discretionary cash bonus depending on the achievement of short-term corporate objectives and/or personal targets; and

- long term variable incentive — which may include share options designed to encourage long-term commitment.

The remuneration of NEDs and INEDs will be a lump sum of Directors' remuneration made annually.

### Directors' Remuneration

The remuneration paid to and/or entitled by each of the Directors for the year under review is set out in note 12 to the consolidated financial statements in this annual report.

The share options granted to and/or entitled by the Directors during the year under review are set out in the section headed "Directors' Interests in Securities" in the Directors' report of this annual report.

## NOMINATION OF DIRECTORS

The Board shall be composed of members with mixed skills and experience with appropriate weights necessary to accomplish the Group's business development, strategies, operation, challenges and opportunities. Each member of the Board shall possess, be recognised for and be able to exhibit high and professional standard of a set of core criteria of competence.

The Company had adopted a nomination policy for the criteria, procedures, and process of the appointment and removal of Directors.

Under the nomination policy, the board of EDs has been delegated the full power to the administration of the nomination policy and the appointment and the termination of Directors, where the full Board remains to have the full and overriding power and absolute right there over.

Since there is no appointment and resignation of Director during the year under review, no meeting was held by the EDs for resolving such issues.

## AUDIT COMMITTEE

Throughout the year under review, the Company had maintained an Audit Committee. The major role and function of the Audit Committee includes:

- monitoring the integrity of the financial statements, annual report and half-yearly report of the Group;
- providing independent review and supervision of the effectiveness of the financial controls, internal control and risk management systems of the Group;
- reviewing the adequacy of the external audits;
- reviewing the compliance issues with the Listing Rules and other compliance requirements in relation to financial reporting;
- providing independent views on connected transactions and transactions involving materially conflicted interest; and
- considering and reviewing the appointment, reappointment and removal of the auditor, the audit fee and terms of engagement of the auditor.

Terms of reference of the Audit Committee had been compiled since the establishment of the Audit Committee and each version was endorsed and adopted by the Audit Committee. A revised version of the terms of reference was adopted on 1 January 2009 and has been posted onto the corporate website of the Company.

During the year under review, the Audit Committee had held 4 physical meetings for discussing and/or approving the periodic financial results and/or reviewing the quarterly business operation of the Group.

The composition of the Audit Committee, and the respective attendances of the committee members are presented as follows:

| Member | Board capacity | Attendance |
|---|---|---|
| Mr Cheng Shu Shing Raymond | INED | 3/4 |
| Mr Lo Kwok Hung John | INED | 4/4 |
| Mr Lo Ming Chi Charles | INED | 4/4 |

The chairman of the Audit Committee had been Mr Cheng Shu Shing Raymond during the year under review.

The report of the work performed by the Audit Committee for the year under review is set out in the section headed "Audit Committee Report" of this annual report.

## AUDITOR'S REMUNERATION

On 21 September 2010, the auditor of the Group was changed from Grant Thornton to Deloitte Touche Tohmatsu. The analysis of the auditor's remuneration for the year under review is presented as follows:

| | Fee amount<br>HK$ |
|---|---|
| **Deloitte Touche Tohmatsu** | |
| Audit service (for 2010 annual accounts of the Group) | 1,880,000 |
| Non-audit services | 26,000 |
| Total | 1,906,000 |

The audit services include the audit for the annual accounts of the Group for the year ended 31 December 2010, reviewing the continuing connected transactions of the Group required under the Listing Rules and the audit for the real time quotation usage of the Stock Exchange. The non-audit services represent the provision of tax-related services for the Group during the year under review.

## ACKNOWLEDGEMENT OF RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledged their responsibilities for preparing the accounts of the Group. In preparing the accounts for the year under review, the Directors have:

- based on a going concern basis;
- selected suitable accounting policies and applied them consistently;
- made judgments and estimates that were prudent, fair and reasonable.

## REVIEW OF INTERNAL CONTROL

During the year under review, the Directors had arranged to conduct a review over the effectiveness of the internal control system of the Group including functions of financial, operation, compliance and risk management, and also over the adequacy of resources, qualifications and experience of employees who are responsible for the accounting and financial reporting functions of the Group, and their training programmes and budget. These reviews showed a satisfactory control system. The review had been reported to the Audit Committee. The Directors had also initiated necessary improvement and reinforcement to the internal control system during the year under review.

On behalf of the Board
**Bankee P Kwan**
*Chairman*

Hong Kong, 11 March 2011

# Audit Committee Report

The Audit Committee was established on 30 October 2000. Its composition shall be a minimum of 3 members of NEDs with a majority being INEDs. For the year under review, the Audit Committee comprised all the INEDs of the Company at all times.

For the year under review, the Audit Committee had performed the following duties:

- reviewed and commented on the financial reports for the six months ended 30 June 2010 and for the year ended 31 December 2010, and reviewed and commented on the business operation and development of the Group for the quarters ended 31 March 2010 and 30 September 2010;

- endorsed the policy on the engagement of external auditor for non-audit services;

- met with the auditor to discuss the financial matters of the Group that arose during the course of the audit process, and reviewed the findings, recommendations and representations of the auditor;

- considered and approved the remuneration and the terms of engagement of the auditor for both audit service and non-audit services for the year under review;

- reviewed the Company's financial controls, internal control and risk management systems;

- reviewed the Company's statement on internal control systems including adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget;

- considered the change of auditor and recommended to the Board for the appointment of Deloitte Touche Tohmatsu as the new auditor of the Group; and

- reviewed the "Continuing Connected Transactions" set forth on pages 51 to 53 of this annual report.

Audit Committee Members:
CHENG Shu Shing Raymond *(committee chairman)*
LO Kwok Hung John
LO Ming Chi Charles

Hong Kong, 11 March 2011

# Directors' Report

The Directors are pleased to present their report and the audited consolidated financial statements of the Group for the year ended 31 December 2010.

## PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the Group are the provision of (a) online and traditional brokerage of securities, options, futures, and leveraged foreign exchange contracts as well as mutual funds and insurance-linked investment products, (b) principal investments of securities and options, (c) margin financing and money lending services, (d) corporate finance services, and (e) sales of furniture and household items and electrical appliances.

## RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2010 are set out in the consolidated statement of comprehensive income on page 64 of this annual report.

The Board recommends the payment of 2010 final dividend of HK 0.4 cent per Share based on 3,538,250,535 shares (2009: nil). The Board also proposes a bonus issue to Shareholders on the basis of one (1) bonus share for every ten (10) existing Shares. Subject to the approval of the 2010 final dividend and bonus issue of shares by the Shareholders at the forthcoming annual general meeting, it is expected that the final dividend will be paid and the share certificates for the bonus shares will be despatched to Shareholders on 25 May 2011. Shareholders whose names appear on the register of members on 16 May 2011 will be entitled to proposed final dividend and bonus issue of shares.

## CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from 16 May 2011 (Monday) to 18 May 2011 (Wednesday) (both days inclusive). In order to establish entitlements to the proposed final dividend and bonus issue of shares, all transfers accompanied by the relevant share certificates must be lodged with the Company's share registrars, Tricor Standard Limited, at 26/F Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4: 30 pm on 13 May 2011 (Friday).

## FIVE-YEAR FINANCIAL SUMMARY

A summary of the audited results and the assets and liabilities of the Group for the last five financial years ended 31 December 2010 is set out on page 134 of this annual report.

## PROPERTY AND EQUIPMENT

Details of movements during the year in the property and equipment of the Group are set out in note 19 to the consolidated financial statements.

## SUBSIDIARIES

Particulars of the Company's principal subsidiaries are set out in note 45 to the consolidated financial statements.

## SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 36 to the consolidated financial statements.

# Directors' Report

## RESERVES AND DISTRIBUTABLE RESERVES

Details of movements in the reserves of the Group during the year are set out in the section of "Consolidated Statement of Changes in Equity" in the consolidated financial statements on page 67 of this annual report.

As at 31 December 2010, the reserves of the Company available for distribution to Shareholders were approximately HK$91,235,000, comprising contributed surplus of HK$59,080,000 and retained earnings of HK$32,155,000. And the Company's share premium available for distribution in the form of fully paid bonus shares was HK$460,745,000.

## PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing Shareholders.

## CONNECTED TRANSACTION AND CONTINUING CONNECTED TRANSACTIONS

### (1) Connected transaction — acting as placing agent for CASH and subsequent termination of placing

As disclosed in the Company's announcement dated 15 December 2010, Celestial Securities (a wholly-owned subsidiary of the Company) entered into a placing agreement with CASH (a substantial Shareholder and hence a connected person of the Company) on 14 December 2010. Pursuant to the placing agreement, Celestial Securities was appointed as the placing agent to procure the placing of 160,000,000 new shares in CASH to placees at the placing price of HK$0.77 per share where Celestial Securities will receive placing commission of approximately HK$6,160,000, being 5% on the aggregate placing amount to be received for the placing shares. However, the placing agreement and the appointment of Celestial Securities as the placing agent were subsequently terminated on 28 December 2010 as disclosed in the Company's announcement dated the same date.

### (2) Continuing connected transactions

#### (a) Margin Financing Arrangement

As disclosed in the Company's announcement dated 25 November 2009, the Company proposed the Margin Financing Arrangement with each of the Connected Clients as a renewal of the previous margin financing arrangement with certain Connected Clients and to grant new facilities to other new Connected Clients. Under the Margin Financing Arrangement, the Company would extend margin financing facilities to the Connected Clients, at an annual cap of up to HK$30 million (which represents the maximum outstanding balance, including accrued outstanding interests, of the margin financing facility) to each of the Connected Clients for each of the three financial years ending on 31 December 2012 and are on terms and rates which are in line with the rates offered by the Company to other independent margin clients. The margin financing facilities are repayable on demand and secured by listed securities held by the respective Connected Clients.

The Connected Clients are all substantial Shareholders and/or Directors and/or their respective associates, and hence connected persons of the Company within the meaning of the Listing Rules. The granting of margin financing facilities by the Company under the Margin Financing Arrangement constituted continuing connected transactions relating to financial assistance for the Company under the Listing Rules. The Margin Financing Arrangement was approved by the independent Shareholders at a special general meeting held on 31 December 2009. Details of the Margin Financing Arrangement were disclosed in the Company's circular dated 15 December 2009.

Details of the maximum amounts of the margin financing facilities granted to the Connected Clients during the year under review are set out in note 29 to the consolidated financial statements. The commission and interest income received from the Connected Clients during the year under review are disclosed in note 42 to the consolidated financial statements.

Pursuant to rule 14A.38 of the Listing Rules, the Board engaged the auditor of the Company to perform and report to the Board in respect of the Margin Financing Arrangement 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 INEDs have reviewed the Margin Financing Arrangement and the report of the auditor and confirmed that the Margin Financing Arrangement has been entered into (a) in the ordinary and usual course of business of the Company; (b) either on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; and (c) in accordance with the terms of the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

Based on the work performed, the auditor of the Company has also confirmed that the Margin Financing Arrangement (a) has received the approval of the Board; (b) has been entered into in accordance with the pricing policies of the Company with reference to similar transactions with independent third parties; (c) has been entered into in accordance with the terms of the relevant agreements governing such transactions; and (d) has not exceeded the relevant cap amount for the financial year ended 31 December 2010 as set out in the circular of the Company dated 15 December 2009.

**(b) Transactions between CASH Group and the CRMG Group**

Pursuant to the resolutions passed by the independent Shareholders at a special general meeting held on 11 June 2009, the following three agreements all dated 19 December 2008 entered into among the Company, CASH and CRM(HK) relating to certain intra-group activities among the Group, CASH Group and the CRMG Group were approved, namely (i) provision of financial guarantee (as might be necessary as per request of various banks) by each of the Company and/or CASH at an annual cap of not exceeding HK$200 million, for assisting the CRMG Group to obtain banking facilities from various banks for each of the three financial years ending 31 December 2011; (ii) sub-leasing arrangement by which CASH will sub-lease around 60% of floor area of its office premises to the CRMG Group as its office premises at 28/F Manhattan Place, 23 Wang Tai Road, Kowloon Bay, Hong Kong at an annual cap of rental (including rent and management fees) of not exceeding HK$5 million in total, for each of the three financial years ending 31 December 2011; and (iii) provision of services, including sales and marketing, advertising, promotional, etc, by the CRMG Group at an annual cap of services fees of not exceeding HK$2 million in total, to each of the Group and CASH Group (not including the Group) for each of the three financial years ending 31 December 2011. Details of the intra-group transactions were disclosed in the Company's announcements dated 19 December 2008 and 21 May 2009, and the circular dated 26 May 2009.

On 12 October 2009, the Company completed the acquisition of the remaining 40% of equity interest in the CRMG Group. Since then, the CRMG Group became a wholly-owned subsidiary of the Company and ceased to be a connected person of the Company under the Listing Rules. Accordingly, the provision of financial guarantee by the Company to the CRMG Group under (i) above and the provision of services by the CRMG Group to the Group under (iii) above after 12 October 2009 would not constitute continuing connected transactions of the Company under the Listing Rules.

However, the transactions contemplated under the aforesaid agreements (i) to (iii) above between CASH Group (the substantial Shareholder) and the CRMG Group remain continuing connected transactions of the Company under the Listing Rules. The amount of financial guarantee provided by CASH to the CRMG Group under (i) above during the year ended 31 December 2010 did not exceed the annual cap of HK$200 million, and the balance of the financial guarantee as at the year-end was nil. Details of the actual amount involved in the sub-leasing arrangement under (ii) above during the year under review is set out in note 42 to the consolidated financial statements. There was no provision of service by the CRMG Group to CASH Group under (iii) above during the year under review.

Pursuant to rule 14A.38 of the Listing Rules, the Board engaged the auditor of the Company to perform and report to the Board in respect of the transactions between CASH Group and the CRMG Group under (i) to (iii) above 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 INEDs have reviewed the transactions between CASH Group and the CRMG Group under (i) to (iii) above and the report of the auditor and confirmed that the such transactions have been entered into (a) in the ordinary and usual course of business of the Company; (b) either on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; and (c) in accordance with the terms of the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

Based on the work performed, the auditor of the Company have also confirmed that the transactions between CASH Group and the CRMG Group under (i) to (iii) above (a) have received the approval of the Board; (b) have been entered into in accordance with the pricing policies of the Company with reference to similar transactions with independent third parties; (c) have been entered into in accordance with the terms of the relevant agreements governing such transactions; and (d) have not exceeded the relevant cap amount for the financial year ended 31 December 2010 as set out in the circular of the Company dated 26 May 2009.

## RELATED PARTIES TRANSACTIONS

Save as the connected transaction and continuing connected transactions as disclosed in the above section, the Group also entered into certain transactions as disclosed in note 42 which were regarded as related party transactions under the applicable accounting standards. Some related party transactions constituted de minis connected transactions of the Company, but were exempted from the reporting, announcement and independent shareholders' approval requirements. The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules in relation to the related party transactions of the Group during the year.

## RAISING OF FUNDS AND USE OF PROCEEDS

Pursuant to a placing and top up agreement dated 14 October 2010 entered into among the Company, CIGL and Celestial Securities (the placing agent), a total of 70,000,000 Shares were issued at HK$1.07 per Share on 26 October 2010. The closing price of each Share on 13 October 2010 (the last trading day prior to the fixing of the terms of the placing and top up agreement) was HK$1.18 per Share. The gross and net proceeds of the issue were HK$74.9 million and approximately HK$73.9 million respectively, representing a net price of approximately HK$1.06 per Share. The fund was applied for general working capital purposes. Details of the transactions were disclosed in the Company's announcement dated 14 October 2010. Save as disclosed herein, the Company did not have any other fund raising activity during the year under review.

## MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, the Group's turnover attributable to the five largest customers accounted for less than 30% of the Group's total turnover.

In the year under review, the Group's purchases attributable to the five largest suppliers accounted for less than 30% of the Group's total purchases.

## DIRECTORS

The Directors of the Company during the year and up to the date of this annual report were as follows:

**Executive Directors:**

Kwan Pak Hoo Bankee
Chan Chi Ming Benson
Law Ping Wah Bernard
Cheng Man Pan Ben
Yuen Pak Lau Raymond

**Independent Non-executive Directors:**

Cheng Shu Shing Raymond
Lo Kwok Hung John
Lo Ming Chi Charles

# Directors' Report

The following Directors shall retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company:

(i) Mr Chan Chi Ming Benson and Mr Law Ping Wah Bernard, being EDs, shall retire at least once in every 3 years at the annual general meeting of the Company in accordance with their terms of office of directorship; and

(ii) Mr Cheng Shu Shing Raymond, Mr Lo Kwok Hung John and Mr Lo Ming Chi Charles, all being INEDs, shall retire at the annual general meeting of the Company in each year in accordance with their terms of office of directorship.

## DIRECTORS' SERVICE CONTRACTS

None of the Directors proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Company within one year without payment of compensation, other than statutory obligation.

## DIRECTORS' INTERESTS IN CONTRACTS

Save as the Margin Financing Arrangement as disclosed under the heading of "Connected transaction and continuing connected transactions" in this section above, no Director had a material interest in, either directly or indirectly, any contract of significance to which the Company or any of its subsidiaries was a party subsisting during or at the end of the financial year under review.

## DIRECTORS' INTERESTS IN SECURITIES

As at 31 December 2010, the interests and short positions of the Directors and chief executives of the Company in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or (b) were recorded in the register required to be kept under section 352 of the SFO, or (c) were otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

### A. The Company

#### (a) Long positions in the Shares

| | | Number of Shares | | | |
|---|---|---|---|---|---|
| **Name** | **Capacity** | **Personal** | **Family interest** | **Other interest** | **Shareholding** (%) |
| Kwan Pak Hoo Bankee | Beneficial owner and interest in a controlled corporation | — | — | 1,535,605,990* | 43.40 |
| Chan Chi Ming Benson | Beneficial owner | 50,000,000 | — | — | 1.41 |
| Law Ping Wah Bernard | Beneficial owner | 5,600 | — | — | 0.00 |
| Cheng Man Pan Ben | Beneficial owner | 26,670,000 | — | — | 0.75 |
| Yuen Pak Lau Raymond | Beneficial owner and family interest | 25,000,000 | 50,000 | — | 0.71 |
| Lo Kwok Hung John | Beneficial owner | 1,905,000 | — | — | 0.05 |
| | | 103,580,600 | 50,000 | 1,535,605,990 | 46.32 |

* The Shares were held as to 1,490,782,790 Shares by CIGL, a wholly-owned subsidiary of Praise Joy Limited (which was 100% beneficially owned by CASH), and as to 44,823,200 Shares by Cash Guardian. Pursuant to the SFO, CASH was owned as to approximately 33.09% by Cash Guardian, a wholly-owned subsidiary of Hobart Assets Limited, which in turn was 100% beneficially owned by Mr Kwan Pak Hoo Bankee. Mr Kwan and Hobart Assets limited were deemed to be interested in all these Shares as a result of their interests in CASH through Cash Guardian as disclosed in the heading of "Substantial Shareholders" in this section below.

### (b) Long positions in the underlying shares — options under share option scheme

| Name | Date of grant | Option period | Notes | Exercise price per share (HK$) (Note (2)) | Number of option: outstanding as at 1 January 2010 | granted on 15 October 2010 (Notes (4) & (5)) | exercised during the year | adjusted on 23 December 2010 (Note (2)) | outstanding as at 31 December 2010 | Percentage to issued Shares as at 31 December 2010 (%) |
|---|---|---|---|---|---|---|---|---|---|---|
| Kwan Pak Hoo Bankee | 15/6/2009 | 15/6/2009 – 30/6/2013 | (1) & (3) | 0.1468 | 5,000,000 | — | — | 20,000,000 | 25,000,000 | 0.71 |
| | 15/10/2010 | 15/10/2010 – 31/10/2012 | (1) & (6) | 0.3040 | — | 4,000,000 | — | 16,000,000 | 20,000,000 | 0.57 |
| Chan Chi Ming Benson | 15/6/2009 | 15/6/2009 – 30/6/2013 | (3) | 0.1468 | 3,000,000 | — | — | 12,000,000 | 15,000,000 | 0.42 |
| | 15/10/2010 | 15/10/2010 – 31/10/2012 | (6) | 0.3040 | — | 6,000,000 | — | 24,000,000 | 30,000,000 | 0.85 |
| Law Ping Wah Bernard | 15/6/2009 | 15/6/2009 – 30/6/2013 | (3) | 0.1468 | 5,000,000 | — | — | 20,000,000 | 25,000,000 | 0.71 |
| | 15/10/2010 | 15/10/2010 – 31/10/2012 | (6) | 0.3040 | — | 6,000,000 | — | 24,000,000 | 30,000,000 | 0.85 |
| Cheng Man Pan Ben | 15/6/2009 | 15/6/2009 – 30/6/2013 | (3) | 0.1468 | 3,000,000 | — | — | 12,000,000 | 15,000,000 | 0.42 |
| | 15/10/2010 | 15/10/2010 – 31/10/2012 | (6) | 0.3040 | — | 2,000,000 | — | 8,000,000 | 10,000,000 | 0.28 |
| Yuen Pak Lau Raymond | 15/6/2009 | 15/6/2009 – 30/6/2013 | (3) | 0.1468 | 3,000,000 | — | — | 12,000,000 | 15,000,000 | 0.42 |
| | 15/10/2010 | 15/10/2010 – 31/10/2012 | (6) | 0.3040 | — | 2,000,000 | — | 8,000,000 | 10,000,000 | 0.28 |
| Cheng Shu Shing Raymond | 15/10/2010 | 15/10/2010 – 31/10/2012 | (7) | 0.3040 | — | 1,000,000 | (500,000) | 2,000,000 | 2,500,000 | 0.07 |
| Lo Kwok Hung John | 15/10/2010 | 15/10/2010 – 31/10/2012 | (7) | 0.3040 | — | 1,000,000 | (500,000) | 2,000,000 | 2,500,000 | 0.07 |
| Lo Ming Chi Charles | 15/10/2010 | 15/10/2010 – 31/10/2012 | (7) | 0.3040 | — | 1,000,000 | — | 4,000,000 | 5,000,000 | 0.14 |
| | | | | | 19,000,000 | 23,000,000 | (1,000,000) | 164,000,000 | 205,000,000 | 5.79 |

Notes:

(1) Mr Kwan Pak Hoo Bankee is also the substantial Shareholder.

(2) The number and the exercise price of share options which remained outstanding on 23 December 2010 have been adjusted due to the share subdivision of the Company for every 1 existing Share into 5 Shares with effect from 9: 30 am on 23 December 2010. The exercise prices per share were adjusted from HK$0.7340 to HK$0.1468 and from HK$1.5200 to HK$0.3040.

(3) The options were vested in 2 tranches as to (i) 50% exercisable from 15 December 2009 up to 30 June 2013; and (ii) 50% exercisable from 15 June 2010 up to 30 June 2013.

(4) The closing price of the Share immediately before the date of grant of options on 15 October 2010 was HK$1.1800.

(5) The fair value of the options granted by the Company to the Directors during the year totalled approximately HK$15,088,000. The assumptions in arriving the fair value of the options are disclosed in note 41 to the consolidated financial statements.

(6) The options are vested in 2 tranches as to (i) 50% exercisable from 1 January 2011 up to 31 October 2012; and (ii) 50% exercisable from 1 January 2012 up to 31 October 2012.

(7) The options are vested in 2 tranches as to (i) 50% exercisable from 15 October 2010 up to 31 October 2012; and (ii) 50% exercisable from 15 October 2011 up to 31 October 2012.

(8) The options are held by the Directors in the capacity of beneficial owners.

### (c) Aggregate long positions in the Shares and the underlying shares

| Name | Number of Shares | Number of underlying shares | Aggregate in number | Percentage to issued Shares as at 31 December 2010 |
|---|---|---|---|---|
| | | | | (%) |
| Kwan Pak Hoo Bankee | 1,535,605,990 | 45,000,000 | 1,580,605,990 | 44.68 |
| Chan Chi Ming Benson | 50,000,000 | 45,000,000 | 95,000,000 | 2.68 |
| Law Ping Wah Bernard | 5,600 | 55,000,000 | 55,005,600 | 1.56 |
| Cheng Man Pan Ben | 26,670,000 | 25,000,000 | 51,670,000 | 1.45 |
| Yuen Pak Lau Raymond | 25,050,000 | 25,000,000 | 50,050,000 | 1.41 |
| Cheng Shu Shing Raymond | — | 2,500,000 | 2,500,000 | 0.07 |
| Lo Kwok Hung John | 1,905,000 | 2,500,000 | 4,405,000 | 0.12 |
| Lo Ming Chi Charles | — | 5,000,000 | 5,000,000 | 0.14 |
| | 1,639,236,590 | 205,000,000 | 1,844,236,590 | 52.11 |

## B. Associated corporation (within the meaning of SFO)

### CASH

*(a) Long positions in the ordinary shares of HK$0.01 each*

| Name | Capacity | Number of shares: Personal | Number of shares: Other interest | Shareholding |
|---|---|---|---|---|
| | | | | (%) |
| Kwan Pak Hoo Bankee | Beneficial owner and interest in a controlled corporation | — | 1,022,638,955* | 33.09 |
| Law Ping Wah Bernard | Beneficial owner | 107,408,720 | — | 3.48 |
| Cheng Man Pan Ben | Beneficial owner | 152,400 | — | 0.00 |
| Yuen Pak Lau Raymond | Beneficial owner | 7,800,000 | — | 0.25 |
| | | 115,361,120 | 1,022,638,955 | 36.82 |

* The shares were held by Cash Guardian. Mr Kwan Pak Hoo Bankee was deemed to be interested in all these shares as a result of his interests in Cash Guardian as disclosed in the heading of "Substantial Shareholders" in this section below.

*(b) Long positions in the underlying shares*

(i) Options under share option scheme

| Name | Date of grant | Option period | Exercise price per share | Number of options: outstanding as at 1 January 2010 | granted on 3 June 2010 | adjusted on 27 September 2010 | adjusted on 27 October 2010 | exercised during the year | outstanding as at 31 December 2010 | Percentage to issued shares as at 31 December 2010 |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | (HK$) (Notes (1) & (2)) | | | (Note (1)) | (Note (2)) | | | (%) |
| Kwan Pak Hoo Bankee | 13/3/2009 | 13/3/2009 – 31/3/2011 | 0.0942 | 1,800,000 | — | 360,000 | 19,440,000 | (18,000,000) | 3,600,000 | 0.12 |
| | 3/6/2010 | 3/6/2010 – 31/5/2012 | 0.1667 | — | 2,000,000 | 400,000 | 21,600,000 | — | 24,000,000 | 0.78 |
| Chan Chi Ming Benson | 13/3/2009 | 13/3/2009 – 31/3/2011 | 0.0942 | 1,500,000 | — | 300,000 | 16,200,000 | — | 18,000,000 | 0.58 |
| Law Ping Wah Bernard | 13/3/2009 | 13/3/2009 – 31/3/2011 | 0.0942 | 1,800,000 | — | 360,000 | 19,440,000 | (18,000,000) | 3,600,000 | 0.12 |
| | 3/6/2010 | 3/6/2010 – 31/5/2012 | 0.1667 | — | 2,000,000 | 400,000 | 21,600,000 | — | 24,000,000 | 0.78 |
| Cheng Man Pan Ben | 13/3/2009 | 13/3/2009 – 31/3/2011 | 0.0942 | 1,000,000 | — | 200,000 | 10,800,000 | — | 12,000,000 | 0.39 |
| Yuen Pak Lau Raymond | 13/3/2009 | 13/3/2009 – 31/3/2011 | 0.0942 | 1,000,000 | — | 200,000 | 10,800,000 | — | 12,000,000 | 0.39 |
| | | | | 7,100,000 | 4,000,000 | 2,220,000 | 119,880,000 | (36,000,000) | 97,200,000 | 3.16 |

Notes:

(1) The number and the exercise price of share options which remained outstanding on 27 September 2010 have been adjusted due to the bonus issue of CASH on the basis of 1 bonus share for every 5 existing shares held with effect from the same date. The exercise prices per share were adjusted from HK$1.1300 to HK$0.9420 and from HK$2.0000 to HK$1.6670.

(2) The number and the exercise price of share options which remained outstanding on 27 October 2010 have been adjusted due to the share subdivision of CASH for every 1 existing share into 10 shares with effect from 4:00 pm on 27 October 2010. The exercise prices per share were adjusted from HK$0.9420 to HK$0.0942 and from HK$1.6670 to HK$0.1667.

(3) The options are held by the Directors in the capacity of beneficial owners.

(ii) Convertible note

| Name of noteholder (Note (1)) | Date of issue | Conversion period | Conversion price per share (Note (2)) (HK$) | Outstanding as at 1 January 2010 (HK$) | Partial conversion during the year (Note (3)) (HK$) | Outstanding as at 31 December 2010 (HK$) | Number of underlying shares | Percentage to issued shares as at 31 December 2010 (%) |
|---|---|---|---|---|---|---|---|---|
| Cash Guardian | 17/2/2009 | 17/8/2009 – 31/12/2011 | 0.0833 | 43,243,000 | (15,000,000) | 28,243,000 | 339,051,615 | 10.97 |

Notes:

(1) The convertible note was held by Cash Guardian. Mr Kwan Pak Hoo Bankee was deemed to be interested in all these shares as a result of his interests in Cash Guardian as disclosed in the heading of "Substantial Shareholders" in this section below.

(2) The conversion price of the convertible note has been adjusted from HK$1.00 to HK$0.833 due to the bonus issue of CASH on the basis of 1 bonus share for every 5 existing shares with effect from 27 September 2010, and from HK$0.8330 to HK$0.0833 due to the share subdivision of CASH for every 1 existing share into 10 shares with effect from 27 October 2010.

(3) The noteholder has exercised its right for partial conversion of the convertible note in the principal amount of HK$6,500,000 (at the conversion price of HK$1.00), HK$7,000,000 (at the conversion price of HK$0.0833) and HK$1,500,000 (at the conversion price of HK$0.0833) on 1 September 2010, 29 October 2010 and 30 November 2010 respectively. The convertible note in the total principal amount of HK$15,000,000 has been partially converted, and a total number of 432,853,432 new shares have been issued during the year ended 31 December 2010.

*(c) Aggregate long positions in the ordinary shares and the underlying shares*

| Name | Number of shares | Number of underlying shares | Aggregate in number | Percentage to issued shares as at 31 December 2010 (%) |
|---|---|---|---|---|
| Kwan Pak Hoo Bankee | 1,022,638,955 | 366,651,615 | 1,389,290,570 | 44.96 |
| Chan Chi Ming Benson | — | 18,000,000 | 18,000,000 | 0.58 |
| Law Ping Wah Bernard | 107,408,720 | 27,600,000 | 135,008,720 | 4.38 |
| Cheng Man Pan Ben | 152,400 | 12,000,000 | 12,152,400 | 0.39 |
| Yuen Pak Lau Raymond | 7,800,000 | 12,000,000 | 19,800,000 | 0.64 |
| | 1,138,000,075 | 436,251,615 | 1,574,251,690 | 50.95 |

Save as disclosed above, as at 31 December 2010, none of the Directors, chief executives or their associates had any interests and short positions 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 (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or (b) were recorded in the register required to be kept under section 352 of the SFO, or (c) were otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

# Directors' Report

## SHARE OPTION SCHEMES

The current share option scheme of the Company is the New Option Scheme which was adopted on 22 February 2008 and took effect on 3 March 2008. The previous share option scheme of the Company was the Option Scheme which was adopted on 19 February 2002 and was terminated on 3 March 2008.

Particulars of the terms of the share option schemes are set out in note 41 to the consolidated financial statements. The following table discloses details of the Company's share options granted under the share option schemes held by the Directors and the employees of the Group and movements in such holdings during the year ended 31 December 2010.

| Name of scheme | Date of grant | Option period | Exercise price per Share (Note 10) HK$ | Notes | Number of options: outstanding as at 1 January 2010 | granted during the year (Notes 7 & 11) | exercised during the year (Note 8) | lapsed during the year (Note 9) | adjusted on 23 December 2010 (Note 10) | outstanding as at 31 December 2010 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Directors** | | | | | | | | | | |
| New Option Scheme | 15/6/2009 | 15/6/2009 – 30/6/2013 | 0.1468 | (1)&(2)(i) | 19,000,000 | — | — | — | 76,000,000 | 95,000,000 |
| | 15/10/2010 | 15/10/2010 – 31/10/2012 | 0.3040 | (1)&(5)(i) | — | 23,000,000 | (1,000,000) | — | 88,000,000 | 110,000,000 |
| | | | | | 19,000,000 | 23,000,000 | (1,000,000) | — | 164,000,000 | 205,000,000 |
| **Employees and consultants** | | | | | | | | | | |
| Option Scheme | 7/7/2006 | 7/7/2006 – 31/7/2010 | 1.1800 | | 124,000 | — | — | (124,000) | — | — |
| New Option Scheme | 15/6/2009 | 15/6/2009 – 30/6/2013 | 0.1468 | (2)(ii) | 15,000,000 | — | (7,200,000) | — | 31,200,000 | 39,000,000 |
| | 22/6/2009 | 22/6/2009 – 30/6/2013 | 0.1440 | (3) | 15,000,000 | — | — | — | 60,000,000 | 75,000,000 |
| | 1/6/2010 | 1/6/2010 – 31/5/2012 | 0.6100 | (3) | — | 12,342,000 | (12,342,000) | — | — | — |
| | 3/6/2010 | 3/6/2010 – 31/5/2012 | 0.1260 | (4) | — | 12,500,000 | — | — | 50,000,000 | 62,500,000 |
| | 15/10/2010 | 15/10/2010 – 31/10/2012 | 0.3040 | (3)&(5)(ii) | — | 23,000,000 | — | — | 92,000,000 | 115,000,000 |
| | 15/10/2010 | 15/10/2010 – 31/10/2013 | 0.3040 | (6) | — | 3,500,000 | — | — | 14,000,000 | 17,500,000 |
| | 22/11/2010 | 22/11/2010 – 31/11/2012 | 0.5100 | (3) | — | 12,000,000 | — | — | 48,000,000 | 60,000,000 |
| | | | | | 30,124,000 | 63,342,000 | (19,542,000) | (124,000) | 295,200,000 | 369,000,000 |
| | | | | | 49,124,000 | 86,342,000 | (20,542,000) | (124,000) | 459,200,000 | 574,000,000 |

Notes:

(1) Details of the options granted to the Directors are set out in the section headed "Directors' interests in securities" above.

(2) (i) The options are vested in 2 tranches as to (i) 50% exercisable from 15 December 2009 up to 30 June 2013; and (ii) 50% exercisable from 15 June 2010 up to 30 June 2013; and

(ii) Out of the 15,000,000 options, a total of 6,000,000 options are vested in 2 tranches as to (i) 50% exercisable from 15 December 2009 up to 30 June 2013; and (ii) 50% exercisable from 15 June 2010 up to 30 June 2013; and a total of 9,000,000 options are vested in 3 tranches as to (i) 30% exercisable from 15 June 2010 up to 30 June 2013; (ii) 30% exercisable from 15 June 2011 up to 30 June 2013; and (iii) 40% exercisable from 15 June 2012 up to 30 June 2013.

(3) The share options will be vested upon the provision of satisfactory services determined at the sole discretion of the board of Directors.

(4) The options are vested in 2 tranches as to (i) 50% exercisable from 1 January 2011 up to 31 May 2012; and (ii) 50% exercisable from 1 January 2012 up to 31 May 2012.

(5) (i) Out of the 23,000,000 options granted, a total of 20,000,000 options are vested in 2 tranches as to (i) 50% exercisable from 1 January 2011 up to 31 October 2012; and (ii) 50% exercisable from 1 January 2012 up to 31 October 2012; and a total of 3,000,000 options are vested in 2 tranches as to (i) 50% exercisable from 15 October 2010 up to 31 October 2012; and (ii) 50% exercisable from 15 October 2011 up to 31 October 2012; and

(ii) Out of the 23,000,000 options granted, a total of 5,000,000 options are vested in 2 tranches as to (i) 50% exercisable from 1 January 2011 up to 31 October 2012; and (ii) 50% exercisable from 1 January 2012 up to 31 October 2012; and a total of 18,000,000 options are exercisable from 15 October 2010 up to 31 October 2012 and the share options will be vested upon the provision of satisfactory services determined at the sole discretion of the board of Directors.

(6) Out of the 3,500,000 options granted, a total of 2,500,000 options are vested in 3 tranches as to (i) 20% exercisable from 15 October 2010 up to 31 October 2013; (ii) 30% exercisable from 15 October 2011 up to 31 October 2013; and (iii) 50% exercisable from 15 October 2012 up to 31 October 2013; and a total of 1,000,000 options are vested in 2 tranches as to (i) 50% exercisable from 1 January 2011 up to 31 October 2012; and (ii) 50% exercisable from 1 January 2012 up to 31 October 2013.

(7) The closing price of the share immediately before the date of grant of options are:

| **Date of grant** | **Closing price of Shares immediately preceding the date of grant** HK$ |
|---|---|
| 1 June 2010 | 0.6200 |
| 3 June 2010 | 0.6000 |
| 15 October 2010 | 1.1800 |
| 22 November 2010 | 2.3300 |

(8) The number of options exercised during the year together with the exercise prices and the weighted average preceding closing price are set out as follows:

| **Date of exercise** | **Number of options exercised** | **Exercise price per share** HK$ | **Weighted average preceding closing price** HK$ (Note) |
|---|---|---|---|
| 25 October 2010 | 4,200,000 | 0.7340 | 1.8600 |
| 26 October 2010 | 3,000,000 | 0.7340 | 1.8000 |
| 26 October 2010 | 12,342,000 | 0.6100 | 1.8000 |
| 5 November 2010 | 1,000,000 | 1.5200 | 2.3700 |
| | 20,542,000 | | |

Note: This represents the weighted average closing price of the Company's share immediately before the date of exercise.

(9) The lapsed options were due to expiry of the options.

(10) The number and the exercise price of share options which remained outstanding have been adjusted due to 1 to 5 share subdivision of the Company with effect from 9:30 am on 23 December 2010.

The exercise prices of share options were adjusted as follows:

| **Date of grant** | **Exercise price (before adjustment)** HK$ | **Exercise price (after adjustment)** HK$ |
|---|---|---|
| 15 June 2009 | 0.7340 | 0.1468 |
| 22 June 2009 | 0.7200 | 0.1440 |
| 3 June 2010 | 0.6300 | 0.1260 |
| 15 October 2010 | 1.5200 | 0.3040 |
| 22 November 2010 | 2.5500 | 0.5100 |

(11) The estimated fair values of the share options granted on these dates and the assumptions in arriving the fair value of the options are disclosed in note 41(c) to the consolidated financial statements.

## SUBSTANTIAL SHAREHOLDERS

As at 31 December 2010, so far as is known to the Directors and chief executives of the Company, the persons/companies, other than a Director or chief executives of the Company, who had interests or short positions in the Shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO were as follows:

| **Name** | **Capacity** | **Number of Shares** | **Shareholding** (%) |
|---|---|---|---|
| Hobart Assets Limited (Note (1)) | Interest in a controlled corporation | 1,535,605,990 | 43.40 |
| Cash Guardian (Note (1)) | Interest in a controlled corporation | 1,535,605,990 | 43.40 |
| CASH (Note (1)) | Interest in a controlled corporation | 1,490,782,790 | 42.13 |
| Praise Joy Limited (Note (1)) | Interest in a controlled corporation | 1,490,782,790 | 42.13 |
| CIGL (Note (1)) | Beneficial owner | 1,490,782,790 | 42.13 |
| Mr Al-Rashid, Abdulrahman Saad ("Mr Al-Rashid") (Note (2)) | Interest in a controlled corporation | 260,752,400 | 7.37 |
| ARTAR (Note (2)) | Beneficial owner | 260,752,400 | 7.37 |

Notes:

(1) This refers to the same number of 1,535,605,990 Shares which were held as to 1,490,782,790 Shares by CIGL, a wholly-owned subsidiary of Praise Joy Limited (which was 100% beneficially owned by CASH) and as to 44,823,200 Shares by Cash Guardian. CASH owned as to approximately 33.09% by Cash Guardian, a wholly-owned subsidiary of Hobart Assets Limited, which in turn was 100% beneficially owned by Mr Kwan Pak Hoo Bankee. Pursuant to the SFO, Mr Kwan and Hobart Assets Limited were deemed to be interested in all the Shares held by CIGL through CASH and Cash Guardian. The above interest has already been disclosed as other interest of Mr Kwan in the section headed "Directors' interests in securities" above.

(2) This refers to the same number of 260,752,400 Shares held by ARTAR. ARTAR was a 45% owned controlled corporation of Mr Al-Rashid. Pursuant to the SFO, Mr Al-Rashid was deemed to be interested in the Shares held by ARTAR.

Save as disclosed above, as at 31 December 2010, so far as is known to the Directors and chief executives of the Company, no other parties (other than a Director or chief executive of the Company) who had interests or short positions in the Shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

## PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

During the year ended 31 December 2010, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained sufficient public float of not less than 25% of its Shares in the hands of the public in accordance with the Listing Rules as at the latest practicable date prior to the issue of this annual report.

## DONATIONS

During the year, the Group made charitable donations amounted to approximately HK$400,000.

## CONFIRMATION OF INDEPENDENCE

The Company has received a written confirmation in respect of independence from each of the INEDs in compliance with rule 3.13 of the Listing Rules, and the Company still considers that each of them to be independent.

# Directors' Report

## AUDITOR

On 2 November 2009, the auditor of the Company was changed from Messrs. Deloitte Touche Tohmatsu to Grant Thornton. On 21 September 2010, Grant Thornton resigned as auditor of the Company and Messrs. Deloitte Touche Tohmatsu was appointed by the Board as auditor of the Company to fill the casual vacancy. Save as disclosed herein, there have been no other changes of auditor in the preceding three years.

The consolidated financial statements of the Company for the year were audited by Messrs. Deloitte Touche Tohmatsu. A resolution will be submitted to the forthcoming annual general meeting of the Company to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board
**Bankee P Kwan**
*Chairman*

Hong Kong, 11 March 2011

# Independent Auditor's Report

**Deloitte.**
德勤

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**TO THE SHAREHOLDERS OF CASH FINANCIAL SERVICES GROUP LIMITED**
*(incorporated in Bermuda with limited liability)*

We have audited the consolidated financial statements of CASH Financial Services Group Limited ("Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 64 to 132, which comprise the consolidated statement of financial position as at 31 December 2010, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and 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 and to report our opinion solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act, 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 judgment, 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.

# Independent Auditor's Report (continued)

## Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2010 and of the Group's profit 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.

## Other Matter

The consolidated financial statements of the Group for the year ended 31 December 2009 were audited by another auditor who expressed an unmodified opinion on those statements on 31 March 2010.

**Deloitte Touche Tohmatsu**
*Certified Public Accountants*

Hong Kong
11 March 2011

# Consolidated Statement of Comprehensive Income

For the year ended 31 December 2010

| | Notes | 2010<br>HK$'000 | 2009<br>HK$'000<br>(restated) |
|---|---|---|---|
| **Revenue** | 5 | **1,294,203** | 705,480 |
| Other income | 7 | **16,675** | 7,120 |
| Other gains and losses | 8 | **74,373** | 17,723 |
| Cost of sales for retailing business | 9 | **(591,049)** | (274,111) |
| Salaries, commission and related benefits | 10 | **(297,976)** | (201,594) |
| Depreciation | | **(47,678)** | (34,826) |
| Finance costs | 11 | **(16,747)** | (13,960) |
| Other operating and administrative expenses | | **(363,095)** | (242,153) |
| Change in fair value of investment properties | | **—** | 24,290 |
| Share of profits of associates | 26 | **4,414** | 5,247 |
| **Profit (loss) before taxation** | | **73,120** | (6,784) |
| Income tax expense | 15 | **(8,185)** | (13,848) |
| **Profit (loss) for the year** | 17 | **64,935** | (20,632) |
| **Other comprehensive income (expense)** | | | |
| Exchange differences arising on translation of foreign operations | | **3,094** | (17) |
| Gain on revaluation of leasehold land and building | | **3,815** | 26,651 |
| Income tax relating to the gain on revaluation of leasehold land and building | | **(630)** | (4,397) |
| **Other comprehensive income for the year (net of tax)** | | **6,279** | 22,237 |
| **Total comprehensive income for the year** | | **71,214** | 1,605 |
| **Profit (loss) for the year attributable to:** | | | |
| Owners of the Company | | **63,390** | (22,075) |
| Non-controlling interests | | **1,545** | 1,443 |
| | | **64,935** | (20,632) |
| **Total comprehensive income attributable to:** | | | |
| Owners of the Company | | **68,653** | 162 |
| Non-controlling interests | | **2,561** | 1,443 |
| | | **71,214** | 1,605 |
| **Earnings (loss) per share for profit (loss) attributable to the owners of the Company during the year** | 18 | | |
| — Basic (HK cents) | | **2.00** | (0.79) |
| — Diluted (HK cents) | | **1.98** | (0.79) |

# Consolidated Statement of Financial Position

At 31 December 2010

| | Notes | 2010 HK$'000 | 2009 HK$'000 (restated) |
|---|---|---|---|
| **Non-current assets** | | | |
| Property and equipment | 19 | **188,909** | 202,275 |
| Investment properties | 20 | **89,967** | 87,561 |
| Goodwill | 21 | **2,661** | 2,661 |
| Intangible assets | 22 | **321,059** | 321,059 |
| Other assets | 24 | **14,851** | 11,040 |
| Rental and utility deposits | | **24,959** | 21,555 |
| Loans receivable | 25 | **—** | 4,950 |
| Interests in associates | 26 | **124,512** | 116,931 |
| Loan to an associate | 26 | **10,296** | 10,296 |
| Deferred tax assets | 16 | **4,100** | 2,000 |
| | | **781,314** | 780,328 |
| **Current assets** | | | |
| Inventories | 27 | **48,948** | 43,454 |
| Accounts receivable | 29 | **707,076** | 505,305 |
| Loans receivable | 25 | **13,017** | 15,663 |
| Prepayments, deposits and other receivables | | **43,651** | 33,588 |
| Amounts due from related companies | 28 | **334** | — |
| Tax recoverable | | **—** | 9,381 |
| Investments held for trading | 30 | **42,435** | 37,214 |
| Bank deposits subject to conditions | 31 | **68,252** | 87,739 |
| Bank balances — trust and segregated accounts | 28 | **697,060** | 765,112 |
| Bank balances (general accounts) and cash | 28 | **336,844** | 253,243 |
| | | **1,957,617** | 1,750,699 |
| **Current liabilities** | | | |
| Accounts payable | 32 | **1,172,594** | 1,157,955 |
| Accrued liabilities and other payables | | **83,448** | 58,976 |
| Amounts due to fellow subsidiaries | 28 | **—** | 800 |
| Taxation payable | | **9,378** | 6,337 |
| Obligations under finance leases — amount due within one year | 33 | **382** | 135 |
| Bank borrowings — amount due within one year | 34 | **402,491** | 386,861 |
| Loan from a non-controlling shareholder | 28 | **27,437** | 27,437 |
| | | **1,695,730** | 1,638,501 |
| **Net current assets** | | **261,887** | 112,198 |
| **Total assets less current liabilities** | | **1,043,201** | 892,526 |

# Consolidated Statement of Financial Position (continued)

At 31 December 2010

| | Notes | 2010 HK$'000 | 2009 HK$'000 (restated) |
|---|---|---|---|
| **Non-current liabilities** | | | |
| Deferred tax liabilities | 16 | **63,686** | 64,127 |
| Obligations under finance leases — amount due after one year | 33 | **552** | 180 |
| Bank borrowings — amount due after one year | 34 | **34,220** | 35,549 |
| | | **98,458** | 99,856 |
| **Net assets** | | **944,743** | 792,670 |
| **Capital and reserves** | | | |
| Share capital | 36 | **70,765** | 61,711 |
| Reserves | | **853,665** | 713,207 |
| Equity attributable to owners of the Company | | **924,430** | 774,918 |
| Non-controlling interests | | **20,313** | 17,752 |
| **Total equity** | | **944,743** | 792,670 |

The financial statements on pages 64 to 132 were approved and authorised for issue by the Board of Directors on 11 March 2011 and are signed on its behalf by:

**KWAN PAK HOO BANKEE**
*DIRECTOR*

**LAW PING WAH BERNARD**
*DIRECTOR*

# Consolidated Statement of Changes in Equity

For the year ended 31 December 2010

| | Attributable to equity holders of the Company | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital HK$'000 | Share premium HK$'000 | Contributed surplus HK$'000 (Note) | Convertible notes equity reserve HK$'000 | Share-based payment reserve HK$'000 | Revaluation reserve HK$'000 | Translation reserve HK$'000 | Retained earnings HK$'000 | Total HK$'000 | Non-controlling interests HK$'000 | Total HK$'000 |
| At 1 January 2009 | 41,140 | 309,851 | 276,788 | — | — | — | 5,360 | 56,154 | 689,293 | 16,762 | 706,055 |
| Loss for the year | — | — | — | — | — | — | — | (22,075) | (22,075) | 1,443 | (20,632) |
| Exchange differences arising on translation of foreign operations | — | — | — | — | — | — | (17) | — | (17) | — | (17) |
| Gain on revaluation of leasehold land and building | — | — | — | — | — | 26,651 | — | — | 26,651 | — | 26,651 |
| Income tax relating to the gain on revaluation of leasehold land and building | — | — | — | — | — | (4,397) | — | — | (4,397) | — | (4,397) |
| Other comprehensive income for the year (net of tax) | — | — | — | — | — | 22,254 | (17) | — | 22,237 | — | 22,237 |
| Total comprehensive income for the year | — | — | — | — | — | 22,254 | (17) | (22,075) | 162 | 1,443 | 1,605 |
| Issue of new shares | 20,571 | 71,996 | — | — | — | — | — | — | 92,567 | — | 92,567 |
| Transaction costs attributable to issue of new shares | — | (802) | — | — | — | — | — | — | (802) | — | (802) |
| Amount transferred to retained earnings as a result of expiration of share option | — | — | — | — | (494) | — | — | 494 | — | — | — |
| Share-based compensation | — | — | — | — | 7,566 | — | — | — | 7,566 | — | 7,566 |
| Acquisition of non-controlling interests | — | — | — | — | — | — | — | — | — | (953) | (953) |
| Issue of convertible notes | — | — | — | 26,321 | — | — | — | — | 26,321 | — | 26,321 |
| Redemption of convertible notes | — | — | — | (26,321) | — | — | — | (13,868) | (40,189) | — | (40,189) |
| Capital contribution from non-controlling interests | — | — | — | — | — | — | — | — | — | 500 | 500 |
| At 31 December 2009 and 1 January 2010 (as restated) | 61,711 | 381,045 | 276,788 | — | 7,072 | 22,254 | 5,343 | 20,705 | 774,918 | 17,752 | 792,670 |
| Profit for the year | — | — | — | — | — | — | — | 63,390 | 63,390 | 1,545 | 64,935 |
| Exchange differences arising on translation of foreign operations | — | — | — | — | — | — | 2,078 | — | 2,078 | 1,016 | 3,094 |
| Gain on revaluation of leasehold land and building | — | — | — | — | — | 3,815 | — | — | 3,815 | — | 3,815 |
| Income tax relating to the gain on revaluation of leasehold land and building | — | — | — | — | — | (630) | — | — | (630) | — | (630) |
| Other comprehensive income for the year (net of tax) | — | — | — | — | — | 3,185 | 2,078 | — | 5,263 | 1,016 | 6,279 |
| Total comprehensive income for the year | — | — | — | — | — | 3,185 | 2,078 | 63,390 | 68,653 | 2,561 | 71,214 |
| Amount transferred to set off accumulated losses in company level | — | — | (100,000) | — | — | — | — | 100,000 | — | — | — |
| Issue of new shares | 9,054 | 80,179 | — | — | — | — | — | — | 89,233 | — | 89,233 |
| Transaction costs attributable to issue of new shares | — | (2,666) | — | — | — | — | — | — | (2,666) | — | (2,666) |
| Share-based compensation | — | — | — | — | 6,634 | — | — | — | 6,634 | — | 6,634 |
| Amount transferred to retained earnings as a result of expiration of share option | — | — | — | — | (68) | — | — | 68 | — | — | — |
| Amount transferred to share premium as a result of exercise of share option | — | 2,187 | — | — | (2,187) | — | — | — | — | — | — |
| Dividends recognised as distribution (Note 14) | — | — | — | — | — | — | — | (12,342) | (12,342) | — | (12,342) |
| **At 31 December 2010** | **70,765** | **460,745** | **176,788** | **—** | **11,451** | **25,439** | **7,421** | **171,821** | **924,430** | **20,313** | **944,743** |

Note: The contributed surplus of the Group represents the difference between the nominal amount of the shares issued by the Company and the aggregate of the nominal amount of the issued share capital and the reserves of CASH on-line Limited, the then holding company of the Group prior to the group reorganisation, pursuant to the group reorganisation after deducting the expenses in connection with the listing of the Company's shares and the acquisition of subsidiaries, and the net amount arising from the capital reduction, reduction of share premium account and amounts transferred to eliminate accumulated losses.

# Consolidated Statement of Cash Flows

For the year ended 31 December 2010

| | Notes | **2010 HK$'000** | 2009 HK$'000 (restated) |
|---|---|---|---|
| **Operating activities** | | | |
| Profit (loss) before taxation | | **73,120** | (6,784) |
| Adjustments for: | | | |
| Write-down on inventories | 9 | **2,095** | 1,569 |
| Gain on disposal of intangible assets | 8 | **—** | (393) |
| Depreciation of property and equipment | | **47,678** | 34,826 |
| Net gain on acquisition of subsidiaries and redemption of convertible notes | 8 | **—** | (621) |
| Interest income arising from accounts receivable on disposal of subsidiaries | | **—** | (2,387) |
| Interest expense | 11 | **16,747** | 13,960 |
| Change in fair value of investment properties | 20 | **—** | (24,290) |
| Loss on disposal of property and equipment | 8 | **97** | 778 |
| Impairment losses recognised on goodwill | 8 | **—** | 2,719 |
| Impairment loss on other receivables | 8 | **7** | 270 |
| Share-based compensation | 41(c) | **6,634** | 7,566 |
| Share of profits of associates | 26 | **(4,414)** | (5,247) |
| Operating cash flows before movements in working capital | | **141,964** | 21,966 |
| Increase in inventories | | **(7,589)** | (11,658) |
| Increase in accounts receivable | | **(201,771)** | (201,263) |
| Decrease (increase) in loans receivable | | **7,596** | (6,792) |
| (Increase) decrease in prepayments, deposits and other receivables | | **(13,474)** | 2,646 |
| Decrease in amount due from an associate | | **—** | 260 |
| Increase in amounts due from related companies | | **(334)** | — |
| Decrease in amounts due from fellow subsidiaries | | **—** | 1,700 |
| (Increase) decrease in investments held for trading | | **(5,221)** | 41,941 |
| Decrease in derivative financial liabilities | | **—** | (3,067) |
| Decrease (increase) in bank balances — trust and segregated accounts | | **68,052** | (223,033) |
| Increase in accounts payable | | **14,639** | 354,601 |
| Increase in accrued liabilities and other payables | | **24,472** | 8,497 |
| Decrease in amounts due to fellow subsidiaries | | **(800)** | — |
| Cash generated from (used in) operations | | **27,534** | (14,202) |
| Income taxes refunded | | **5,473** | 350 |
| Income taxes paid | | **(4,407)** | (30,441) |
| Net cash from (used in) operating activities | | **28,600** | (44,293) |

# Consolidated Statement of Cash Flows (continued)

For the year ended 31 December 2010

| | Notes | 2010 HK$'000 | 2009 HK$'000 (restated) |
|---|---|---|---|
| **Investing activities** | | | |
| Acquisition of subsidiaries | 40 | — | 130,259 |
| Decrease (increase) in bank deposits subject to conditions | | **19,487** | (52,559) |
| Statutory and other deposits paid | | **(3,811)** | (1,593) |
| Purchases of property and equipment | | **(29,412)** | (47,016) |
| Purchases of investment properties | | **(1,051)** | — |
| Purchase of other intangible assets | | — | (300) |
| Proceeds on disposal of intangible assets | | — | 1,703 |
| Proceeds on disposal of property and equipment | | **208** | — |
| Receipt on amounts receivable on disposal of subsidiaries | | — | 173,885 |
| Net cash (used in) from investing activities | | **(14,579)** | 204,379 |
| **Financing activities** | | | |
| Acquisition of additional interests in a subsidiary | | — | (1,400) |
| Capital contribution from a non-controlling shareholder | | — | 500 |
| Increase in bank borrowings | | **14,301** | 91,467 |
| Repayment of convertible notes | 35 | — | (250,340) |
| Proceeds on issue of shares | | **89,233** | 92,567 |
| Share issue expenses | | **(2,666)** | (802) |
| Dividends paid | 14 | **(12,342)** | — |
| Interest paid on bank borrowings | 11 | **(16,689)** | (13,120) |
| Interest paid on convertible notes | | — | (749) |
| Interest paid on obligations under finance leases | 11 | **(58)** | (23) |
| Repayment of obligations under finance leases | | **(361)** | (127) |
| Net cash from (used in) financing activities | | **71,418** | (82,027) |
| Net increase in cash and cash equivalents | | **85,439** | 78,059 |
| Cash and cash equivalents at beginning of year | | **253,243** | 175,201 |
| Effect of change in foreign exchange rate | | **(1,838)** | (17) |
| Cash and cash equivalents at end of year | | **336,844** | 253,243 |
| Bank balances (general accounts) and cash | | **336,844** | 253,243 |

## 1. GENERAL

CASH Financial Services Group Limited ("Company") was incorporated in Bermuda as an exempted company with limited liability under the Companies Act 1981 of Bermuda and its shares are listed on the Main Board of the Stock Exchange of Hong Kong Limited ("Stock Exchange"). The address of the registered office of the Company is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda, while the address of the principal place of business of the Company is 21/F Low Block, Grand Millennium Plaza, 181 Queen's Road Central, Hong Kong.

Celestial Investment Group Limited ("CIGL"), a limited company incorporated in British Virgin Islands, and Celestial Asia Securities Holdings Limited ("CASH"), a company incorporated in Bermuda with its shares being listed on the Stock Exchange were the Company's immediate holding company and ultimate holding company respectively up to 10 October 2010.

Since 11 October 2010, both CIGL and CASH ceased to control the Company as both CIGL and CASH no longer control more than 50% of the voting power at all the shareholders' meetings of the Company. As a result, the Company became an associate of CIGL and CASH with effect from 11 October 2010.

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

- provision of online and traditional brokerage of securities, futures, options and leverage foreign exchange contracts as well as mutual funds and insurance-linked investment products;
- principal investments of securities and options;
- provision of margin financing and money lending services;
- provision of corporate finance services; and
- sales of furniture and household goods and electrical appliances.

The consolidated financial statements are presented in Hong Kong dollars, which is also the functional currency of the Company.

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied a number of new and revised Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are mandatorily effective for 2010 financial year ends.

Except as described below, the adoption of the new and revised Standards and Interpretations in the current year has had no material effect on the consolidated financial statements.

**HKFRS 3 (Revised) Business Combinations and HKAS 27 (Revised) Consolidated and Separate Financial Statements**

The Group applies HKFRS 3 (Revised) "Business combinations" prospectively to business combinations for which the acquisition date is on or after 1 January 2010. The requirements in HKAS 27 (Revised) "Consolidated and separate financial statements" in relation to accounting for changes in ownership interests in a subsidiary after control is obtained and for loss of control of a subsidiary are also applied prospectively by the Group on or after 1 January 2010.

As there was no transaction during the current year in which HKFRS 3 (Revised) and HKAS 27 (Revised) are applicable, the application of HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to other HKFRSs had no effect on the consolidated financial statements of the Group for the current or prior years.

Results of the Group in future periods may be affected by future transactions for which HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to the other HKFRSs are applicable.

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

### Consequential amendments to HKAS 7 Statement of Cash Flows (by HKAS 27)

As part of the consequential amendments of HKAS 27, HKAS 7 specifies that the cash flows arising from changes in ownership interests in a subsidiary that do not result in a loss of control should be classified as financing activities in the consolidated statement of cash flows. This change has been applied retrospectively. The cash consideration paid in the prior year of HK$1,400,000 has been reclassified from cash flows used in investing activities to cash flows used in financing activities.

### Amendments to HKAS 17 Leases

As part of Improvements to HKFRSs issued in 2009, HKAS 17 "Leases" has been amended in relation to the classification of leasehold land. Before the amendments to HKAS 17, the Group was required to classify leasehold land as operating leases and to present leasehold land as prepaid lease payments in the consolidated statement of financial position. The amendments to HKAS 17 have removed such a requirement. The amendments require that the classification of leasehold land should be based on the general principles set out in HKAS 17, that is, whether or not substantially all the risks and rewards incidental to ownership of a leased asset have been transferred to the lessee.

In accordance with the transitional provisions set out in the amendments to HKAS 17, the Group reassessed the classification of unexpired leasehold land as at 1 January 2010 based on information that existed at the inception of the leases. Leasehold land that qualifies for finance lease classification has been reclassified from prepaid lease payments to property and equipment retrospectively and stated at revalued amount in accordance with the Group's accounting policy. Details of financial effects are set out below.

As at 31 December 2010, leasehold land that qualifies for finance lease classification with the revalued amount of HK$48,000,000 has been included in leasehold land and building of HK$70,000,000 under property and equipment.

### Hong Kong Interpretation 5 Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

Hong Kong Interpretation 5 Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ("HK Int 5") clarifies that term loans that include a clause that gives the lender the unconditional right to call the loans at any time ("repayment on demand clause") should be classified by the borrower as current liabilities. The Group has applied HK Int 5 for the first time in the current year. Hong Kong Interpretation 5 requires retrospective application.

In order to comply with the requirements set out in HK Int 5, the Group has changed its accounting policy on classification of term loans with a repayment on demand clause. In the past, the classification of such term loans were determined based on the agreed scheduled repayment dates set out in the loan agreements. Under HK Int 5, term loans with a repayment on demand clause are classified as current liabilities.

As a result, bank loans that contain a repayment on demand clause with the aggregate carrying amounts of HK$19,828,000 have been reclassified from non-current liabilities to current liabilities as at 31 December 2009 (1 January 2009: nil). As at 31 December 2010, bank loans (that are repayable more than one year after the end of the reporting period but contain a repayment on demand clause) with the aggregate carrying amount of HK$11,720,000 have been classified as current liabilities. The application of HK Int 5 has had no impact on the reported profit or loss for the current and prior years.

Such term loans have been presented in the earliest time band in the maturity analysis for financial liabilities (see note 38 for details).

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

### Summary of the effects of the above changes in accounting policies

The effects of changes in accounting policies described above on the results of the current and prior year by line items are as follows:

| | **Year ended 31.12.2010 HK$'000** | Year ended 31.12.2009 HK$'000 |
|---|---|---|
| Decrease in deficit on property revaluation | — | 600 |
| Increase in depreciation of property and equipment | — | (207) |
| Decrease in amortisation of prepaid lease payments | — | 207 |
| Decrease in loss for the year | — | 600 |
| Increase in gain on revaluation of leasehold land and building | **3,815** | 26,651 |
| Increase in income tax relating to the gain on revaluation of leasehold land and building | **(630)** | (4,397) |
| Increase in other comprehensive income | **3,185** | 22,254 |
| Increase in total comprehensive income | **3,185** | 22,854 |

The effects of the above changes in accounting policies on the financial position of the Group as at 31 December 2009 is as follows:

| | **As at 31.12.2009 (originally stated)** HK$'000 | **Adjustments** HK$'000 | **As at 31.12.2009 (restated)** HK$'000 |
|---|---|---|---|
| Property and equipment | 159,475 | 42,800 | 202,275 |
| Prepaid lease payments | 15,134 | (15,134) | — |
| Prepayments, deposits and other receivables | 34,003 | (415) | 33,588 |
| Bank borrowings — amount due within one year | (367,033) | (19,828) | (386,861) |
| Deferred tax liabilities | (59,730) | (4,397) | (64,127) |
| Bank borrowings — amount due after one year | (55,377) | 19,828 | (35,549) |
| Total effects on net assets | (273,528) | 22,854 | (250,674) |
| Revaluation reserve | — | (22,254) | (22,254) |
| Retained earnings | (20,105) | (600) | (20,705) |
| Total effects on equity | (20,105) | (22,854) | (42,959) |

The above changes in accounting policies have no impact on the financial position of the Group as at 1 January 2009 and therefore no restated consolidated statement of financial position at that date is presented.

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

### Summary of the effects of the above changes in accounting policies (continued)

The effects of the above changes in accounting policies on the Group's basic and diluted loss per share for the prior year are as follows:

| | **Year ended 31.12.2009** | |
|---|---|---|
| | **Impact on basic loss per share** | **Impact on diluted loss per share** |
| | HK cents | HK cents |
| Figures before adjustments | (0.81) | (0.81) |
| Adjustments | 0.02 | 0.02 |
| Figures after adjustments | (0.79) | (0.79) |

### New and revised Standards and Interpretations issued but not yet effective

The Group has not early applied the following new and revised Standards and Interpretations that have been issued but are not yet effective:

| | |
|---|---|
| HKFRSs (Amendments) | Improvements to HKFRSs issued in 2010[2] |
| HKFRS 7 (Amendments) | Disclosures — Transfers of financial assets[5] |
| HKFRS 9 | Financial instruments[7] |
| HKAS 12 (Amendments) | Deferred tax: Recovery of underlying assets[6] |
| HKAS 24 (as revised in 2009) | Related party disclosures[4] |
| HKAS 32 (Amendments) | Classification of rights issues[1] |
| HK(IFRIC) — INT 14 (Amendments) | Prepayments of a minimum funding requirement[4] |
| HK(IFRIC) — INT 19 | Extinguishing financial liabilities with equity instruments[3] |

1 Effective for annual periods beginning on or after 1 February 2010.
2 Effective for annual periods beginning on or after 1 July 2010 or 1 January 2011, as appropriate.
3 Effective for annual periods beginning on or after 1 July 2010.
4 Effective for annual periods beginning on or after 1 January 2011.
5 Effective for annual periods beginning on or after 1 July 2011.
6 Effective for annual periods beginning on or after 1 January 2012.
7 Effective for annual periods beginning on or after 1 January 2013.

The directors of the Company anticipate that the application of the new and revised Standards or Interpretations will have no material impact on the consolidated financial statements of the Group.

## 3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at revalued amounts or fair values, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the considerations given in exchange for goods.

The principal accounting policies are set out below.

### Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date 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.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

**Allocation of total comprehensive income to non-controlling interests**

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Prior to 1 January 2010, losses applicable to the non-controlling interests in excess of the non-controlling interests in the subsidiary's equity were allocated against the interests of the Group except to the extent that the non-controlling interests had a binding obligation and were able to make an additional investment to cover the losses.

**Changes in the Group's ownership interests in existing subsidiaries**

*Changes in the Group's ownership interests in existing subsidiaries on or after 1 January 2010*

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

*Changes in the Group's ownership interests in existing subsidiaries prior to 1 January 2010*

Increases in interests in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognised where appropriate. For decreases in interests in subsidiaries, regardless of whether the disposals would result in the Group losing control over the subsidiaries, the difference between the consideration received and the adjustment to the non-controlling interests was recognised in profit or loss.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Basis of consolidation (continued)

**Changes in the Group's ownership interests in existing subsidiaries (continued)**

*Business combinations that took place prior to 1 January 2010*

Acquisition of businesses was accounted for using the purchase method. The cost of the acquisition was 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 in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that met the relevant conditions for recognition were generally recognised at their fair value at the acquisition date.

Goodwill arising on acquisition was recognised as an asset and initially measured at cost, being the excess of the cost of the acquisition over the Group's interest in the recognised amounts of the identifiable assets, liabilities and contingent liabilities recognised. If, after assessment, the Group's interest in the recognised amounts of the acquiree's identifiable assets, liabilities and contingent liabilities exceeded the cost of the acquisition, the excess was recognised immediately in profit or loss.

The non-controlling interest in the acquiree was initially measured at the non-controlling interest's proportionate share of the recognised amounts of the assets, liabilities and contingent liabilities of the acquiree.

### Goodwill

Goodwill arising on an acquisition of a business is carried at cost less any accumulated impairment losses, if any, and is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill is allocated to each of the cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently whenever there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated statement of comprehensive income. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Investments in associates

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associates. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 "Impairment of assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

### Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

Revenue arising from financial services are recognised on the following basis:

- The net increase or decrease in fair value of trading investments are recognised directly in net profit or loss;
- Commission income for broking business is recorded as income on a trade date basis;
- Underwriting commission income, sub-underwriting income and placing commission are recognised as income in accordance with the terms of the underlying agreement or deal mandate when relevant significant act has been completed;
- Advisory and other fee income are recognised when the relevant transactions have been arranged or the relevant services have been rendered; and
- Interest income from clients are recognised on a time proportion basis, taking into account the principal amounts outstanding and the effective interest rates applicable.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Revenue recognition (continued)

Revenue from sales of goods arising from retailing business is recognised when goods are delivered and title has passed.

Other interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

### Property and equipment

Property and equipment are stated at cost or fair value less subsequent accumulated depreciation and accumulated impairment losses, if any.

Leasehold land and building held for use in the production or supply of goods or services, or for administrative purposes, are stated in the consolidated statement of financial position at their revalued amounts, being the fair value at the date of revaluation less any subsequent accumulated depreciation and any subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the end of the reporting period.

Any revaluation increase arising on revaluation of leasehold land and buildings is recognised in other comprehensive income and accumulated in revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in net carrying amount arising on revaluation of an asset is recognised in profit or loss to the extent that it exceeds the balance, if any, on the revaluation reserve relating to a previous revaluation of that asset. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred to retained profits.

Depreciation is recognised so as to write off the cost or fair value of items of plant and equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

### Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the item is derecognised.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

#### The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's policy on borrowing costs (see the accounting policy on borrowing costs below).

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

#### Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases, in which case the entire lease is classified as operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis except for those that are classified and accounted for as investment properties under the fair value model.

### Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. 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. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are also recognised directly in other comprehensive income.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Foreign currencies (continued)

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (the translation reserve).

From 1 January 2010 onwards, on the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss. In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For partial disposals of associates that do not result in the Group losing significant influence, the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

### Retirement benefits costs

Payments to defined contribution retirement benefits plan/state-managed retirement benefits schemes/the Mandatory Provident Fund Scheme are charged as expenses when employees have rendered service entitling them to the contributions.

### Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

### Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Taxation (continued)

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

### Intangible assets

#### Intangible assets acquired separately

Intangible assets acquired separately and with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. Intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

#### Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. Alternatively, intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal of proceeds and the carrying amount of the asset and are recognised in the consolidated statement of comprehensive income when the asset is derecognised.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Inventories

Inventories are stated at lower of cost and net realisable value. Cost is calculated using the weighted average method.

### Financial instruments

Financial assets and financial liabilities are recognised on the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

**Financial assets**

The Group's financial assets are classified into one of the two categories, including financial assets at fair value through profit or loss ("FVTPL") and loans and receivables. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. 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.

*Effective interest method*

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments.

Financial assets at fair value through profit or loss

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

The Group's financial assets at FVTPL comprise financial assets held for trading subsequent to initial recognition, financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Financial instruments (continued)

**Financial assets (continued)**

*Effective interest method (continued)*

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including accounts receivable, loans receivable, loan to an associate, other receivables, amounts due from related companies, bank balances and deposits) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

**Impairment of loans and receivables**

Loans and receivables are assessed for indicators of impairment at the end of the reporting period. Loans and receivables are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the loans and receivables, the estimated future cash flows of the loans and receivables have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of loans and receivables, such as loans receivable and accounts receivable arising from the business of dealing in securities and equity options with margin clients, amounts that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include Group's past experience of collecting payments and observable changes in national or local economic conditions that correlate with default on receivables.

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The carrying amount of the loans and receivables is reduced by the impairment loss directly with the exception of accounts receivable and loans receivable where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When the accounts receivable and loans receivable are considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

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

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

**Financial instruments (continued)**

**Financial liabilities and equity instruments**

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

*Effective interest method*

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

*Financial liabilities*

Financial liabilities (including accounts payable, other payables, bank borrowings and loan from a non-controlling shareholder) are subsequently measured at amortised cost, using the effective interest method.

*Convertible notes*

Convertible notes issued by the Group in relation to a business combination contain liability, conversion option and early redemption options and are classified separately into respective items on initial recognition. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is classified as an equity instrument. The early redemption option which is not closely related to the convertible notes are separately classified as early redemption option derivative. At the date of issue, the liability component, conversion option and early redemption option are measured at fair value.

In subsequent periods, the early redemption option is carried at fair value, with changes in fair value being recognised in profit or loss directly, the liability component of the convertible notes is carried at amortised cost using the effective interest method. The equity component, representing the option to convert the liability component into ordinary shares of the Company, will remain in convertible notes equity reserve until the embedded option is exercised (in which case the balance stated in convertible notes equity reserve will be transferred to share premium). Where the option remains unexercised at the expiry date, the balance stated in convertible notes equity reserve will be released to the retained earnings. No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Financial instruments (continued)

#### Financial liabilities and equity instruments (continued)

*Equity instruments*

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

*Derivative financial instruments*

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately.

*Embedded derivatives*

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss.

#### Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, 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 the Group redeems convertible notes before its maturity, the consideration paid is allocated to the liability and derivative components of the convertible notes. To the extent that the amount of the consideration allocated to the liability component is more than the carrying amount of the liability component at the time of redemption, a loss is recognised in profit or loss. The amount of the consideration allocated to the embedded conversion option is recognised in equity with no gain or loss being recognised.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Equity-settled share-based payment transactions

#### Share options granted to employees of the Group for their services to the Group

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period or recognised as an expense in full at the grant date when share options granted vest immediately, with a corresponding increase in equity (share-based payment reserve).

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The effect of change in estimates during the vesting period, if any, is recognised in profit or loss with a corresponding adjustment to share-based payment reserve.

At the time when the share options are exercised, the amount previously recognised in share-based payment 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-based payment reserve will be transferred to retained earnings.

#### Share options granted to consultants

Share options issued in exchange for goods or services are measured at the fair values of the goods or services received, unless that fair value cannot be reliably measured, in which case the goods or services received are measured by reference to the fair value of the share options granted. The fair values of the goods or services received are recognised as expenses, with a corresponding increase in equity (share-based payment reserve), when the Group obtains the goods or when the counterparties render services, unless the goods or services qualify for recognition as assets.

### Impairment losses on tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill above)

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. In addition, intangible assets with indefinite useful lives are tested for impairment annually, and whenever there is an indication that they may be impaired. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as a revaluation decrease under that standard.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another standard, is which case the reversal of the impairment loss is treated as a revaluation increase under that standard.

## 4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies which are described in note 3, the management has made various estimates based on past experience, expectations of the future and other information. The key sources of estimation uncertainty that may significantly affect the amounts recognised in the consolidated financial statements within the next financial year are disclosed below.

### Allowance for bad and doubtful debts

The policy for allowance for bad and doubtful debts of the Group is based on the evaluation of collectability, aging analysis of accounts, the values of underlying collaterals and on management's judgment. A considerable amount of judgment is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of those clients in default of settlement. If the financial conditions of debtors and their ability to make payments worsen, additional allowance may be required. As at 31 December 2010, the aggregate carrying amount of accounts and loans receivable and other accounts receivable is HK$739,885,000 (2009: HK$528,322,000) (net of allowance for bad and doubtful debts).

### Income taxes

No deferred tax asset was recognised in the Group's consolidated statement of financial position in relation to the remaining estimated unused tax losses of approximately HK$136,020,000 (2009 (restated): HK$165,191,000). The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In case where the actual future profits generated are more than expected, further recognition of deferred tax asset in relation to unutilised tax losses may arise, which would be recognised in the profit or loss for the period in which such a recognition takes place.

### Estimated impairment of goodwill and intangible assets

Determining whether goodwill and trading rights allocating to the cash generating units ("CGUs") of financial services are impaired requires an estimation of the value in use of the financial services CGUs. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the CGUs and a suitable discount rate in order to calculate the present value. The discount rate represents rate that reflects current market assessments of time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2010, the carrying amounts of goodwill and trading rights allocating to financial services CGUs are approximately HK$2,661,000 (2009: HK$2,661,000) and HK$9,392,000 (2007: HK$9,392,000) respectively. Details of the recoverable amount calculation are disclosed in note 23.

Determining whether trademark allocating to CGU of retailing business are impaired requires an estimation of the value in use of the retailing business CGU. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the CGU and trademarks and a suitable discount rate in order to calculate the present value. The discount rate represents rate that reflects current market assessments of time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2010, the carrying amount of trademark allocating to CGU of retailing business are approximately HK$311,007,000 (2007: HK$311,007,000). Details of the recoverable amount calculation are disclosed in note 23.

## 5. REVENUE

| | **2010** | 2009 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Fees and commission income | **249,385** | 223,486 |
| Interest income | **33,577** | 25,492 |
| Sales of furniture and household goods and electrical appliances, net of discounts and returns | **1,011,241** | 456,502 |
| | **1,294,203** | 705,480 |

## 6. SEGMENT INFORMATION

### Operating and reportable segments

Information reported to the Board of Directors of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of products or services provided, with each operating segment representing a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other operating segments. The Group's operating and reportable segments are financial services business and retailing business.

The following tables represent revenue and results information for the two reportable segments for the years ended 31 December 2010 and 2009.

### Segment revenue and result

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 3. Segment profit represents the profit earned by each segment before change in fair value of investment properties, change in fair value of derivative financial instruments, net gains on financial assets at FVTPL, net gain on acquisitions of subsidiaries and redemption of convertible notes, share-based compensation, share of profits of associates and unallocated expenses. This is the measure reported to the Board of Directors for the purposes of resource allocation and assessment of performance.

## 6. SEGMENT INFORMATION (continued)

### Operating and reportable segments (continued)

**Segment revenue and result (continued)**

**For the year ended 31 December 2010**

| | Financial services HK$'000 | Retailing HK$'000 | Reportable segment total HK$'000 | Consolidated HK$'000 |
|---|---|---|---|---|
| Revenue | **282,962** | **1,011,241** | **1,294,203** | |
| RESULT | | | | |
| Segment profit | **32,575** | **47,696** | **80,271** | |
| Change in fair value of derivative financial instruments | | | | **(53)** |
| Net gains on financial assets at FVTPL | | | | **71,389** |
| Share-based compensation | | | | **(6,634)** |
| Share of profits of associates | | | | **4,414** |
| Unallocated expenses | | | | **(76,267)** |
| Profit before taxation | | | | **73,120** |

For the year ended 31 December 2009

| | Financial services HK$'000 | Retailing HK$'000 (restated) | Reportable segment total HK$'000 (restated) | Consolidated HK$'000 (restated) |
|---|---|---|---|---|
| Revenue | 248,978 | 456,502 | 705,480 | |
| RESULT | | | | |
| Segment profit | 8,402 | 4,286 | 12,688 | |
| Change in fair value of investment properties | | | | 24,290 |
| Change in fair value of derivative financial instruments | | | | 3,067 |
| Net gains on financial assets at FVTPL | | | | 16,316 |
| Net gain on acquisitions of subsidiaries and redemption of convertible notes | | | | 621 |
| Share-based compensation | | | | (7,566) |
| Share of profits of associates | | | | 5,247 |
| Unallocated expenses | | | | (61,447) |
| Loss before taxation | | | | (6,784) |

## 6. SEGMENT INFORMATION (continued)

### Operating and reportable segments (continued)

**Segment assets and liabilities**

All assets are allocated to reportable segments other than interests in associates, investment properties and other unallocated assets. This is the measure reported to the Board of Directors for the purposes of resource allocation and performance assessment. No assets used jointly by reportable segments.

All liabilities are allocated to reportable segments other than unallocated deferred tax liabilities, loan from a non-controlling shareholder and other unallocated liabilities. This is the measure reported to the Board of Directors for the purposes of resource allocation and performance assessment. No liabilities was used jointly by reportable segments.

**As at 31 December 2010**

| | Financial services HK$'000 | Retailing HK$'000 | Reportable segment total HK$'000 | Consolidated HK$'000 |
|---|---|---|---|---|
| ASSETS | | | | |
| Segment assets | **1,797,396** | **715,288** | **2,512,684** | |
| Interests in associates | | | | **124,512** |
| Investment properties | | | | **89,967** |
| Other unallocated assets | | | | **11,768** |
| Consolidated total assets | | | | **2,738,931** |
| LIABILITIES | | | | |
| Segment liabilities | **1,376,412** | **348,718** | **1,725,130** | |
| Unallocated deferred tax liabilities | | | | **6,072** |
| Loan from a non-controlling shareholder | | | | **27,437** |
| Other unallocated liabilities | | | | **35,549** |
| Consolidated total liabilities | | | | **1,794,188** |

As at 31 December 2009

| | Financial services HK$'000 (restated) | Retailing HK$'000 (restated) | Reportable segment total HK$'000 (restated) | Consolidated HK$'000 (restated) |
|---|---|---|---|---|
| ASSETS | | | | |
| Segment assets | 1,658,115 | 656,727 | 2,314,842 | |
| Interests in associates | | | | 116,931 |
| Investment properties | | | | 87,561 |
| Other unallocated assets | | | | 11,693 |
| Consolidated total assets | | | | 2,531,027 |
| LIABILITIES | | | | |
| Segment liabilities | 1,246,757 | 437,331 | 1,684,088 | |
| Unallocated deferred tax liabilities | | | | 6,072 |
| Loan from a non-controlling shareholder | | | | 27,437 |
| Other unallocated liabilities | | | | 20,760 |
| Consolidated total liabilities | | | | 1,738,357 |

## 6. SEGMENT INFORMATION (continued)

### Operating and reportable segments (continued)

**Other information**

**For the year ended 31 December 2010**

| | **Financial services HK$'000** | **Retailing HK$'000** | **Reportable segment total HK$'000** | **Unallocated amount HK$'000** | **Total HK$'000** |
|---|---|---|---|---|---|
| Amounts included in the measure of segment profit or loss or segment assets: | | | | | |
| Interest income | **33,577** | **—** | **33,577** | **—** | **33,577** |
| Write-down on inventories | **—** | **(2,095)** | **(2,095)** | **—** | **(2,095)** |
| Depreciation | **(9,160)** | **(17,274)** | **(26,434)** | **(21,244)** | **(47,678)** |
| Finance costs | **(10,702)** | **(4,375)** | **(15,077)** | **(1,670)** | **(16,747)** |
| Gain (loss) on disposal of property and equipment | **48** | **(85)** | **(37)** | **(60)** | **(97)** |
| Impairment loss on other receivables | **—** | **(7)** | **(7)** | **—** | **(7)** |
| Bad debt on accounts receivable and loans receivable recovered | **59** | **—** | **59** | **—** | **59** |
| Additions to non-current assets | **10,189** | **25,894** | **36,083** | **2,575** | **38,658** |

For the year ended 31 December 2009

| | Financial services HK$'000 | Retailing HK$'000 | Reportable segment total HK$'000 | Unallocated amount HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|
| Amounts included in the measure of segment profit or loss or segment assets: | | | | | |
| Interest income | 25,492 | — | 25,492 | — | 25,492 |
| Write-down on inventories | — | (1,569) | (1,569) | — | (1,569) |
| Depreciation | (9,412) | (7,696) | (17,108) | (17,718) | (34,826) |
| Finance costs | (7,398) | (2,160) | (9,558) | (4,402) | (13,960) |
| Loss on disposal of property and equipment | (555) | (223) | (778) | — | (778) |
| Impairment loss on other receivables | (176) | (94) | (270) | — | (270) |
| Impairment of goodwill | (2,719) | — | (2,719) | — | (2,719) |
| Bad debt on accounts receivable and loans receivable recovered | 136 | — | 136 | — | 136 |
| Additions to non-current assets | 22,223 | 392,291 | 414,514 | 64,721 | 479,235 |

## 6. SEGMENT INFORMATION (continued)

### Entity-wide disclosures

The Group's operations are located in Hong Kong and the People's Republic of China ("PRC").

The Group's segment revenue from external customers and information about its non-current assets (excluding financial instruments and deferred tax assets) by geographical location of the assets are detailed below:

| | Revenue from external customers | | Non-current assets | |
|---|---|---|---|---|
| | **2010** | 2009 | **2010** | 2009 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| Hong Kong (Place of domicile) | **1,294,203** | 705,480 | **550,414** | 474,865 |
| PRC | **—** | — | **216,504** | 288,217 |
| Total | **1,294,203** | 705,480 | **766,918** | 763,082 |

There were no customers for the years ended 31 December 2010 and 2009, contributing over 10% of the Group's total revenue.

## 7. OTHER INCOME

| | **2010** | 2009 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Compensation of relocation of retail branch | **10,592** | — |
| Dividends from investments held for trading | **715** | 1,694 |
| Sundry income | **5,368** | 5,426 |
| | **16,675** | 7,120 |

## 8. OTHER GAINS AND LOSSES

| | **2010** | 2009 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Net gains on financial assets at FVTPL | **71,389** | 16,316 |
| Change in fair value on derivative financial instruments | **(53)** | 3,067 |
| Impairment loss recognised on goodwill | **—** | (2,719) |
| Net gain on acquisition of subsidiaries and redemption of convertible notes | **—** | 621 |
| Loss on disposal of property and equipment | **(97)** | (778) |
| Gain on disposal of intangible assets | **—** | 393 |
| Net foreign exchange gain | **3,082** | 957 |
| Bad debt on accounts receivable and loans receivable recovered | **59** | 136 |
| Impairment loss on other receivables | **(7)** | (270) |
| | **74,373** | 17,723 |

## 9. COST OF SALES FOR RETAILING BUSINESS

| | 2010 HK$'000 | 2009 HK$'000 |
|---|---|---|
| Cost of inventories recognised as expenses | **588,954** | 272,542 |
| Write-down on inventories | **2,095** | 1,569 |
| | **591,049** | 274,111 |

## 10. SALARIES, COMMISSION AND RELATED BENEFITS

| | 2010 HK$'000 | 2009 HK$'000 |
|---|---|---|
| Salaries, allowances and commission represent the amounts paid and payable to the directors of the Company and employees and account executives and comprise: | | |
| Salaries, allowances and commission | **282,144** | 188,941 |
| Share-based compensation | **6,634** | 7,566 |
| Contributions to retirement benefits schemes | **9,198** | 5,087 |
| | **297,976** | 201,594 |

## 11. FINANCE COSTS

| | 2010 HK$'000 | 2009 HK$'000 |
|---|---|---|
| Interest on: | | |
| Bank overdrafts and borrowings: | | |
| — repayable within five years | **15,339** | 11,642 |
| — repayable more than five years | **1,350** | 1,478 |
| Imputed interest on convertible notes | **—** | 817 |
| Finance leases | **58** | 23 |
| | **16,747** | 13,960 |

## 12. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS

The remuneration paid or payable to each of the directors of the Company during the year were as follows:

| | **Kwan Pak Hoo Bankee** HK$'000 | **Chan Chi Ming Benson** HK$'000 | **Law Ping Wah Bernard** HK$'000 | **Cheng Man Pan Ben** HK$'000 | **Yuen Pak Lau Raymond** HK$'000 | **Cheng Shu Shing Raymond** HK$'000 | **Lo Kwok Hung John** HK$'000 | **Lo Ming Chi Charles** HK$'000 | **2010 Total** HK$'000 |
|---|---|---|---|---|---|---|---|---|---|
| Fees: | | | | | | | | | |
| Executive directors | — | — | — | — | — | — | — | — | — |
| Independent non-executive directors | — | — | — | — | — | — | 150 | 150 | 300 |
| Other remuneration paid to executive directors: | | | | | | | | | |
| Salaries, allowances and benefits in kind | 4,448 | 2,040 | 922 | 1,465 | 730 | — | — | — | 9,605 |
| Share-based compensation | 364 | 218 | 364 | 218 | 218 | 519 | 519 | 519 | 2,939 |
| Contributions to retirement benefit scheme | 74 | 112 | 49 | 73 | 37 | — | — | — | 345 |
| Total remuneration | 4,886 | 2,370 | 1,335 | 1,756 | 985 | 519 | 669 | 669 | 13,189 |

| | Kwan Pak Hoo Bankee HK$'000 | Chan Chi Ming Benson HK$'000 | Law Ping Wah Bernard HK$'000 | Cheng Man Pan Ben HK$'000 | Yuen Pak Lau Raymond HK$'000 | Cheng Shu Shing Raymond HK$'000 | Lo Kwok Hung John HK$'000 | Lo Ming Chi Charles HK$'000 | 2009 Total HK$'000 |
|---|---|---|---|---|---|---|---|---|---|
| Fees: | | | | | | | | | |
| Executive directors | — | — | — | — | — | — | — | — | — |
| Independent non-executive directors | — | — | — | — | — | 100 | 100 | 100 | 300 |
| Other remuneration paid to executive directors: | | | | | | | | | |
| Salaries, allowances and benefits in kind | 3,540 | 1,517 | 850 | 1,336 | 670 | — | — | — | 7,913 |
| Share-based compensation | 1,226 | 735 | 1,226 | 735 | 735 | — | — | — | 4,657 |
| Contributions to retirement benefit scheme | 57 | 96 | 43 | 67 | 34 | — | — | — | 297 |
| Total remuneration | 4,823 | 2,348 | 2,119 | 2,138 | 1,439 | 100 | 100 | 100 | 13,167 |

During the years ended 31 December 2010 and 2009, no remuneration 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. None of the directors has waived any remuneration during the years ended 31 December 2010 and 2009.

## 13. EMPLOYEES' REMUNERATION

Three (2009: four) of the five individuals with the highest emoluments in the Group were directors of the Company for the years ended 31 December 2010 and 2009. Details of these directors' emolument are included in the disclosures in note 10 above. The emoluments of the remaining two (2009: one) individuals were as follows:

| | **2010** | 2009 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Salaries, allowances and benefits in kind | **2,833** | 1,140 |
| Contributions to retirement benefit scheme | **143** | 45 |
| Performance related incentive payments | **11,795** | 1,599 |
| | **14,771** | 2,784 |

The remuneration of the remaining two (2009: one) individuals (other than directors) were within the following bands:

| | **Number of employees** | |
|---|---|---|
| | **2010** | 2009 |
| HK$1,000,000 to HK$1,500,000 | **1** | — |
| HK$2,500,001 to HK$3,000,000 | **—** | 1 |
| HK$13,500,001 to HK$14,000,000 | **1** | — |
| | **2** | 1 |

During the years ended 31 December 2010 and 2009, no remuneration was paid by the Group to the five individuals with the highest emoluments in the Group as an inducement to join or upon joining the Group or as compensation for loss of office.

## 14. DIVIDENDS

| | **2010** | 2009 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Dividends recognised as distribution during the year: | | |
| 2010 Interim — HK 2 cents per share | **12,342** | — |

The interim dividend of HK 2 cents based on 617,108,107 shares, in respect of the year ended 31 December 2010 (2009: nil) was paid during 2010.

The final dividend of HK 0.4 cent based on 3,538,250,535 shares, in respect of the year ended 31 December 2010 (2009: nil) per share has been proposed by the directors. In addition, the directors proposed the share dividend offered to the shareholders on the basis of one bonus share for every ten existing shares. Both final dividend and share dividend are subject to the approval by the shareholders in annual general meeting.

## 15. INCOME TAX EXPENSE

| | 2010 HK$'000 | 2009 HK$'000 |
|---|---|---|
| Current tax: | | |
| — Hong Kong Profits Tax | **13,434** | 6,682 |
| (Over) underprovision in prior years | **(2,078)** | 1,094 |
| Deferred tax | **(3,171)** | 6,072 |
| | **8,185** | 13,848 |

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

Taxation arising in other jurisdiction in calculated at the rates prevailing jurisdiction. No provision for the PRC income tax has been made as they incurred tax losses in both years.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

The taxation for the year can be reconciled to the profit (loss) before taxation per the consolidated statement of comprehensive income as follows:

| | 2010 HK$'000 | 2009 HK$'000 (restated) |
|---|---|---|
| Profit (loss) before taxation | **73,120** | (6,784) |
| Taxation at income tax rate of 16.5% | **12,065** | (1,119) |
| Tax effect of share of profits of associates | **(728)** | (865) |
| (Over) underprovision in respect of prior years | **(2,708)** | 1,094 |
| Tax effect of expenses not deductible for tax purpose | **3,183** | 13,067 |
| Tax effect of income not taxable for tax purpose | **(1,977)** | (7,474) |
| Tax effect of utilisation of estimated tax losses previously not recognised | **(10,434)** | (964) |
| Tax effect of estimated tax losses not recognised | **5,621** | 8,323 |
| Effect of different tax rate of subsidiaries operating in PRC | **—** | 469 |
| Others | **3,163** | 1,317 |
| Income tax expense | **8,185** | 13,848 |

## 16. DEFERRED TAX

The following are the major deferred tax assets and liabilities recognised and the movements thereon during the current and the prior reporting years:

### Deferred tax assets

| | Decelerated tax depreciation HK$'000 |
|---|---|
| At 1 January 2009 | — |
| Arising on acquisition of subsidiaries (note 40) | 2,000 |
| At 31 December 2009 | 2,000 |
| Credit to profit or loss for the year | 2,100 |
| **At 31 December 2010** | 4,100 |

### Deferred tax liabilities

| | Accelerated tax depreciation HK$'000 | Revaluation of investment properties HK$'000 | Intangible asset HK$'000 | Revaluation of leasehold land and building HK$'000 (restated) | Total HK$'000 (restated) |
|---|---|---|---|---|---|
| At 1 January 2009 | (2,342) | — | — | — | (2,342) |
| Arising from acquisition of subsidiaries (note 40) | — | — | (51,316) | — | (51,316) |
| Charge to other comprehensive income | — | — | — | (4,397) | (4,397) |
| Charge to profit or loss for the year | — | (6,072) | — | — | (6,072) |
| At 31 December 2009 | (2,342) | (6,072) | (51,316) | (4,397) | (64,127) |
| Charge to other comprehensive income | — | — | — | (630) | (630) |
| Credit to profit or loss for the year | 1,071 | — | — | — | 1,071 |
| **At 31 December 2010** | (1,271) | (6,072) | (51,316) | (5,027) | (63,686) |

Deferred tax assets are recognised for tax loss carried forward to the extent that realisation of the related tax benefit through the future taxable profits is probable. The Group has unrecognised estimated tax losses of HK$136,020,000 (2009 (restated): HK$165,191,000) to carry forward against future taxable income. The tax losses can be carried forward indefinitely. For certain subsidiaries operated in PRC, unrecognised estimated tax losses of HK$40,871,000 (2009: HK$17,738,000) are subject to expiry periods of five years from the year in which the tax losses arose under the current tax legislation. No deferred tax asset has been recognised due to the uncertainty of future profit steams against which the asset can be utilised.

## 17. PROFIT (LOSS) FOR THE YEAR

| | 2010<br>HK$'000 | 2009<br>HK$'000<br>(restated) |
|---|---|---|
| Profit (loss) for the year has been arrived at after charging (crediting): | | |
| Auditor's remuneration | **1,880** | 2,038 |
| Overprovision of auditor's remuneration in prior year | **(839)** | — |
| Depreciation of property and equipment | | |
| Owned assets | **47,497** | 34,510 |
| Leased assets | **181** | 316 |
| Operating lease rentals | **191,941** | 99,716 |

## 18. EARNINGS (LOSS) PER SHARE

The calculation of basic and diluted earnings (loss) per share attributable to the ordinary equity holders of the Company for the year is based on the following data:

| | 2010<br>HK$'000 | 2009<br>HK$'000<br>(restated) |
|---|---|---|
| Profit (loss) for the purposes of basic and diluted earnings (loss) per share | **63,390** | (22,075) |

| | 2010 | 2009<br>(restated) |
|---|---|---|
| **Number of shares** | | |
| Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share | **3,168,561,275** | 2,793,342,385 |
| Effect of dilutive potential ordinary shares: | | |
| Share options | **26,794,737** | — |
| Weighted average number of ordinary shares for the purpose of diluted earnings (loss) per share | **3,195,356,012** | 2,793,342,385 |

The weighted average number of ordinary shares for the purpose of basic earnings (loss) per share has been adjusted retrospectively for the share split on 23 December 2010.

For the year ended 31 December 2009, the computation of loss per share does not assume the conversion of the Company's outstanding share options and convertible notes since their exercise would result in a decrease in loss per share.

## 19. PROPERTY AND EQUIPMENT

| | Leasehold land and building HK$'000 (restated) | Leasehold improvements HK$'000 | Furniture and fixtures HK$'000 | Computer and equipment HK$'000 | Motor vehicles HK$'000 | Total HK$'000 (restated) |
|---|---|---|---|---|---|---|
| **COST OR VALUATION** | | | | | | |
| At 1 January 2009 | — | 85,581 | 21,630 | 57,778 | 1,727 | 166,716 |
| Additions | — | 31,981 | 12,523 | 2,512 | — | 47,016 |
| Arising on acquisition of subsidiaries (see note 40) | 42,256 | 7,728 | 5,833 | — | 231 | 56,048 |
| Revaluation | 25,744 | — | — | — | — | 25,744 |
| Disposal/written off | — | (833) | (693) | (4,000) | — | (5,526) |
| At 31 December 2009 | 68,000 | 124,457 | 39,293 | 56,290 | 1,958 | 289,998 |
| Exchange adjustments | — | 551 | 101 | — | 7 | 659 |
| Additions | — | 21,197 | 4,066 | 4,149 | 980 | 30,392 |
| Revaluation | 2,000 | — | — | — | — | 2,000 |
| Disposal/written off | — | (5,729) | (3,053) | — | (501) | (9,283) |
| **At 31 December 2010** | 70,000 | 140,476 | 40,407 | 60,439 | 2,444 | 313,766 |
| **ACCUMULATED DEPRECIATION** | | | | | | |
| At 1 January 2009 | — | 28,845 | 6,520 | 22,069 | 1,118 | 58,552 |
| Provided for the year | 907 | 19,223 | 5,014 | 9,446 | 236 | 34,826 |
| Eliminated on revaluation | (907) | — | | — | — | (907) |
| Eliminated on disposal/written off | — | (513) | (235) | (4,000) | — | (4,748) |
| At 31 December 2009 | — | 47,555 | 11,299 | 27,515 | 1,354 | 87,723 |
| Exchange adjustments | — | 202 | 44 | — | 3 | 249 |
| Provided for the year | 1,815 | 28,024 | 7,718 | 9,862 | 259 | 47,678 |
| Eliminated on revaluation | (1,815) | — | — | — | — | (1,815) |
| Eliminated on disposal/written off | — | (5,722) | (2,755) | — | (501) | (8,978) |
| **At 31 December 2010** | — | 70,059 | 16,306 | 37,377 | 1,115 | 124,857 |
| **CARRYING VALUES** | | | | | | |
| **At 31 December 2010** | 70,000 | 70,417 | 24,101 | 23,062 | 1,329 | 188,909 |
| At 31 December 2009 | 68,000 | 76,902 | 27,994 | 28,775 | 604 | 202,275 |

The carrying value of motor vehicles included amounts of HK$1,196,000 (2009: HK$393,000) held under finance leases.

## 19. PROPERTY AND EQUIPMENT (continued)

The above property and equipment are depreciated on a straight-line basis at the following rates per annum:

| | |
|---|---|
| Leasehold land | Over the term of the lease |
| Building | Over the shorter of the lease terms and 20 years |
| Leasehold improvements | Over the shorter of the lease terms and 5 years |
| Furniture and fixtures | 5 years |
| Computer and equipment | 5 years |
| Motor vehicles | 3 years |

The leasehold land and building of the Group are situated in Hong Kong and are under medium-term lease.

The fair value of the Group's leasehold land and building as at 31 December 2010 was arrived at on a valuation carried out by B.I. Appraisals Limited on 31 December 2010 (2009: 31 December 2009), an independent qualified professional valuer not connected with the Group. B.I. Appraisals Limited has appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuation for both years were arrived at by reference to market evidence of transaction prices for similar properties.

Had the leasehold land and building been carried at historical cost less accumulated depreciation, their carrying values at 31 December 2010 would have been approximately HK$39,834,000 (2009 (restated): HK$41,648,000).

At 31 December 2010, bank borrowings are secured on leasehold land and building with a carrying value of HK$70,000,000 (2009 (restated): HK$68,000,000).

## 20. INVESTMENT PROPERTIES

| | HK$'000 |
|---|---:|
| FAIR VALUE | |
| At 1 January 2009 | — |
| Additions | 63,271 |
| Net increase in fair value recognised in profit or loss | 24,290 |
| Carrying value at 31 December 2009 | 87,561 |
| Additions | 1,051 |
| Exchange adjustments | 1,355 |
| **At 31 December 2010** | 89,967 |

The fair value of the Group's investment properties at 31 December 2010 was arrived at on a valuation carried out by B.I. Appraisals Limited on 31 December 2010 (2009: 31 December 2009), an independent qualified professional valuer not connected with the Group. B.I. Appraisals Limited has appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuation was arrived at by reference to market evidence of transaction prices for similar properties. For the year ended 31 December 2009, changes in fair value of investment properties were recognised in profit or loss in 2009. For the year ended 31 December 2010, there is no change in fair value of investment properties recognised in profit or loss.

The Group's property interests held under operating leases to earn rental income or for capital appreciation purpose are measured using the fair value model and is classified and accounted for as investment properties.

## 20. INVESTMENT PROPERTIES (continued)

The investment properties of the Group are situated on:

| | **2010 HK$'000** | 2009 HK$'000 |
|---|---|---|
| Land outside Hong Kong | | |
| — held on leases from 10–50 years | **45,161** | 43,953 |
| — held on lease of over 50 years | **44,806** | 43,608 |
| | **89,967** | 87,561 |

## 21. GOODWILL

| | **2010 HK$'000** | 2009 HK$'000 |
|---|---|---|
| COST | | |
| At 1 January | **5,380** | 4,933 |
| Acquisition of non-controlling interest | **—** | 447 |
| At 31 December | **5,380** | 5,380 |
| IMPAIRMENT | | |
| At 1 January | **2,719** | — |
| Impairment loss recognised in the year | **—** | 2,719 |
| At 31 December | **2,719** | 2,719 |
| CARRYING VALUE | | |
| At 31 December | **2,661** | 2,661 |

During the year ended 31 December 2009, the impairment of goodwill of HK$2,719,000 was recognised in the profit or loss and attributable to the CGU of broking of mutual funds and insurance-linked investment products. The main factor contributing to the impairment of the CGU was due to the under-performance of the business of broking of mutual funds and insurance-linked investment products under this CGU.

Particulars regarding impairment testing on goodwill are disclosed in note 23.

## 22. INTANGIBLE ASSETS

| | Trading rights HK$'000 (Note a) | Club memberships HK$'000 (Note b) | Trademark HK$'000 (Note c) | Total HK$'000 |
|---|---|---|---|---|
| **COST AND CARRYING VALUES** | | | | |
| At 1 January 2009 | 9,092 | 1,970 | — | 11,062 |
| Addition | 300 | — | — | 300 |
| Disposals | — | (1,310) | — | (1,310) |
| Acquired on acquisition of subsidiaries (see note 40) | — | — | 311,007 | 311,007 |
| **At 31 December 2009 and 31 December 2010** | 9,392 | 660 | 311,007 | 321,059 |

Notes:

(a) At 31 December 2010, intangible assets amounting to HK$9,092,000 (2009: HK$9,092,000) represent trading rights that confer eligibility of the Group to trade on the Stock Exchange and the Hong Kong Futures Exchange. Intangible assets amounting to HK$300,000 (2009: 300,000) represent trading right that confer the eligibility of the Group to trade on the Hong Kong Mercantile Exchange Limited. The trading rights have no foreseeable limit to the period over which the Group can use to generate net cash flows. As a result, the trading rights is considered by the management of the Group as having an indefinite useful life because it is expected to contribute to net cash inflows indefinitely. The trading right will not be amortised until its useful life is determined to be finite. Instead it will be tested for impairment annually and whenever there is an indication that it may be impaired. Particulars of the impairment testing are disclosed in note 23.

(b) At 31 December 2010, intangible assets amounting to HK$660,000 (2009: HK$660,000) represent club memberships. For the purpose of impairment testing on club memberships, the recoverable amount has been determined based on fair value less costs to sell. The fair value less costs to sell is the second-hand market price less cost of disposal. During the years ended 31 December 2010 and 2009, management of the Group determines that there was no impairment of the club memberships since the recoverable amount of the club memberships exceeds its carrying amount.

(c) At 31 December 2010, trademark amounting to HK$311,007,000 (2009: HK$311,007,000) represents the perpetual right for the use of the brand name 'Pricerite' which takes the form of a sign, symbol, name, logo design or any combination thereof arising from acquisition of retail business. Various studies including product life cycle studies, market, competitive and environmental trends, and brand extension opportunities have been performed by management of the Group, which supports that the trademark has no foreseeable limit to the period over which the products are expected to generate net cash flows for the Group. As a result, the trademark is considered by the management of the Group as having an indefinite useful life because it is expected to contribute to net cash inflows indefinitely. The trademark will not be amortised until its useful life is determined to be finite. Instead it will be tested for impairment annually and whenever there is an indication that it may be impaired. Particulars of the impairment testing are disclosed in note 23.

## 23. IMPAIRMENT TESTING ON GOODWILL AND INTANGIBLE ASSETS

For the purposes of impairment testing, goodwill, trading rights and trademark set out in notes 21 and 22 have been allocated to the following cash generating units ("CGUs") respectively. The carrying amounts of goodwill, trading rights and trademark at the reporting dates allocated to these units are as follows:

| | **Goodwill 2010 and 2009** HK$'000 | **Trading rights 2010 and 2009** HK$'000 | **Trademark 2010 and 2009** HK$'000 |
|---|---|---|---|
| Financial service — Broking of securities | — | 9,392 | — |
| Financial service — Corporate finance | 2,661 | — | — |
| Retailing business | — | — | 311,007 |
| | 2,661 | 9,392 | 311,007 |

During the year ended 31 December 2010, management of the Group determines that there is no impairment of any of its CGUs containing goodwill, trading rights or trademark.

The recoverable amounts of the CGUs of broking of securities and corporate finance have been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a one-year period, and discount rate of 10% (2009: one-year period, and discount rate of 8%). The cash flows beyond the one-year period are extrapolated for two years using a zero growth rate. The zero growth rate is determined based on management's expectations for the market development and is not expected to exceed the average long-term growth rate for the relevant industry. Management believes that any reasonably possible change in any of the assumptions would not cause the aggregate carrying amount of the above CGUs to exceed the aggregate recoverable amount of the above CGUs.

The recoverable amount of the CGU of retailing business has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a five-year period having an average growth rate of 19% and discount rate of 17% (2009: five-year period, average growth rate of 19% and discount rate of 16%). The growth rate is based on the relevant industry growth forecasts and average long-term growth rate for the relevant industry in Hong Kong and PRC (2009: relevant industry in Hong Kong). A key assumption for the value in use calculation is the budgeted growth rate, which is determined based on past performance and management's expectations for the market development in Hong Kong and the PRC. No impairment on trademarks was noted for both years. Management believes that any reasonably possible change in any of the assumptions would not cause the aggregate carrying amount of the above CGU to exceed the aggregate recoverable amount of the above CGU.

## 24. OTHER ASSETS

| | **2010** **HK$'000** | 2009 HK$'000 |
|---|---|---|
| Statutory and other deposits with exchanges and clearing houses | **14,851** | 11,040 |

The above deposits are non-interest bearing.

## 25. LOANS RECEIVABLE

| | 2010 HK$'000 | 2009 HK$'000 |
|---|---|---|
| Loans receivable denominated in Hong Kong dollars | **16,614** | 24,210 |
| Less: allowance for bad and doubtful debts | **(3,597)** | (3,597) |
| | **13,017** | 20,613 |
| Carrying amount analysed for reporting purposes: | | |
| Current assets | **13,017** | 15,663 |
| Non-current assets | **—** | 4,950 |
| | **13,017** | 20,613 |

Except for the loans receivable with the carrying amount of HK$3,368,000 (2009: HK$3,368,000) which was non-interest bearing, interest rates underlying the variable-rate loans receivable are Hong Kong Prime Rate plus a spread for both years.

Interest rates underlying the fixed-rate loans receivable with the carrying amount of HK$347,000 is 2.5% per annum as at 31 December 2010. The effective interest rates are equal to contractual interest rate.

The Group has policy for allowance of bad and doubtful debts which is based on the evaluation of collectability and aging analysis of accounts and on management's judgment, including the current creditworthiness, collaterals and the past collection history of each client.

Movement in the allowance for bad and doubtful debts is as follows:

| | 2010 HK$'000 | 2009 HK$'000 |
|---|---|---|
| Balance at the beginning of the year | **3,597** | 3,733 |
| Amounts recovered during the year | **—** | (136) |
| Balance at the end of the year | **3,597** | 3,597 |

At the end of each reporting date, the Group's loans receivable were individually assessed for impairment. The Group encountered difficulties in collection of certain loans receivable and appropriate allowance for bad and doubtful debts has been made against these loans receivable. The individually impaired loans receivable are recognised based on the credit history of the borrowers, such as financial difficulties or default in payments, and current market conditions. Consequently, specific allowance for bad and doubtful debts was recognised. Included in the above allowance for bad and doubtful debts for individually impaired short term loans receivable of HK$3,597,000 (2009: HK$3,597,000) with a gross carrying amount of HK$6,965,000 (2009: HK$6,965,000). The individually impaired short term loans receivable relate to customers that were in default or delinquency in repayments.

In determining the recoverability of the loans receivable, the Group considers any change in the credit quality of the loans receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited as the loan receivable with exposure spread over a number of borrowers. The loan receivable with a carrying amount of HK$3,368,000 (2009: HK$3,368,000) are past due at the reporting date for which the directors of the Company considered them as recoverable since the amounts are fully secured by marketable securities at fair value of approximately HK$28,327,000 (2009: HK$4,888,000). Accordingly, no impairment is considered as necessary.

## 25. LOANS RECEIVABLE (continued)

In respect of loans receivable which are past due but not impaired at the end of the reporting period, the aged analysis (from due date) is as follows:

| | **2010** | 2009 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Over 90 days | **3,368** | 3,368 |

The loans receivable with a carrying amount of HK$9,649,000 (2009: HK$17,245,000) which are neither past due nor impaired at the reporting date for which the Group believes that the amounts are considered recoverable. These loans receivable that were neither individually nor collectively considered to be impaired relate to a number of borrowers for whom there was no recent history of default.

The carrying amount of variable-rate loans receivable have contractual maturity dates as follows:

| | **2010** | 2009 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| On demand or within one year | **12,670** | 15,663 |
| In more than one year but not more than two years | **—** | 4,950 |
| | **12,670** | 20,613 |

The carrying amount of fixed-rate loans receivable have contractual maturity dates as follows:

| | **2010** | 2009 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| On demand or within one year | **347** | — |

Included in loans receivable are loans to directors. Loans to directors, disclosed pursuant to Section 161B of the Hong Kong Companies Ordinance, are as follows:

| | **Balance at 1 January 2010 HK$'000** | **Balance at 31 December 2010 HK$'000** | **Maximum amount outstanding during the year HK$'000** | **Securities held HK$'000** |
|---|---|---|---|---|
| **Directors of the Company** | | | | |
| Mr Chan Chi Ming Benson | **900** | **974** | **974** | **N/A** |
| Mr Law Ping Wah Bernard | **900** | **—** | **970** | **N/A** |
| Mr Cheng Man Pan Ben | **900** | **974** | **974** | **N/A** |
| Mr Yuen Pak Lau Raymond | **900** | **974** | **974** | **N/A** |
| **Directors of CASH** | | | | |
| Mr Lin Che Chu George (Note) | **945** | **—** | **945** | **N/A** |
| Mr Ng Kung Chit Raymond | **450** | **—** | **484** | **N/A** |
| | **4,995** | **2,922** | | |

The loans granted to directors bear interest at the Hong Kong Prime Rate plus 3% per annum and are repayable by 31 March 2011.

Note: During the year ended 31 December 2009, Mr Lin Che Chu George resigned as a director of CASH.

## 26. INTERESTS IN ASSOCIATES AND LOAN TO AN ASSOCIATE

| | 2010<br>HK$'000 | 2009<br>HK$'000 |
|---|---|---|
| Cost of investments in associates | | |
| Unlisted shares | **67,833** | 67,833 |
| Share of post-acquisition profits and other comprehensive income | **56,679** | 49,098 |
| | **124,512** | 116,931 |
| Loan to an associate (Note) | **10,296** | 10,296 |

Note: Pursuant to the shareholder agreement entered into between a subsidiary of the Company, Marvel Champ Investments Limited, and other shareholders of the associate on 27 June 2007, the loan to an associate is unsecured, non-interest bearing and has no fixed repayment terms. In the opinion of the directors, the loan will not be repaid within the next twelve months from 31 December 2010.

As at 31 December 2010 and 2009, the Group had interests in the following associates:

| Name of entity | Form of business structure | Country of incorporation/ date of incorporation | Principal place of operation | Class of share held | Proportion of nominal value of issued capital held by the Group Directly % | Proportion of nominal value of issued capital held by the Group Indirectly % | Proportion of voting power held % | Principal activity |
|---|---|---|---|---|---|---|---|---|
| China Able Limited | Incorporated | British Virgin Islands ("BVI") 23 May 2007 | PRC | Ordinary | 33.33 | — | 33.33 | Investment holding |
| Shanghai Property (No. 1) Holding SRL | Incorporated | Barbados 11 August 2006 | PRC | Ordinary | — | 33.33 | 33.33 | Investment holding |
| 昌裕（上海）房地產經營有限公司 | Incorporated | PRC 11 December 2006 | PRC | Ordinary | — | 33.33 | 33.33 | Property investment |

All associates have a reporting date of 31 December.

The summarised financial information in respect of the Group's associates is set out below:

| | 2010<br>HK$'000 | 2009<br>HK$'000 |
|---|---|---|
| Total assets | **733,483** | 712,129 |
| Total liabilities | **(359,948)** | (361,336) |
| Net assets | **373,535** | 350,793 |
| Group's share of net assets of associates | **124,512** | 116,931 |
| Revenue | **46,708** | 44,616 |
| Profit for the year | **13,242** | 15,742 |
| Other comprehensive income for the year | **9,501** | — |
| Group's share of profits and other comprehensive income of associates for the year | **7,581** | 5,247 |

## 27. INVENTORIES

| | 2010 HK$'000 | 2009 HK$'000 |
|---|---|---|
| Finished goods held for sale | **48,948** | 43,454 |

## 28. OTHER FINANCIAL ASSETS AND LIABILITIES

**Amounts due from/to related companies and/or fellow subsidiaries**

The amounts are non-interest bearing, unsecured and are repayable on demand.

**Bank balances — trust and segregated accounts**

The Group receives and holds money deposited by clients and other institutions in the course of the conduct of the regulated activities of its ordinary business. These clients' monies are maintained in one or more segregated bank accounts. The Group has recognised the corresponding accounts payable to respective clients and other institutions (note 32). However, the Group does not have a currently enforceable right to offset those payables with the deposits placed.

**Bank balances (general accounts) and cash**

The amounts comprise cash held by the Group and short-term bank deposits at market interest rates with an original maturity of three months or less.

**Loan from a non-controlling shareholder**

The amount is non-interest bearing, unsecured and is repayable on demand.

## 29. ACCOUNTS RECEIVABLE

| | 2010 HK$'000 | 2009 HK$'000 |
|---|---|---|
| Accounts receivable arising from the business of dealing in securities and leveraged foreign exchange contracts: | | |
| Clearing houses, brokers and dealers | **49,989** | 27,842 |
| Cash clients | **66,698** | 68,060 |
| Margin clients | **369,598** | 272,209 |
| Accounts receivable arising from the business of dealing in futures and options: | | |
| Clients | **142** | 180 |
| Clearing houses, brokers and dealers | **218,630** | 134,570 |
| Commission receivable from brokerage of mutual funds and insurance-linked investment products | **1,099** | 1,794 |
| Accounts receivable arising from the business of provision of corporate finance services | **920** | 650 |
| | **707,076** | 505,305 |

The settlement terms of accounts receivable arising from the business of dealing in securities are two days after trade date or at specific terms agreed with clearing houses, brokers and dealers, and accounts receivable arising from the business of dealing in futures and options and leveraged foreign exchange contracts are one day after trade date or at specific terms agreed with clearing houses, brokers and dealers.

## 29. ACCOUNTS RECEIVABLE (continued)

Accounts receivable from margin and cash clients arising from the business of dealing in securities are repayable on demand subsequent to settlement date. No aged analysis is disclosed as in the opinion of directors, the aged analysis does not give additional value in view of the nature of broking business.

In respect of the commission receivables from brokerage of mutual funds and insurance-linked investment products as well as accounts receivable arising from the business of corporate finance services, the Group allows a credit period of 30 days. The aged analysis (from the completion date of the services) is as follows:

| | **2010** | 2009 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| 0–30 days | **833** | 1,362 |
| 31–60 days | **165** | 353 |
| 61–90 days | **84** | 141 |
| Over 90 days | **937** | 588 |
| | **2,019** | 2,444 |

Loans to margin clients are secured by clients' pledged securities at fair values of approximately HK$1,149,499,000 (2009: HK$990,538,000) which can be sold at the Group's discretion to settle any margin call requirements imposed by their respective securities transactions. The Group is able to use client's pledged securities up to the amount of 140% of the loans to margin clients as collateral of the Group's borrowing (with client's consent). The loans are repayable on demand and bear interest at commercial rates. No aged analysis is disclosed as in the opinion of directors of the Company, the aged analysis does not give additional value in view of the nature of business of share margin financing.

Accounts receivable are netted off by allowance for bad and doubtful debts of HK$7,524,000 (2009: HK$7,524,000).

The Group has policy for allowance of bad and doubtful debts which is based on the evaluation of collectability and age analysis of accounts and on management's judgement including the current creditworthiness, collaterals and the past collection history of each client.

Movement in the allowance for bad and doubtful debts:

| | **2010 & 2009** |
|---|---|
| | HK$'000 |
| Balance at the beginning of the year | 7,524 |
| Amounts written off during the year | — |
| Charge for the year | — |
| Amounts recovered during the year | — |
| Balance at the end of the year | 7,524 |

In addition to the individually assessed allowance for bad and doubtful debt, the Group has also provided, on a collective basis, loan impairment allowance for accounts receivable arising from the business of dealing in securities and equity options with margin clients that are individually insignificant or accounts receivable where no impairment has been identified individually. Objective evidence of collective impairment could include Group's past experience of collecting payments and observable changes in national or local economic conditions that correlate with default on receivables.

In determining the recoverability of the accounts receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the directors believe that there is no further impairment required in excess of the allowance for bad and doubtful debts.

## 29. ACCOUNTS RECEIVABLE (continued)

Included in the Group's accounts receivable are debtors, with a carrying amount of HK$21,697,000 (2009: HK$10,869,000) which are past due at the reporting date for which the Group has not provided as there has not been a significant change in credit quality. The Group believes that the amounts are still considered recoverable given the substantial settlement after the reporting date.

In respect of accounts receivable which are past due but not impaired at the respective reporting date, the aged analysis (from due date) is as follows:

| | **2010**<br>**HK$'000** | 2009<br>HK$'000 |
|---|---|---|
| 0–30 days | **19,286** | 8,041 |
| 31–60 days | **1,390** | 2,240 |
| 61–90 days | **84** | 41 |
| Over 90 days | **937** | 547 |
| | **21,697** | 10,869 |

The accounts receivable with a carrying amount of HK$685,379,000 (2009: HK$494,436,000) are neither past due nor impaired at the reporting date for which the Group believes that the amounts are considered recoverable.

## 29. ACCOUNTS RECEIVABLE (continued)

Included in accounts receivable from margin clients arising from the business of dealing in securities are amounts due from certain related parties, the details of which are as follows:

| Name | Balance at 1 January HK$'000 | Balance at 31 December HK$'000 | Maximum amount outstanding during the year HK$'000 | Market value of pledged securities at fair value at 31 December HK$'000 |
|---|---|---|---|---|
| **Directors of both the Company and CASH** | | | | |
| Mr Law Ping Wah Bernard and associates (Note 1) | | | | |
| 2009 | — | — | 25,068 | 13,737 |
| 2010 | — | — | 28,892 | 51,697 |
| **Directors of the Company** | | | | |
| Mr Chan Chi Ming Benson and associates | | | | |
| 2009 | — | — | — | 6,700 |
| 2010 | — | — | — | 26,000 |
| Mr Cheng Man Pan Ben and associates | | | | |
| 2009 | 29 | 61 | 21,785 | 4,137 |
| 2010 | 61 | 170 | 4,024 | 14,035 |
| Mr Yuen Pak Lau Raymond and associates | | | | |
| 2009 | — | — | — | 4,297 |
| 2010 | — | — | — | 20,653 |
| **Directors of CASH** | | | | |
| Mr Lin Che Chu George and associates (Note 2) | | | | |
| 2009 | — | — | — | — |
| Mr Ng Kung Chit and associates | | | | |
| 2009 | — | — | 780 | 2,397 |
| 2010 | — | — | 492 | 6,037 |
| **Subsidiaries of CASH** | | | | |
| Libra Capital Management (HK) Limited | | | | |
| 2009 | — | — | 29,610 | 8,018 |
| 2010 | — | — | 28,714 | 1,875 |
| Cashflow Credit Limited | | | | |
| 2009 | — | — | — | — |
| 2010 | — | — | — | — |
| **Substantial shareholders of CASH** | | | | |
| Cash Guardian Limited | | | | |
| 2009 | — | — | — | 1,902 |
| 2010 | — | — | 24,799 | 40,979 |
| Mr Kwan Pak Hoo Bankee and associates | | | | |
| 2009 | — | — | 27,389 | 3,475 |
| 2010 | — | — | 26,150 | — |
| **Substantial shareholder of the Company** | | | | |
| Abdulrahman Saad Al-Rashid & Sons Company Limited ("ARTAR") and associates | | | | |
| 2009 | — | — | — | 45,872 |
| 2010 | — | — | — | 5,591 |

## 29. ACCOUNTS RECEIVABLE (continued)

Notes:

(1) Associates are defined in accordance with the Rules Governing the Listing of Securities on the Stock Exchange.

(2) During the year ended 31 December 2009, Mr Lin Che Chu George resigned as a director of CASH.

The above balances are repayable on demand and bear interest at commercial rates which are similar to the rates offered to other margin clients.

## 30. INVESTMENTS HELD FOR TRADING

| | **2010** **HK$'000** | 2009 HK$'000 |
|---|---|---|
| Equity securities listed in Hong Kong | **42,431** | 28,715 |
| Equity securities listed outside Hong Kong | **4** | — |
| Unlisted securities, at fair value | **—** | 8,499 |
| | **42,435** | 37,214 |

The fair values of the listed investments held for trading are determined based on the quoted market bid prices available on the relevant exchanges.

In the opinion of the directors, the carrying amount of unlisted securities approximated to the fair value.

## 31. BANK DEPOSITS SUBJECT TO CONDITIONS

| | **2010** **HK$'000** | 2009 HK$'000 |
|---|---|---|
| Other bank deposits (Note (a)) | **17,144** | 17,143 |
| Pledged bank deposits (Notes (b), (c) and (d)) | **51,108** | 70,596 |
| | **68,252** | 87,739 |

The bank deposits subject to conditions carry floating interest rate at prevailing market rate per annum. The effective interest rates on the Group's bank deposits subject to conditions are also equal to contracted interest rates. All the deposits have been pledged to secure short-term loan or short-term undrawn facilities, and are therefore classified as current assets.

Notes:

(a) Pursuant to a letter of undertaking given by the Group to a bank, the Group undertakes to maintain deposits of not less than HK$15,000,000 (2009: HK$15,000,000) with a bank as a condition precedent to an overdraft facility granted by the bank. The bank deposits will mature within one year or at an earlier date when the overdraft facility is expired.

(b) The Group's bank deposits of HK$41,395,000 (2009: HK$60,898,000) were pledged to secure the general banking facilities granted by a bank.

(c) The Group's bank deposits of HK$601,000 (2009: HK$600,000) were pledged to facilitate a bank guarantee in favour of a third party for the business of brokerage of mutual funds and insurance-linked investment products.

(d) The Group's bank deposits of HK$9,112,000 (2009: HK$9,098,000) were pledged to secure the standby letter of credit facility granted by a bank. The bank deposits will be released on clearance of the facility.

## 32. ACCOUNTS PAYABLE

| | 2010<br>HK$'000 | 2009<br>HK$'000 |
|---|---|---|
| Accounts payable arising from the business of dealing in securities: | | |
| Clearing houses | **5,748** | 30,076 |
| Cash clients | **495,768** | 548,749 |
| Margin clients | **217,260** | 212,654 |
| Accounts payable to clients arising from the business of dealing in futures and options | **299,030** | 228,823 |
| Accounts payable to clients arising from the business of dealing in leveraged foreign exchange contracts | **1,191** | 863 |
| Trade creditors arising from retailing business | **153,597** | 136,790 |
| | **1,172,594** | 1,157,955 |

The settlement terms of accounts payable arising from the business of dealing in securities are two days after trade date or at specific terms agreed with clearing houses. Accounts payable to margin clients and cash clients are repayable on demand. No aged analysis is disclosed as in the opinion of directors, the aged analysis does not give additional value in view of the nature of business of share margin financing.

Accounts payable to clients arising from the business of dealing in futures and options and leveraged foreign exchange contracts are margin deposits received from clients for their trading of these contracts. The required margin deposits are repayable upon the closure of the corresponding futures and options and leveraged foreign contracts position. The excess of the outstanding amounts over the required margin deposits stipulated are repayable to clients on demand. No aged analysis is disclosed as in the opinion of directors of the Company, the aged analysis does not give additional value in view of the nature of these businesses.

The accounts payable amounting to HK$697,060,000 (2009: HK$765,112,000) were payable to clients and other institutions in respect of the trust and segregated bank balances received and held for clients and other institutions in the course of the conduct of regulated activities. However, the Group does not have a currently enforceable right to offset these payables with the deposits placed.

Trade creditors arising from retailing business principally comprise amount outstanding for trade purpose and ongoing cost. The credit period taken for trade purchase is ranged from 30 to 90 days.

The following is an aged analysis (from trade date) of trade creditors arising from retailing business at reporting date:

| | 2010<br>HK$'000 | 2009<br>HK$'000 |
|---|---|---|
| 0–30 days | **66,556** | 70,548 |
| 31–60 days | **37,518** | 38,562 |
| 61–90 days | **14,419** | 10,983 |
| Over 90 days | **35,104** | 16,697 |
| | **153,597** | 136,790 |

## 33. OBLIGATIONS UNDER FINANCE LEASES

The analysis of the obligations under finance leases is as follows:

| | Minimum lease payments | | Present value of minimum lease payments | |
|---|---|---|---|---|
| | **2010** | 2009 | **2010** | 2009 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| Amount payable under finance leases | | | | |
| Within one year | **419** | 150 | **382** | 135 |
| In more than one year but not more than five years | **577** | 188 | **552** | 180 |
| | **996** | 338 | **934** | 315 |
| Less: future finance charges | **(62)** | (23) | **—** | — |
| Present value of lease obligations | **934** | 315 | **934** | 315 |
| Less: Amount due within one year shown under current liabilities | | | **(382)** | (135) |
| Amount due for settlement after one year shown under non-current liabilities | | | **552** | 180 |

The Group has entered into finance leases for two (2009: one) motor vehicles with lease terms of three to four years. Interest rate under the leases is fixed at the average rate of 5.4% (2009: 6%) per annum. These leases do not have options to renew or any contingent rental provisions.

Obligations under finance lease are effectively secured by the underlying assets as the rights to the leased assets would be reverted to the lessor in the event of default by repayment by the Group.

## 34. BANK BORROWINGS

| | 2010 HK$'000 | 2009 HK$'000 |
|---|---|---|
| Bank overdrafts, secured | **94,114** | 71,480 |
| Bank loans, secured | **236,830** | 253,355 |
| Trust receipt loans | **105,767** | 97,575 |
| | **436,711** | 422,410 |

The Group's bank loans and overdrafts were repayable as follows:

| | 2010 HK$'000 | 2009 HK$'000 |
|---|---|---|
| Carrying amount repayable:* | | |
| On demand or within one year | **390,771** | 367,033 |
| In the second year | **1,380** | 1,329 |
| In the third to fifth years | **4,465** | 4,357 |
| After the fifth year | **28,375** | 29,863 |
| | **424,991** | 402,582 |
| Carrying amount of bank loans that are not repayable within one year from the end of the reporting period but contain a repayment on demand clause (shown under current liabilities) | **11,720** | 19,828 |
| | **436,711** | 422,410 |
| Less: Amount due within one year shown under current liabilities | **(402,491)** | (386,861) |
| Amount due after one year shown under non-current liabilities | **34,220** | 35,549 |

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

The Group's bank borrowings of HK$436,711,000 (2009: HK$422,410,000) were secured by:

(a) corporate guarantees from the Company for both years;

(b) corporate guarantees from certain subsidiaries of the Company (2009: CASH and certain subsidiaries of the Company);

(c) marketable securities of the Group's clients of carrying value of HK$470,600,000 (2009: HK$314,843,000) (with client's consent);

(d) leasehold land and building as disclosed in note 19;

(e) investment properties of the Group as disclosed in note 20 with carrying amount of approximately HK$89,967,000 (2009: HK$87,561,000);

(f) pledged deposits of HK$41,395,000 (2009: HK$60,898,000) for sourcing the general banking facilities granted by some banks as disclosed in note 31;

(g) bank loan of HK$119,048,000 is repayable on demand; and

(h) guarantees from the Government of the Hong Kong Special Administrative Region under the Special Loan Guarantee Scheme.

## 34. BANK BORROWINGS (continued)

In addition, pursuant to a letter of undertaking given by the Group to a bank, the Group undertakes to maintain deposits of not less than HK$15,000,000 (2009: HK$15,000,000) with a bank as a pre-condition for an overdraft facility granted by the bank (see note 31).

Bank overdrafts amounting to HK$94,114,000 (2009: HK$71,480,000) carried interest at HIBOR plus a spread. Bank borrowings amounting to HK$236,830,000 (2009: HK$253,355,000) were at variable-rate borrowings which carry interest at HIBOR plus a spread or Hong Kong Prime Rate.

Trust receipts loans amounting to HK$105,767,000 (2009: HK$97,575,000) carry interest at Hong Kong Prime Rate plus a spread.

The effective interest rates on the Group's borrowings are also equal to contracted interest rates.

## 35. CONVERTIBLE NOTES

(i) In 2009, as part of the consideration for the acquisition of 60% of the equity interests in CRMG Group (note 40), the Company issued a convertible note ("Convertible Note A") with principal amount of HK$126,204,000 at an initial conversion price of HK$1.482 per share (subject to anti-dilutive adjustment) to CASH Group Limited ("CGL") (a wholly-owned subsidiary of CASH) ("Noteholder"). The convertible note, which can be converted into ordinary shares of the Company at any time prior to maturity date, was issued at par value, bears interest at a rate of 2% per annum and is repayable at par in two years. After the issue date, the Company may redeem the outstanding convertible note at 100% of the principal amount at any time prior to maturity date.

The convertible note contains three components, liability component, early redemption option which are not closely related to the host instrument, and conversion option which is an equity instrument and therefore is presented in equity under the heading "convertible notes equity reserve". On initial recognition, the fair value of the entire convertible note was estimated to be HK$106,981,000 and the effective interest rate of the liability component of the convertible note was 8.97% per annum. Accordingly, fair values of HK$103,939,000, HK$10,498,000 and HK$13,540,000 were allocated to the liability component, the early redemption option and conversion option respectively.

(ii) In addition, the Company issued another convertible note ("Convertible Note B") with principal amount of HK$124,136,000 at an initial conversion price of HK$1.482 per share (subject to anti-dilutive adjustment) to Noteholder as consideration for the acquisition of the remaining 40% of the equity interest in CRMG Group (note 40). The convertible note, which can be converted into ordinary shares of the Company at any time prior to maturity date, was issued at par value, bears interest at a rate of 2% per annum and is repayable at par in two years. After the issue date, the Company may redeem the outstanding convertible note at 100% of the principal amount at any time prior to maturity date.

The convertible note contains three components, liability component, early redemption option which are not closely related to the host instrument, and conversion option which is an equity instrument and therefore is presented in equity under the heading "convertible notes equity reserve". On initial recognition, the fair value of the entire convertible note was estimated to be HK$104,612,000 and the effective interest rate of the liability component of the convertible note was 7.55% per annum. Accordingly, fair values of HK$102,236,000, HK$10,405,000 and HK$12,781,000 were allocated to the liability component, the early redemption option and conversion option respectively.

(iii) The Convertible Note A and Convertible Note B were fully redeemed by the Company at principal amount of HK$126,204,000 and HK$124,136,000 respectively during the year ended 31 December 2009. No convertible note was outstanding as at 31 December 2010.

## 35. CONVERTIBLE NOTES (continued)

(iii) (continued)

A loss on redemption of HK$24,812,000, representing the excess of the consideration paid being allocated to the liability component and early redemption option of HK$210,151,000 over their total carrying amount of HK$185,339,000 at the date of redemption, is recognised in the profit or loss for the year ended 31 December 2009.

The amount of consideration paid allocated to the conversion option of HK$40,189,000 is recognised in equity with no gain or loss being recognised.

The convertible notes were valued as at the acquisition date of CRMG Group by an independent professional valuer, Norton Appraisals Limited.

The fair value of the liability component was calculated using discounted cash flow method. The fair values of the derivative component and the equity component were calculated using Binomial Model upon the acquisition of CRMG Group and is included in convertible notes equity reserve.

## 36. SHARE CAPITAL

| | Notes | **Number of shares** '000 | **Amount** HK$'000 |
|---|---|---|---|
| **Authorised:** | | | |
| Ordinary shares of HK$0.10 each at 31 December 2009 and 1 January 2010 | | 3,000,000 | 300,000 |
| **After share subdivision 5 for 1 subdivided:** | (a) | | |
| Ordinary shares of HK$0.02 each at 31 December 2010 | | 15,000,000 | 300,000 |
| **Issued and fully paid:** | | | |
| Ordinary shares of HK$0.10 each at 1 January 2009 | | 411,405 | 41,140 |
| Issue of shares due to rights issue | (b) | 205,703 | 20,571 |
| At 31 December 2009 and 1 January 2010 | | 617,108 | 61,711 |
| Exercise of share options | (c) | 20,542 | 2,054 |
| Issue of shares by private placement | (d) | 70,000 | 7,000 |
| Ordinary shares of HK$0.10 each at 23 December 2010 | | 707,650 | 70,765 |
| **After share subdivision 5 for 1 subdivided:** | (a) | | |
| Ordinary shares of HK$0.02 each at 23 December 2010 and 31 December 2010 | | 3,538,250 | 70,765 |

Notes:

**(a) Share subdivision**

On 23 December 2010, the Company arranged a subdivision of shares. The Company subdivided each existing issued and unissued share of HK$0.10 of the Company into five subdivided shares of HK$0.02 each. The authorised share capital of the Company was HK$300,000,000 divided into 15,000,000,000 subdivided shares, of which 3,538,250,535 subdivided shares were in issue and fully paid or credited as fully paid. All subdivided shares are rank pari passu with each other in all respects with the shares in issue prior to the Share Subdivision and the rights attached to the subdivided shares are not affected by the Share Subdivision.

## 36. SHARE CAPITAL (continued)

Notes: (continued)

**(b) Rights issue**

On 17 April 2009, 205,702,702 shares of HK$0.10 each were issued by way of rights issue at a subscription price of HK$0.45 per share. The gross proceeds of approximately HK$92.6 million were used as additional working capital to strengthen the Company's financial position. These shares rank pari passu in all respects with other shares in issue.

**(c) Exercise of share options**

The particulars of options exercised during the year ended 31 December 2010 are set out below:

| Date of grant | Number of options exercised and resulting number of shares in issue | Exercise price per share | Total consideration (before expenses) |
|---|---|---|---|
| | | HK$ | HK$ |
| 15 June 2009 | 7,200,000 | 0.734 | 5,284,800 |
| 1 June 2010 | 12,342,000 | 0.610 | 7,528,620 |
| 15 October 2010 | 1,000,000 | 1.520 | 1,520,000 |
| | 20,542,000 | | 14,333,420 |

All the above shares rank pari passu in all respects with the other shares in issue.

**(d) Issue of shares by private placement**

On 14 October 2010, arrangements were made for a private placement to the shareholder of the Company of 70,000,000 shares of HK$0.10 each in the Company held by CIGL, at a price of HK$1.07 per share representing a discount of approximately 9.32% to the closing market price of the Company's shares on 13 October 2010. Pursuant to a subscription agreement of the same date, CIGL subscribed for 70,000,000 new shares of HK$0.10 each in the Company at a price of HK$1.07 per share. The proceeds were used to reduce borrowings and to provide additional working capital for the Company. These new shares were issued under the general mandate granted to the directors at the annual general meeting of the Company held on 7 June 2010 and rank pari passu with other shares in issue in all respects.

## 37. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debt, which includes the bank borrowings disclosed in note 34 and loan from a non-controlling shareholder disclosed in note 28, and equity attributable to owners of the Company, comprising issued share capital disclosed in note 36, retained earnings and other reserves as disclosed in consolidated statement of changes in equity. The management reviews the capital structure by considering the cost of capital and the risks associated with each class of capital. In view of this, the Group will balance its overall capital structure through the payment of dividends, new share and options issues as well as the issue of new debt or the redemption of existing debt. The Group's overall strategy remains unchanged throughout the year.

Certain group entities are regulated by the Hong Kong Securities and Futures Commission ("SFC") and are required to comply with the financial resources requirements according to the Hong Kong Securities and Futures (Financial Resources) Rules ("SF(FR)R"). The Group's regulated entities are subject to minimum paid-up share capital requirements and liquid capital requirements under the SF(FR)R. Management closely monitors, on a daily basis, the liquid capital level of these entities to ensure compliance with the minimum liquid capital requirements under the SF(FR)R. The Group's regulated entities have complied with the capital requirements imposed by the SF(FR)R throughout both years.

## 38. FINANCIAL INSTRUMENTS

### Categories of financial instruments

| | 2010 HK$'000 | 2009 HK$'000 |
|---|---|---|
| Financial assets | | |
| Fair value through profit or loss — held-for-trading | **42,435** | 37,214 |
| Loans and receivables (including cash and cash equivalents) | **1,852,670** | 1,649,662 |
| Financial liabilities | | |
| Amortised cost | **1,655,944** | 1,637,889 |

### Financial risk management objectives and policies

The Group's major financial instruments include equity investments, loans receivable, other receivables, other payables, bank balances and deposits, bank borrowings, accounts receivable, loan to an associate, loan from a non-controlling shareholder and accounts payable. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

**Market risk**

*Equity price risk*

The Group is exposed to equity price risk as a result of changes in fair value of its investments in equity securities. The directors of the Company manage the exposure by closely monitoring the portfolio of equity investments.

*Equity price sensitivity*

The sensitivity analyses below have been determined based on the exposure to equity price risks at the reporting date. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. As a result of the more stable financial market in 2010, the management adjusted the sensitivity rate from 30% for 2009 to 15% for 2010 for the purpose of assessing equity price risk. A 15 percent change representing management's assessment of the reasonably possible change in equity price is used.

As at 31 December 2010, if the market bid prices of the Group's listed equity investments had been 15 percent (2009: 30 percent) higher/lower, the Group's profit would increase/decrease by HK$6,365,000 (2009: the Group's loss would decrease/increase by HK$8,615,000). This is mainly attributable to the changes in fair values of the listed investments held for trading.

In management's opinion, the sensitivity analysis is unrepresentative of the inherent equity price risk as the year end exposure does not reflect the exposure during the year.

## 38. FINANCIAL INSTRUMENTS (continued)

### Financial risk management objectives and policies (continued)

**Market risk (continued)**

*Interest rate risk*

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank balances and fixed rate loans receivable. The Group currently does not have a fair value hedging policy.

The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank borrowings, loans receivable, loans to margin clients and bank balances. The Group currently does not have a cash flow interest rate hedging policy. However, management is closely monitoring its exposure arising from margin financing and other lending activities undertaken by allowing an appropriate margin on the interest received and paid by the Group. A 50 (2009: 100) basis points change representing management's assessment of the reasonably possible change in interest rates is used.

The Group's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of Hong Kong Prime Rate and HIBOR arising from the Group's variable interest rate instruments.

The sensitivity analysis is prepared assuming the variable-rate financial instruments outstanding at the end of the reporting period were outstanding for the whole year. As at 31 December 2010, if the interest rate of bank borrowings, loans receivable and loans to margin clients had been 50 (2009: 100) basis points higher/lower, the Group's profit would increase/decrease by HK$5,240,000 (2009: the Group's loss would decrease/increase by HK$9,792,000). Bank balances are excluded from sensitivity analysis as it is subject to minimal interest rate fluctuation.

*Foreign currency risk*

Foreign exchange risk is the risk of loss due to adverse movements in foreign exchange rate relating to receivables from foreign brokers and foreign currency deposits with banks. The management monitors foreign exchange exposure and will consider hedging significant foreign exposure should the need arises.

As at 31 December 2010 and 31 December 2009, more than 90% of financial assets and financial liabilities of the Group are denominated in US$ or HK$. As HK$ is pegged to US$, the Group does not expect any significant movements in the US$/HK$ exchange rates. No foreign currency sensitivity is disclosed as in the opinion of directors, the foreign currency sensitivity does not give additional value in view of insignificant movement in the US$/HK$ exchange rates and insignificant exposure of other foreign currencies as at the reporting date.

## 38. FINANCIAL INSTRUMENTS (continued)

### Financial risk management objectives and policies (continued)

#### Credit risk

As at 31 December 2010 and 31 December 2009, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk on brokerage, financing and corporate finance operations, the Credit and Risk Management Committee is set up to compile the credit and risk management policies, to approve credit limits and to determine any debt recovery action on those delinquent receivables. In addition, the Group reviews the recoverable amount of trade debt on an individual and collective basis at each reporting date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group does not have any significant concentration of credit risk as the exposure spread over a number of counterparties and customers.

Bank balances are placed in various authorised institutions and the directors of the Company consider the credit risk of such authorised institutions is low.

#### 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 customers. To address the risk, treasury team works closely with the settlement division on monitoring the liquidity gap. In addition, for contingency purposes, clean loan facilities are put in place.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other financial liabilities are based on the agreed repayment dates.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from the prevailing market rate at the end of the reporting period.

## 38. FINANCIAL INSTRUMENTS (continued)

### Financial risk management objectives and policies (continued)

#### Liquidity risk (continued)

*Liquidity tables*

| | **Weighted average effective interest rate %** | **Within 1 year or on demand HK$'000** | **Between 1 to 2 years HK$'000** | **Between 2 to 5 years HK$'000** | **Over 5 years HK$'000** | **Total contracted undiscounted cash flows HK$'000** | **Carrying amount at reporting date HK$'000** |
|---|---|---|---|---|---|---|---|
| **At 31 December 2010** | | | | | | | |
| Accounts payable | **N/A** | **1,172,594** | **—** | **—** | **—** | **1,172,594** | **1,172,594** |
| Other payables | **N/A** | **18,268** | **—** | **—** | **—** | **18,268** | **18,268** |
| Bank borrowings | **Note** | **412,220** | **2,633** | **7,900** | **40,150** | **462,903** | **436,711** |
| Loan from a non-controlling shareholder | **N/A** | **27,437** | **—** | **—** | **—** | **27,437** | **27,437** |
| Obligations under finance leases | **5.4** | **419** | **419** | **158** | **—** | **996** | **934** |
| | | **1,630,938** | **3,052** | **8,058** | **40,150** | **1,682,198** | **1,655,944** |

| | Weighted average effective interest rate % | Within 1 year or on demand HK$'000 (restated) | Between 1 to 2 years HK$'000 (restated) | Between 2 to 5 years HK$'000 (restated) | Over 5 years HK$'000 (restated) | Total contracted undiscounted cash flows HK$'000 (restated) | Carrying amount at reporting date HK$'000 |
|---|---|---|---|---|---|---|---|
| **At 31 December 2009** | | | | | | | |
| Accounts payable | N/A | 1,157,955 | — | — | — | 1,157,955 | 1,157,955 |
| Amounts due to fellow subsidiaries | N/A | 800 | — | — | — | 800 | 800 |
| Other payables | N/A | 28,972 | — | — | — | 28,972 | 28,972 |
| Bank borrowings | Note | 394,815 | 2,633 | 7,900 | 42,783 | 448,131 | 422,410 |
| Loan from a non-controlling shareholder | N/A | 27,437 | — | — | — | 27,437 | 27,437 |
| Obligations under finance leases | 6.0 | 150 | 150 | 38 | — | 338 | 315 |
| | | 1,610,129 | 2,783 | 7,938 | 42,783 | 1,663,633 | 1,637,889 |

Note: Variable-rate borrowings carry interest at HIBOR plus a spread or Hong Kong Prime Rate. The prevailing market rate at the reporting date is used in the maturity analysis.

Bank borrowings with a repayment on demand clause are included in the "within 1 year or on demand" time band in the above maturity analysis. As at 31 December 2010 and 31 December 2009, the aggregate undiscounted principal amounts of these bank borrowings amounted to approximately HK$11,720,000 and HK$19,828,000 respectively. Taking into account the Group's financial position, the directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors believe that such bank loans will be repaid within 3 years after the reporting date in accordance with the scheduled repayment dates set out in the loan agreements. The aggregated principal and interest cash outflow amounted to approximately HK$11,996,000 as at 31 December 2010 (2009: HK$20,384,000).

The amounts included above for variable interest rate instruments is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

## 38. FINANCIAL INSTRUMENTS (continued)

### Fair values

The fair values of financial assets and financial liabilities are determined as follows:

- the fair values of financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices;

- the fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis; and

- the fair values of option-based derivative are estimated using option pricing model (for example, the Black-Scholes pricing model).

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

**Fair values measurements recognised in the consolidated statement of financial position**

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Level 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

## 38. FINANCIAL INSTRUMENTS (continued)

### Fair values (continued)

**Fair values measurements recognised in the consolidated statement of financial position (continued)**

| | Level 1 HK$'000 | Level 2 HK$'000 | Level 3 HK$'000 | 2010 Total HK$'000 |
|---|---|---|---|---|
| **Financial assets at FVTPL** | | | | |
| Investments held for trading | | | | |
| Equity securities listed in Hong Kong | **42,431** | — | — | **42,431** |
| Equity securities listed outside Hong Kong | **4** | — | — | **4** |
| Unlisted securities | — | — | — | — |
| | **42,435** | — | — | **42,435** |

| | Level 1 HK$'000 | Level 2 HK$'000 (restated) | Level 3 HK$'000 (restated) | 2009 Total HK$'000 |
|---|---|---|---|---|
| **Financial assets at FVTPL** | | | | |
| Investments held for trading | | | | |
| Equity securities listed in Hong Kong | 28,715 | — | — | 28,715 |
| Unlisted securities | — | 8,499 | — | 8,499 |
| | 28,715 | 8,499 | — | 37,214 |

There were no transfers between Levels 1 and 2 in the current and prior years.

The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting periods.

## 39. MAJOR NON-CASH TRANSACTIONS

As detailed in note 40, the purchase consideration of the entire equity interest in the CRMG Group in 2009 was satisfied by the issue of convertible notes with aggregate principal amount of HK$250,340,000 and the deposit of HK$60,000,000 made in 2008.

## 40. ACQUISITION OF SUBSIDIARIES

### Acquisition of the CRMG Group

In 2009, the Group acquired 100% of the equity interests in the CRMG Group from CGL by issuing the Convertible Note A and Convertible Note B (details are set out in note 35). This acquisition was accounted for using the purchase method.

Since its acquisition, the CRMG Group contributed revenue of HK$456,502,000 and net profit of HK$1,691,000 to the Group for the financial year ended 31 December 2009.

If the acquisition had occurred on 1 January 2009, the Group's revenue would have been HK$1,095,000,000 approximately and loss for the year would have been approximately HK$17,389,000 for the year ended 31 December 2009. This pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2009, nor as is it intended to be a projection of future results.

The assets and liabilities arising from the acquisition are as follows:

| | **Fair value** HK$'000 | **Carrying amount** HK$'000 |
|---|---|---|
| Trademark (Note 22) | 311,007 | — |
| Property and equipment | 40,292 | 40,292 |
| Prepaid lease payments — long-term portion* | 15,341 | 15,341 |
| Deferred tax assets | 2,000 | 2,000 |
| Inventories | 33,365 | 33,365 |
| Prepayments, deposits and other receivables (including current portion of prepaid lease payments of HK$415,000)* | 32,881 | 32,881 |
| Amounts due from fellow subsidiaries | 559 | 559 |
| Bank deposits subject to conditions | 49,074 | 49,074 |
| Bank balances (general accounts) and cash | 81,514 | 81,514 |
| Accounts payable | (114,179) | (114,179) |
| Accrued liabilities and other payables | (3,997) | (3,997) |
| Taxation payable | (329) | (329) |
| Bank borrowings | (98,857) | (98,857) |
| Deferred tax liabilities (Note 16) | (51,316) | — |
| Net assets attributed to the Group acquired | 297,355 | 37,664 |
| Net cash inflow arising on acquisition: | | |
| Bank balances acquired | | 130,588 |
| Direct costs relating to the acquisition paid | | (329) |
| Net cash inflow arising on acquisition | | 130,259 |

* In accordance with the transitional provisions set out in the amendments to HKAS 17, the amounts of prepaid lease payments have been reclassified to property and equipment.

The cost of acquisition of HK$271,922,000 consisted of (1) deposit of HK$60,000,000 paid in 2008, (2) the issue of the Convertible Note A and Convertible Note B with aggregate fair value of HK$211,593,000 and (3) the other direct costs of HK$329,000 relating to the acquisition. The amount of HK$25,433,000, representing the excess of interests in fair values of the identifiable net assets of subsidiaries over cost of acquisition is recognised directly in profit or loss during the year ended 31 December 2009.

As explained in note 35, the Convertible Note A and Convertible Note B were subsequently redeemed at principal amount, resulting in a loss on redemption of HK$24,812,000. The net gain on acquisition of CRMG Group and redemption of Convertible Note A and Covertible Note B amounting to HK$621,000 is reported in the "Other gains and losses" account during the year ended 31 December 2009.

## 41. SHARE OPTION SCHEMES

### (a) New Option Scheme

The Company's share option scheme ("New Option Scheme") was adopted pursuant to an ordinary resolution passed at the special general meeting of the Company held on 22 February 2008, which took effect on 3 March 2008. The New Option Scheme replaces the Option Scheme (to be defined in note 41(b) below) with effect from 3 March 2008.

The major terms of the New Option Scheme are summarised as follows:

(i) The purpose was to provide incentives to:

- award and retain the participants who have made contributions to CASH and its subsidiaries and associates, including the Group ("CASH Group"); or
- attract potential candidates to serve the CASH Group for the benefit of the development of the CASH Group.

(ii) The participants included any employees (whether full time or part time), executives and officers (including executive and non-executive directors) and business consultants, agents and legal and financial advisers of the CASH Group.

(iii) The maximum number of shares in respect of which options might be granted under the New Option Scheme must not exceed 10% of the issued share capital of the Company as at the date of approval of the New Option Scheme and such limit might be refreshed by shareholders in general meeting. The maximum number of shares was 353,825,053 shares. However, the total maximum number of shares which might be issued upon exercise of all outstanding options granted and yet to be exercised under the New Option Scheme and any other share option scheme must not exceed 30% of the shares in issue from time to time.

(iv) The maximum number of shares in respect of which options might be granted to a participant, when aggregated with shares issued and issuable (including exercised and outstanding options and the options cancelled) under any option granted to the same participant under the New Option Scheme or any other share option scheme within any 12-months period, must not exceed 1% of the shares in issue from time to time.

(v) There was no requirement for a grantee to hold the option for a certain period before exercising the option save as determined by the board of directors of the Company and provided in the offer of grant of option.

(vi) The exercise period should be any period fixed by the board of directors of the Company upon grant of the option but in any event the option period should not go beyond 10 years from the date of offer for grant.

(vii) The acceptance of an option, if accepted, must be made within 28 days from the date of grant with a non-refundable payment of HK$1.00 from the grantee to the Company.

## 41. SHARE OPTION SCHEMES (continued)

### (a) New Option Scheme (continued)

(viii) The exercise price of an option must be the highest of:

- the closing price of the shares on the date of grant which day must be a trading day;
- the average closing price of the shares for the 5 trading days immediately preceding the date of grant; and
- the nominal value of the share.

(ix) The life of the New Option Scheme is effective for 10 years from the date of adoption until 21 February 2018.

### (b) Option Scheme

Prior to 3 March 2008, the Company's share option scheme ("Option Scheme") was adopted pursuant to an ordinary resolution passed at the special general meeting of the Company held on 19 February 2002. The Option Scheme was replaced by the New Option Scheme with effect from 3 March 2008. The major terms of the Option Scheme are summarised as follows:

(i) The purpose was to provide incentives to:

- award and retain the participants who have made contributions to CASH Group; or
- attract potential candidates to serve the CASH Group for the benefit of the development of the CASH Group.

(ii) The participants included any employee, director, consultant, adviser or agent of any member of the CASH Group.

(iii) The maximum number of shares in respect of which options might be granted under the Option Scheme must not exceed 10% of the issued share capital of the Company as at the date of approval of the Option Scheme and such limit might be refreshed by shareholders in general meeting. However, the total maximum number of shares which might be issued upon exercise of all outstanding options granted and yet to be exercised under the Option Scheme and any other share option scheme must not exceed 30% of the shares in issue from time to time.

(iv) The maximum number of shares in respect of which options might be granted to a participant, when aggregated with shares issued and issuable (including exercised and outstanding options and the options cancelled) under any option granted to the same participant under the Option Scheme or any other share option scheme within any 12 months period, must not exceed 1% of the shares in issue from time to time.

(v) There was no requirement for a grantee to hold the option for a certain period before exercising the option save as determined by the board of directors of the Company and provided in the offer of grant of option.

(vi) The exercise period should be any period fixed by the board of directors of the Company upon grant of the option but in any event the option period should not go beyond 10 years from the date of offer for grant.

(vii) The acceptance of an option, if accepted, must be made within 28 days from the date of grant with a non-refundable payment of HK$1.00 from the grantee to the Company.

## 41. SHARE OPTION SCHEMES (continued)

### (b) Option Scheme (continued)

(viii) The exercise price of an option must be the highest of:

- the closing price of the shares on the date of grant which day must be a trading day;
- the average closing price of the shares for the 5 trading days immediately preceding the date of grant; and
- the nominal value of the share.

(ix) The life of the Option Scheme is effective for 10 years from the date of adoption until 3 March 2008, as the Option Scheme was replaced by the New Option Scheme.

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.

### (c) New Option Scheme and Option Scheme

Share options granted to the employers, directors and the consultants of the Group and weighted average exercise price are as follows for the reporting periods presented:

| | **2010** | | 2009 | |
|---|---|---|---|---|
| | **Number of share options** | **Weighted average exercise price HK$** | Number of share options | Weighted average exercise price HK$ |
| Outstanding at 1 January | **49,124,000** | **0.731** | 113,000 | 1.310 |
| Adjusted upon Rights Issue | **—** | **—** | 11,000 | N/A |
| Granted | **86,342,000** | **1.404** | 59,000,000 | 0.729 |
| Exercised | **(20,542,000)** | **0.698** | — | — |
| Cancelled | **—** | **—** | (5,000,000) | 0.720 |
| Lapsed | **(124,000)** | **1.180** | (5,000,000) | 0.734 |
| Adjusted upon Share Subdivision | **459,200,000** | **N/A** | — | — |
| Outstanding at 31 December | **574,000,000** | **0.249** | 49,124,000 | 0.731 |
| Exercisable at 31 December | **332,500,000** | **0.257** | 27,624,000 | 0.728 |

In respect of the share options exercised during the year, the weighted average share price (unadjusted for share subdivision) at the dates of exercise is HK$1.86 (2009: nil).

## 41. SHARE OPTION SCHEMES (continued)

### (c) New Option Scheme and Option Scheme (continued)

| | | **2010** Number of outstanding share options as at 31 December | **2010** Exercise price (adjusted for share subdivision) HK$ | 2009 Number of outstanding share options as of 31 December | 2009 Exercise price (prior to share subdivision) HK$ |
|---|---|---|---|---|---|
| Grant date: | Exercisable period: | | | | |
| 07.07.2006 | 7 July 2008 to 31 July 2010 | **N/A (Note a)** | **N/A (Note a)** | 157 | 1.180 |
| 07.07.2006 | 7 July 2009 to 31 July 2010 | **N/A (Note a)** | **N/A (Note a)** | 123,843 | 1.180 |
| 15.06.2009 | 15 December 2009 to 30 June 2013 | **47,500,000** | **0.147** | 12,500,000 | 0.734 |
| 15.06.2009 | 15 June 2010 to 30 June 2013 | **55,000,000** | **0.147** | 15,200,000 | 0.734 |
| 15.06.2009 | 15 June 2011 to 30 June 2013 | **13,500,000** | **0.147** | 2,700,000 | 0.734 |
| 15.06.2009 | 15 June 2012 to 30 June 2013 | **18,000,000** | **0.147** | 3,600,000 | 0.734 |
| 22.06.2009 | N/A (Note b) | **75,000,000** | **0.144** | 15,000,000 | 0.720 |
| 03.06.2010 | 1 January 2011 to 31 May 2012 | **31,250,000** | **0.126** | N/A | N/A |
| 03.06.2010 | 1 January 2012 to 31 May 2012 | **31,250,000** | **0.126** | N/A | N/A |
| 15.10.2010 | 15 October 2010 to 31 October 2012 | **92,500,000** | **0.304** | N/A | N/A |
| 15.10.2010 | 15 October 2010 to 31 October 2013 | **2,500,000** | **0.304** | N/A | N/A |
| 15.10.2010 | 1 January 2011 to 31 October 2012 | **65,000,000** | **0.304** | N/A | N/A |
| 15.10.2010 | 15 October 2011 to 31 October 2012 | **7,500,000** | **0.304** | N/A | N/A |
| 15.10.2010 | 15 October 2011 to 31 October 2013 | **3,750,000** | **0.304** | N/A | N/A |
| 15.10.2010 | 1 January 2012 to 31 October 2012 | **62,500,000** | **0.304** | N/A | N/A |
| 15.10.2010 | 1 January 2012 to 31 October 2013 | **2,500,000** | **0.304** | N/A | N/A |
| 15.10.2010 | 15 October 2012 to 31 October 2013 | **6,250,000** | **0.304** | N/A | N/A |
| 22.11.2010 | N/A (Note b) | **60,000,000** | **0.510** | N/A | N/A |
| | | **574,000,000** | | 49,124,000 | |

Notes:

(a) The options were lapsed during the year ended 31 December 2010. Thus, there was no outstanding share options as at 31 December 2010.

(b) The options were granted to the consultants of the Group for the provision of services to the Group up to the contract period until 2012. The options will be vested upon the provision of satisfactory services determined at the sole discretion of the Board of Directors. As at 31 December 2009 and 2010, the related services have not yet been satisfactorily performed and the share-based compensation expense attributable to the financial years ended 31 December 2009 and 2010 is considered as insignificant.

## 41. SHARE OPTION SCHEMES (continued)

### (c) New Option Scheme and Option Scheme (continued)

The weighted average remaining contractual life of share options outstanding as at 31 December 2010 is 2.06 years (2009: 3.49 years).

The fair values of share options granted during the years ended 31 December 2010 and 2009 were determined using the Black-Scholes pricing model ("B-Model").

The following table lists the inputs to the B-Model used for calculating the fair value of the options granted during the years ended 31 December 2010 and 2009:

| Date of grant | 15 October 2010 | 3 June 2010 | 1 June 2010 | 15 June 2009 |
|---|---|---|---|---|
| Share price on date of grant | HK$1.52 | HK$0.63 | HK$0.61 | HK$0.700 |
| Exercise price | HK$1.52 | HK$0.63 | HK$0.61 | HK$0.734 |
| Expected volatility (Note a) | 79.35% | 53.60% | 53.75% | 59.30% |
| Expected life of option (Note b) | 2–3 years | 2 years | 2 years | 3 years |
| Risk-free rate (Note c) | 0.51% | 0.70% | 0.69% | 1.43% |
| Expected dividend yield | Nil | Nil | Nil | Nil |

Notes:

(a) Expected volatility: being the approximate historical volatility of closing prices of the shares of the Company in the past 1 year immediately before the date of grant.

(b) Expected life of option: being the effective life of options estimated from the expected exercising time frame.

(c) Risk-free rate: being the approximate yields to maturity of Hong Kong Exchange Fund Note.

During the year ended 31 December 2010, the estimated fair values of share options granted on 1 June 2010, 3 June 2010, and 15 October 2010 dates are approximately HK$2,266,000, HK$2,361,000 and HK$21,045,000 respectively. During the year ended 31 December 2009, the estimated fair value of share options granted on 15 June 2009 is HK$12,375,000.

In total, HK$6,634,000 (2009: HK$7,566,000) of share-based compensation expenses has been recognised in profit or loss for 2010. The corresponding amount of HK$6,634,000 (2009: HK$7,566,000) has been credited to share-based payment reserve. No liabilities were recognised due to share-based payment transactions.

The B-Model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

## 42. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances detailed elsewhere in these consolidated financial statements, the Group had the following transactions with related parties:

| | Notes | **2010 HK$'000** | 2009 HK$'000 |
|---|---|---|---|
| Commission and interest income received from the following wholly-owned subsidiary of CASH | | | |
| Libra Capital Management (HK) Limited | (a) | **1,150** | 780 |
| Commission and interest income received from the following substantial shareholders of CASH | (a) | | |
| Cash Guardian Limited | | **214** | 125 |
| Mr Kwan Pak Hoo Bankee and associates | | **64** | 53 |
| | | **278** | 178 |
| Commission and interest income received from a substantial shareholder | | **103** | 13 |
| Commission and interest income received from the following directors of the Company | | | |
| Mr Law Ping Wah Bernard and associates | | **174** | 105 |
| Mr Cheng Man Pan Ben and associates | | **37** | 63 |
| Mr Yuen Pak Lau Raymond and associates | | **18** | 18 |
| | | **229** | 186 |
| Commission and interest income received from a director of CASH | (a) | | |
| Mr Lin Che Chu George and associates | | **—** | 9 |
| Mr Ng Kung Chit Raymond and associates | | **7** | 4 |
| | | **7** | 13 |
| Interest income received from CASH for amounts receivable on disposal of subsidiaries | (a) & (b) | **—** | 2,387 |
| Rental expense paid to an associate | | **12,343** | 5,687 |
| Rental and building management expense paid to related companies (2009: fellow subsidiaries) | | **3,732** | 1,866 |
| Corporate guarantee provided by CASH | (a) & (c) | **—** | 137,640 |
| Interest on convertible notes paid to CGL | (a) & (d) | **—** | 749 |
| Loan interest income received from directors of the Company | (e) | | |
| Mr Chan Chi Ming Benson | | **74** | 56 |
| Mr Law Ping Wah Bernard | | **70** | 56 |
| Mr Cheng Man Pan Ben | | **74** | 56 |
| Mr Yuen Pak Lau Raymond | | **74** | 56 |
| | | **292** | 224 |
| Loan interest income received from directors of CASH | (a) & (f) | | |
| Mr Lin Che Chu George | | **—** | 45 |
| Mr Ng Kung Chit Raymond | | **34** | 28 |
| | | **34** | 73 |

## 42. RELATED PARTY TRANSACTIONS (continued)

Notes:

(a) CIGL and CASH were the Company's immediate holding company and ultimate holding company respectively up to 10 October 2010. Since 11 October 2010, both CIGL and CASH ceased to control the Company as both CIGL and CASH no longer control more than 50% of the voting power at all the shareholders' meetings of the Company. As a result, the Company became an associate of CIGL and CASH with effect from 11 October 2010.

(b) During the year ended 31 December 2009, the Group received interest income of HK$2,387,000 from CASH for the amounts receivable on disposal of subsidiaries. The amount has fully received and no interest was earned in 2010.

(c) As at 31 December 2009, CASH provided approximately HK$137,640,000 corporate guarantees to the Group. As at 31 December 2010, CASH no longer provided corporate guarantee to the Group.

(d) During the year ended 31 December 2009, the Group recognised interest expense of approximately HK$749,000 to a subsidiary of CASH. All the convertible notes were redeemed in 2009.

(e) During the year ended 31 December 2010, the Group derived interest income from loans to certain directors of the Company of approximately HK$292,000 (2009: HK$224,000).

(f) During the year ended 31 December 2010, the Group derived interest income from loans to certain directors of CASH of approximately HK$34,000 (2009: HK$73,000). During the year ended 31 December 2009, Mr Lin Che Chu George resigned as a director of CASH.

Remuneration of key management personnel represents amounts paid to the Company's directors as disclosed in note 12.

The remuneration of directors is determined by the performance of individuals and market trends.

## 43. OPERATING LEASE COMMITMENTS

At the reporting dates, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of land and buildings which fall due as follows:

| | **2010**<br>**HK$'000** | 2009<br>HK$'000 |
|---|---|---|
| Within one year | **130,646** | 107,313 |
| In the second to fifth year inclusive | **139,437** | 73,651 |
| | **270,083** | 180,964 |

Operating lease payments represent rentals payable by the Group for its office premises and retail shops. Lease are mainly negotiated for lease term of one to five years. In addition to the fixed rentals pursuant to the terms of certain rental agreements, the Group has to pay a rental based on certain percentage of the gross sales of the relevant shop when the sales meets certain specified level.

## 44. EVENTS AFTER THE REPORTING PERIOD

In January 2011, subsequent to the reporting date, the Group announced a possible spin-off of Pricerite Stores Limited and its fellow subsidiaries for a separate listing on the Main Board of the Stock Exchange. The possible spin-off is in progress.

## 45. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

| Name | Place of incorporation | Paid up issued share capital | Proportion of nominal value of issued share capital held by the Company 2010 % | 2009 % | Principal activities |
|---|---|---|---|---|---|
| CASH Asset Management Limited | Hong Kong | Ordinary HK$10,000,000 | **100** | 100 | Provision of asset management services |
| CASH E-Trade Limited | Hong Kong | Ordinary HK$4,000,000 | **100** | 100 | Provision of management services for group companies |
| CASH Wealth Management Limited | Hong Kong | Ordinary HK$10,000,000 | **100** | 100 | Financial advisory consultancy |
| CASH Payment Services Limited | Hong Kong | Ordinary HK$2 | **100** | 100 | Provision of payment gateway services |
| Celestial Asset Management Limited | Hong Kong | Ordinary HK$4,000,100 | **100** | 100 | Provision of treasury management functions |
| Celestial Capital Limited | Hong Kong | Ordinary HK$30,000,000 | **100** | 100 | Provision of corporate finance, investment and financial advisory services |
| Celestial Commodities Limited | Hong Kong | Ordinary HK$10,000,000 | **100** | 100 | Futures and options broking and trading |
| Celestial Investments (HK) Limited | Hong Kong | Ordinary HK$10,000,000 | **100** | 100 | Money lending |
| Celestial Securities Limited | Hong Kong | Ordinary HK$140,000,000 | **100** | 100 | Securities, equity options broking and trading, leveraged foreign exchange contracts |
| Pricerite Stores Limited | Hong Kong | Ordinary HK$200,000,000 | **100** | 100 | Retailing of furniture and household goods |
| icoupon Limited | British Virgin Islands | Ordinary US$1 | **100** | 100 | Investment holding and trading |
| Think Right Investments Limited | British Virgin Islands | Ordinary US$1 | **100** | 100 | Properties holding |
| CASH Retail Management (HK) Limited | British Virgin Islands | Ordinary US$100 | **100** | 100 | Investment holding |
| Celestial Financial Services Limited | British Virgin Islands | Ordinary US$10,000 | **100** | 100 | Investment holding |

CASH E-Trade Limited, Celestial Financial Services Limited and CASH Retail Management (HK) Limited are directly held by the Company. All other subsidiaries shown above are indirectly held by the Company.

The above table lists the subsidiaries of the Group which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, resulted in particulars of excessive length.

## 46. SUMMARISED STATEMENT OF FINANCIAL POSITION OF THE COMPANY

| | **2010** | 2009 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| **Assets** | | |
| Investments in subsidiaries | **748,177** | 748,177 |
| Amounts due from subsidiaries | **209,563** | 138,683 |
| Bank balances (general accounts) | **184** | 140 |
| | **957,924** | 887,000 |
| **Liabilities** | | |
| Accrued liabilities and other payables | **455** | 454 |
| Amounts due to a subsidiary | **323,273** | 323,273 |
| | **323,728** | 323,727 |
| **Net assets** | **634,196** | 563,273 |
| **Capital and reserves** | | |
| Share capital | **70,765** | 61,711 |
| Reserves | **563,431** | 501,562 |
| **Total equity** | **634,196** | 563,273 |

# Appendix I — Investment Properties

Held as at 31 December 2010

| Location | Approximate gross floor area (sq. ft.) | Land use |
|---|---|---|
| Room 1606 (also known as 19G), Li Jing Yuan, Residence 8, No. 8 Jinan Road, Luwan District, Shanghai, the PRC | 891 | The property is vacant |
| Room 1607 (also known as 19A), Li Jing Yuan, Residence 8, No. 8 Jinan Road, Luwan District, Shanghai, the PRC | 1,593 | The property is vacant |
| Room 1806 (also known as 21G), Li Jing Yuan, Residence 8, No. 8 Jinan Road, Luwan District, Shanghai, the PRC | 891 | The property is vacant |
| Room 602 on Level 5, Maison des artiste, No. 16 Lane 688, Huang Jin Cheng Road, Changning District, Shanghai, the PRC | 1,160 | The property is vacant |
| Room 802 on Level 7, Maison des artiste, No. 16 Lane 688, Huang Jin Cheng Road, Changning District, Shanghai, the PRC | 1,160 | The property is vacant |
| Room 902 on Level 8, Maison des artiste, No. 17 Lane 688, Huang Jin Cheng Road, Changning District, Shanghai, the PRC | 1,160 | The property is vacant |
| Room 2002 on Level 17, Maison des artiste, No. 17 Lane 688, Huang Jin Cheng Road, Changning District, Shanghai, the PRC | 2,469 | The property is vacant |

# Appendix II — Five-Year Financial Summary

For the year ended 31 December 2010

## RESULTS

| | Year ended 31 December | | | | |
|---|---|---|---|---|---|
| | **2010** | 2009 | 2008 | 2007 | 2006 |
| | **HK$'000** | HK$'000 (restated) | HK$'000 | HK$'000 | HK$'000 |
| **Continuing operations** | | | | | |
| Revenue | **1,294,203** | 705,480 | 324,651 | 666,378 | 345,977 |
| Profit (loss) before taxation | **73,120** | (6,784) | (81,924) | 204,611 | 73,521 |
| Taxation charge | **(8,185)** | (13,848) | (4,294) | (28,825) | (5,796) |
| Profit (loss) for the year from continuing operations | **64,935** | (20,632) | (86,218) | 175,786 | 67,725 |
| **Discontinued operations** | | | | | |
| Profit (loss) for the year from discontinued operations | **—** | — | — | 30,904 | (27,527) |
| | **64,935** | (20,632) | (86,218) | 206,690 | 40,198 |
| Attributable to: | | | | | |
| Owners of the Company | **63,390** | (22,075) | (99,595) | 207,779 | 39,944 |
| Non-controlling interests | **1,545** | 1,443 | 13,377 | (1,089) | 254 |
| | **64,935** | (20,632) | (86,218) | 206,690 | 40,198 |

## ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

| | As at 31 December | | | | |
|---|---|---|---|---|---|
| | **2010** | 2009 | 2008 | 2007 | 2006 |
| | **HK$'000** | HK$'000 (restated) | HK$'000 | HK$'000 | HK$'000 |
| Property and equipment | **188,909** | 202,275 | 108,164 | 24,787 | 45,720 |
| Goodwill | **2,661** | 2,661 | 4,933 | 4,933 | 114,878 |
| Intangible assets | **321,059** | 321,059 | 11,062 | 12,392 | 32,042 |
| Other non-current assets | **268,685** | 254,333 | 254,890 | 253,089 | 23,690 |
| Current assets | **1,957,617** | 1,750,699 | 1,348,209 | 2,331,716 | 1,559,155 |
| Total assets | **2,738,931** | 2,531,027 | 1,727,258 | 2,626,917 | 1,775,485 |
| Current liabilities | **1,695,730** | 1,638,501 | 981,713 | 1,727,551 | 1,287,916 |
| Non-current liabilities | **98,458** | 99,856 | 39,490 | — | 3,977 |
| Total liabilities | **1,794,188** | 1,738,357 | 1,021,203 | 1,727,551 | 1,291,893 |
| Net assets | **944,743** | 792,670 | 706,055 | 899,366 | 483,592 |
| Non-controlling interests | **20,313** | 17,752 | 16,762 | 1,001 | 3,761 |

Note: During the year ended 31 December 2007, the Group entered into a sale and purchase agreement with CASH to dispose of Netfield Group, which carried out the Group's game service and operations. Accordingly, the disposed group is regarded as discontinued operations and its results in prior year are separately shown.

# Definitions

In this annual report, the following expressions have the following meanings unless the context requires otherwise:

| | |
|---|---|
| "ARTAR" | Abdulrahman Saad Al-Rashid & Sons Company Limited |
| "Audit Committee" | the audit committee of the Company established pursuant to the CG Code of the Listing Rules |
| "Board" | the board of Directors |
| "CASH" | Celestial Asia Securities Holdings Limited (stock code: 1049), the indirect controlling Shareholder, a company incorporated in Bermuda with limited liability and whose shares are listed on the Main Board |
| "CASH Group" | CASH and its subsidiaries, not including the Group |
| "Cash Guardian" | Cash Guardian Limited, a company incorporated in the British Virgin Islands; a substantial shareholder of CASH and an associate of Mr Kwan Pak Hoo Bankee |
| "Celestial Capital" | Celestial Capital Limited, a company incorporated with limited liability in Hong Kong and is a wholly-owned subsidiary of the Company, and a licensed corporation under the SFO which is engaged in types 1 (dealing in securities) and 6 (advising on corporate finance) regulated activities |
| "Celestial Commodities" | Celestial Commodities Limited, a company incorporated with limited liability in Hong Kong and is a wholly-owned subsidiary of the Company, and a licensed corporation under the SFO which is engaged in type 2 (dealing in futures contracts) regulated activity |
| "Celestial Securities" | Celestial Securities Limited, a company incorporated with limited liability in Hong Kong and is a wholly-owned subsidiary of the Company, and a licensed corporation under the SFO which is engaged in types 1 (dealing in securities) and 3 (leveraged foreign exchanged trading) regulated activities |
| "CEO" | the chief executive officer of the Company |
| "CFO" | the chief financial officer of the Company |
| "CG Code" | the Code on Corporate Governance Practices as contained in the Listing Rules |
| "CG Report" | the corporate governance report of the Company covering the year ended 31 December 2010 as required to be included in this annual report under the Listing Rules |
| "CIGL" | Celestial Investment Group Limited, a company incorporated in the British Virgin Islands with limited liability and is an indirect wholly-owned subsidiary of CASH; is a controlling Shareholder |
| "Company" or "CFSG" | CASH Financial Services Group Limited (stock code: 510), a company incorporated in Bermuda with limited liability and whose Shares are listed on the Main Board |
| "Connected Clients" | Mr Kwan Pak Hoo Bankee and Mr Law Ping Wah Bernard (executive directors of each of the Company and CASH), Mr Chan Chi Ming Benson and Mr Cheng Man Pan Ben (executive Directors of the Company), Cash Guardian (a substantial shareholder of CASH), and Libra Capital Management (HK) Limited and Cashflow Credit Limited (wholly-owned subsidiaries of CASH and substantial Shareholders of the Company), all of which are connected persons of the Company (as defined under the Listing Rules) |
| "COO" | the chief operating officer of the Company |
| "CRMG Group" | CRM(HK) and its subsidiaries which mainly engage in the retail business in Hong Kong and China |

# Definitions

| | |
|---|---|
| "CRM(HK)" | CASH Retail Management (HK) Limited, a company incorporated in the British Virgin Islands with limited liability, and is currently a wholly-owned subsidiary of the Company and the holding company of the CRMG Group |
| "Director(s)" | the directors of the Company |
| "ED(s)" | the executive Director(s) of the Company |
| "Group" | the Company and its subsidiaries |
| "Hong Kong" or "HKSAR" | the Hong Kong Special Administrative Region of the PRC |
| "INED(s)" | the independent non-executive Director(s) of the Company |
| "Listing Rules" | The Rules Governing the Listing of Securities on the Stock Exchange |
| "Main Board" | the main board of the Stock Exchange |
| "Margin Financing Arrangement" | the grant of margin financing facilities by the Company to the Connected Clients for each of the three financial years ending on 31 December 2012, details of which are disclosed in 2(a) under the sub-section headed "Continuing connected transactions" in the Directors' report |
| "Model Code" | the required standards of dealings regarding securities transactions by Directors or the Model Code for Securities Transactions by Directors of Listed Issuers as set out in the Listing Rules |
| "NED(s)" | the non-executive Director(s) of the Company |
| "New Option Scheme" | the new share option scheme adopted by the Company to replace the Option Scheme pursuant to an ordinary resolution passed by the Shareholders on 22 February 2008, which took effect on 3 March 2008 |
| "Option Scheme" | the share option scheme adopted by the Company pursuant to an ordinary resolution passed by the Shareholders on 19 February 2002 and was terminated on 3 March 2008 |
| "PRC" | the People's Republic of China |
| "Principles" | a set of corporate governance principles adopted by the Board |
| "Remuneration Committee" | the remuneration committee of the Company established pursuant to the CG Code of the Listing Rules |
| "SFO" | the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) |
| "Share(s)" | ordinary shares of HK$0.02 each in the share capital of the Company |
| "Shareholder(s)" | holder(s) of the Share(s) |
| "Stock Exchange" | The Stock Exchange of Hong Kong Limited |
| "HK$" | Hong Kong dollar(s), the lawful currency of Hong Kong |

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