首華財經網絡集團有限公司

FIRST CHINA FINANCIAL NETWORK HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 08123

Annual Report 2010

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (''GEM'') OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE ''STOCK EXCHANGE'')

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

Pursuant to Chapter 36 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the ''GEM Listing Rules''), the Securities and Futures Commission (the ''SFC'') regulates First China Financial Network Holdings Limited (the ''Company'') in relation to the listing of its shares on The Stock Exchange of Hong Kong Limited. The SFC, The Hong Kong Exchanges and Clearing Limited, and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

This report, for which the directors of the Company (the ''Directors'') collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (i) the information contained in this report is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this report misleading; and (iii) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

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The English text of this annual report shall prevail over the Chinese text in case of inconsistencies.

CORPORATE INFORMATION

EXECUTIVE DIRECTORS
Wang Wenming *(Chairman)*
Lee Yiu Sun *(Chief Executive Officer)*

NON-EXECUTIVE DIRECTOR
Liu Runtong

INDEPENDENT NON-EXECUTIVE DIRECTORS
Zhang Benzheng
Tony I Tong
Li Jianxing

COMPLIANCE OFFICER
Lee Yiu Sun, FCPA

COMPANY SECRETARY
Chan Wai Lok

COMPOSITION OF BOARD COMMITTEES
Audit Committee
Tony I Tong *(Chairman)*
Zhang Benzheng
Li Jianxing

Remuneration Committee
Zhang Benzheng *(Chairman)*
Wang Wenming
Lee Yiu Sun
Tony I Tong
Li Jianxing

Nomination Committee
Zhang Benzheng *(Chairman)*
Wang Wenming
Tony I Tong
Li Jianxing

REGISTERED OFFICE
Century Yard, Cricket Square
Hutchins Drive, P.O. Box 2681
Grand Cayman KYI-1111
Cayman Islands

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Suite 2802–4, 28/F., Tower 6, The Gateway,
Harbour City, 9 Canton Road, Tsimshatsui,
Kowloon, Hong Kong

COMPANY WEBSITE
www.firstchina.hk

STOCK CODE
08123

PRINCIPAL BANKER
Wing Hang Bank, Limited
161 Queen's Road Central
Hong Kong

AUDITORS
HLB Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants
31st Floor, Gloucester Tower
The Landmark, 11 Pedder Street
Central, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE
Butterfield Fund Services (Cayman) Limited
P.O. Box 705, Butterfield House
68 Fort Street, George Town
Grand Cayman
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE
Hong Kong Registrars Limited
46th Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

CHIEF EXECUTIVE'S STATEMENT

BUSINESS REVIEW

During the year of 2010, the local financial market was fiercely competitive. The market experienced an increasing value and trade volume because of the increasing hot money inflow. The growth of PRC economy continued to be exciting and Renminbi currency moderately appreciated. It let our Group have a good result in brokerage and margin financing business. Continuing with our strategic plan in last year, we have attempted to expand in several areas; it was later counteracted by tightened policy the PRC government subsequently adopted. The new policy invigorates the registration of the industry players in securities consultancies, stock information and research analysis. It lowered the normal revenue earned by our major subsidiaries in Shenzhen. Its operation was unfavourably affected.

To operate in view of the development in PRC market, we carried out a divestment of our entire interest in First China futures business with a consideration of approximately 10.7 million in a bid to optimize our operational position, though not ruling out the possibility, given our built-up reputation in futures industry and experienced staff as we retain in our Group, of exploring this line of business again.

In May 2010, we launched an open offer on the basis of one offer share for every five existing shares ("Open Offer"). The Open Offer was complete in mid-June 2010. It was oversubscribed by 40.48% based on the total number of offer shares. The total number of excess offer shares validly applied for by the qualifying shareholders represented about 4.11 times of the offer shares available for the excess applications. No shares were underwritten. Consequentially we repaid a loan under control agreements. It fulfilled part of the plan that the prospectus stipulated as the Company circularized during the Open Offer.

In August 2010, a wholly owned subsidiary of the Company entered into a memorandum of understanding with certain independent third parties ("Vendors") in relation to acquiring 20% equity interest in a sino-foreign equity joint venture. According to the Vendors, this joint venture holds an exploitation right in respect of certain iron and copper ore mining sites situated in Zhaoqing of Guangdong Province, PRC. The project is under negotiation for the time being.

While the integration of our business focus seemed to be promising during the interim period, the news about tightened control by the PRC government and the China Securities and Futures Commission was rampant; it concerned the registration issues of the entities engaged in securities consultancy, stock information and research analysis services. It exerted a knock-on effect on our Shenzhen's subsidiaries' operations, triggering a temporary standstill.

In the meantime, like previous years, the securities trading market remains an important portion of our core business; for the sake of economy of scales, in October and November 2010, we entered into two agreements respectively for acquiring two properties at considerations of HK$38.5 million and HK$39.80 million. Both were financed with mortgages. The premises are located in Central. It would help our business plan, securing us a better environment in alliance with various potential strategic partners in the same location. Considerable rental expenses would be saved having self-owned properties rather than leased properties. The legal title passed to the Group after year end date because the related mortgages were completed in the year 2011.

CHIEF EXECUTIVE'S STATEMENT

FINANCIAL REVIEW

Results of the Group

The Group recorded total turnover of approximately HK$48.9 million in 2010. Compared with the amount of approximately HK$85.3 million last year, there was a decrease of approximately HK$36.4 million or of approximately 42.6%. The decrease in turnover was primarily caused by decrease in income from provision of stock information and research services from Shenzhen operation.

Loss for the year amounted to approximately HK$218.6 million compared with profit of approximately HK$3.0 million for the corresponding year. The loss of the year encompassed impairments of goodwill, other intangible assets, trade receivables and other receivables. They totalled approximately HK$186.5 million (2009: HK$ NIL). Besides, there were deductions of depreciation and amortization of non-current assets as well as intangible assets totalling HK$9.5 million (2009: HK$7.3 million). Another non-cash and non-recurring item included in the employee benefits expenses was share-based compensation expenses for share options granted to the directors and employees of HK$23.3 million (Note 11 to the financial statements) (2009: nil). Taking a rather holistic point of view, the results showed a profit of approximately HK$0.7 million (2009: profit of approximately HK$10.4 million), as summarized like below:

	2010 **HK$'000**	2009 HK$'000
(Loss)/profit attributable to shareholders	**(215,332)**	3,404
Add: non-controlling interests	**(3,307)**	(359)
(Loss)/profit for the year	**(218,639)**	3,045
Add: impairment of goodwill	**53,811**	—
impairment of other intangible assets	**131,026**	—
impairment of trade receivables	**120**	—
impairment of other receivables	**1,537**	—
depreciation of property, plant and equipment	**4,702**	3,630
amortization of intangible assets	**4,800**	3,726
share-based compensation expenses	**23,382**	—
Profit before impairments, depreciation, amortization and share-based compensation expenses	**739**	10,401

The impairments include impairing the carrying value of goodwill arising from the acquisition of GoHi Holdings Limited and Shenzhen Sky Picture Communications Co. Ltd. (the "Shenzhen Sky Picture") for the year ended 31 December 2010. They amounted to approximately HK$53.8 million in total. Other impairments were accrued against the carrying values of website and software, in total of approximately HK$131.0 million. These intangible assets were required to be tested for impairment annually according to Hong Kong Financial Reporting Standards. An independent valuer was engaged by the Group to conduct an annual valuation on goodwill, website and software; a valuation report was recently released. The Board considered that approximately HK$184.8 million in aggregate was required for the impairment of goodwill, website and software for the year ended 31 December 2010.

CHIEF EXECUTIVE'S STATEMENT

FINANCIAL REVIEW *(continued)*

In spite of this, as of the latest practicable date, the Group's market capitalization remains at over HK$900 million. Net asset values of the Group were approximately HK$391.5 million and HK$172.2 million, respectively before and after impairments, depreciation, amortization and share-based compensation expenses. Therefore the financial results of the Group for 2010 reflected a rather prudent approach making all these impairments in light of tightened policy of the PRC government on regulating the securities and investment consultancy sector of the PRC in which the Group operates. They were made for the financial reporting requirement only.

Liquidity and financial resources

The Group is in healthy liquidity and financial position. As at 31 December, 2010, the shareholders' fund of the Group amounted to approximately HK$169.3 million. As at 31 December, 2010, the Group's cash and bank balances were approximately HK$131.9 million (31 December 2009: approximately HK$88.9 million) of which approximately HK$26.9 million were held on behalf of clients in trust and segregated accounts. Taking into account of the amount of liquid assets in hand, the Board is of the view that the Group has sufficient financial resources to meet its ongoing operational requirements.

The Group manages the foreign exchange exposure arising from its normal course of business activities and investments in foreign operations by funding its local operations and investments through cash flows generated from business transactions locally. As the end of the year, the Group did not have any material un-hedged foreign exchange exposure or interest rate mismatch.

Capital Structure

As at the end of 2010, the total number of the Company's shares had been increased to 3,828,964,120 shares, after (i) issue of 200,000,000 consideration shares, 7,478,265 bonus shares as well as exercise of 20,000,000 share option as partial consideration for the acquisition of GoHi on 16 November 2007 pursuant to the Agreements as disclosed in the Company's circular dated 22 October 2007; the proceeds from the exercise of share option was applied as working capital of the Company; (ii) issue of 9,201,954 consideration shares as part of the consideration in purchasing the right for a software, and (iii) issue of 638,160,686 ordinary shares in the Open Offer, the total net amount was applied as working capital of the Group and repayment of a loan under control agreements.

The Group did not have any borrowings and long-term debts at the end of the year in 2010. The Company has given a corporate guarantee to the extent of HK$23 million to a bank in respect of general banking facility granted to a subsidiary. However, no overdraft was drawn under this facility at the end of the reporting period.

Stock Information and Research Services

The total fee income of the stock information and research services unit significantly decreased to approximately HK$30.9 million for the year, representing a decrease of approximately HK$40.2 million or of approximately 56.5% compared with that of last year; this unit reported loss before income tax expenses of approximately HK$154.8 million, representing turn-around to a loss from profit of last year. It was mainly attributable to tightened policy of the PRC government on regulating the securities and investment consultancy sector of the PRC in which the Group's operates, which is relatively less favourable to foreign enterprise's participation. It resulted in impairments of the intangible assets, other receivables and trade receivables. The details are set out in note 6, note 18 and note 25 to the financial statements.

FINANCIAL REVIEW *(continued)*

Brokerage and trading platform

Total turnover of this unit recorded was approximately HK$14.4 million for the year ended 31 December 2010, compared with approximately HK$11.5 million for the same period last year. The increase was due to the robust equity trade market. It boost the commission earnings. The unit recorded a loss of approximately HK$2.2 million for the year. The loss narrowed.

Wealth Management Services

The significant downturn of global capital market continued to take effect; the total fee income of the wealth management division decreased to approximately HK$1.5 million for the year from approximately HK$2.9 million for the same period last year. This unit recorded turned to a loss of approximately HK$0.2 million for the year compared with a profit last year.

Corporate Finance Services

This segment remained inactive during the year under review.

CHARGES ON ASSETS

As at 31 December 2010, the Group did not have any charges on its assets (2009: Nil).

CONTINGENT LIABILITIES

As at 31 December 2010, the Group did not have any contingent liabilities (2009: Nil).

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES/FUTURE PLAN FOR MATERIAL INVESTMENTS

There was no other material acquisition/disposal which would have been required to be disclosed under the GEM Listing Rules for the year under review. At present, the Group has no concrete plans for any material investments.

EMPLOYEE INFORMATION

As at 31 December 2010, the Group had a workforce of 393 employees (2009: 436). The total staff costs, including directors' emoluments, amounted to about HK$55.1 million for the year ended 31 December 2010 (2009: approximately HK$30.8 million). The increase comprises approximately HK$23.3 million of share-based compensation expenses. Details are set out in note 11 to the financial statements.

The Group's remuneration policies are reviewed on an annual basis and commensurate with the industry pay level. The remuneration package includes basic salary, provident fund, medical benefits and discretionary bonus. The Group has also adopted a share option scheme as an added incentive for its employees. During the year, the Company granted in total of 84,000,000 new share options to the then existing directors or certain eligible employees.

CHIEF EXECUTIVE'S STATEMENT

OUTLOOK

While Hong Kong is taken to be an offshore hub for Renminbi business and an international centre for asset management, industry participants are increasingly interested in securing a market share. Increasing interaction with China provides more and more opportunities for them in doing Renminbi business. Since the first quarter of the current year 2011, we have been preparing our operation for Renminbi-dominated product trade and comply with the regulators requirements by opening legitimate accounts in case the opportunities arise.

Our core business in providing financial services remains unchanged. We have built up our reputation in securities market, providing superior top-class services to our customers of high net worth. As we have mentioned above, we are looking for revival of our futures business because those staff working with us in securities division have very good industry experience; application to the Securities and Futures Commission for futures licenses for one of our major subsidiaries is in progress. We trust that good news would come soon. Besides, our asset management division is there in preparation for profitable opportunities; with spectacular industry history the potential is big.

Our capital base has been strengthened since our open offer last year; we acquired two self-owned properties with aims for long term development. Apart from the mining project under negotiation in progress since last year we announced in August 2010, we are looking at several other projects having potentials in bringing profits and value to our shareholders.

We are dedicated to make efficient use of our human resources and financial capability to explore profiteering opportunities; on one hand the Group continuously streamlines our business based on our solid foundation in securities trade industry and on the other hand, the Group keeps pace with the dynamic market condition and gets hold of every lucrative opportunity to start on the road to brighter future.

I would like to take this opportunity to thank our shareholders, Board of Directors, our staff and business partners for their continuous support and commitment.

By order of the Board
Lee Yiu Sun
Chief Executive Officer

Hong Kong, 30 March 2011

DIRECTORS AND SENIOR MANAGEMENT PROFILE

EXECUTIVE DIRECTORS

Mr. Wang Wenming, aged 48, is the Director and Chief Executive Officer of 首華證券諮詢（深圳）有限公司 (First China Securities Consultancy (Shenzhen) Co. Ltd.) ("First China Shenzhen"), one of China's leading stock information services companies. Prior to that, Mr. Wang had established (i) 深圳市廣信投資有限公司 (Shenzhen Guangxin Investment Co. Ltd.) which is an investment company, (ii) 深圳富盟網絡技術有限公司 (Shenzhen Wealth Alliance Networking Co. Ltd.) which is an I.T. network company, and (iii) 深圳畫天影視傳播有限公司 (Shenzhen Sky Picture Communications Co. Ltd.) which is an audio and video production company. Since the appointment of Mr. Wang Wenming as the Director of First China Shenzhen, under his leadership, First China Shenzhen has achieved growing revenue, profits, and industry recognition. As a result, First China Shenzhen was selected by the Futian District Government of the Shenzhen Municipality as one of "Shenzhen Futian District's Top 100 Taxpaying Enterprises" in 2003 and 2004 with annual tax payment of over RMB10,000,000. Due to Mr. Wang's excellent capability and great contribution to the Shenzhen Municipality, he has been elected as a Congressman of the 4 term of the People's Congress for Shenzhen Municipality, and Deputy Chairman of both the Enterprise Alliance Association and the Entrepreneur Association of Futian District of Shenzhen Municipality, China since 2005. In 2006, Mr. Wang was also selected by the Shenzhen Municipal Party Committee as "Entrepreneur that Supports Party's Development".

Mr. Lee Yiu Sun, aged 53, is the Chief Executive Officer of the Company and joined the Group in May 2000. Mr. Lee has over 20 years of experience in the securities and financial service sector. Starting from 1998, Mr. Lee is the committee member of First and Second and Third Election Committee of Hong Kong for Legislative Council and Chief Executive. Since 2008, Mr. Lee is the member of Financial Services Advisory Committee of Trade Development Council. From 2009, Mr. Lee is being the committee member of Guangdong's Association for Promotion of Cooperation between Guangdong, Hong Kong & Macao, the Perm. Honorary President of Hong Kong Securities Association. Mr. Lee was formerly the Managing Director of Celestial Asia Securities Holdings Limited. Mr. Lee was a Council Member of the Stock Exchange of Hong Kong Limited from 1997 to 1999 and a Committee Member of the Chinese Gold and Silver Exchange Society from 1994 to 1999. Mr. Lee was also the member of the Banking and Financial Services Training Board of Vocational Training Centre in Hong Kong from 2000 to 2007, and the member of Investors Education Advisory Committee of Securities and Futures Commission from 2008 to 2010. He was the Chairman of the Hong Kong Stockbrokers Association from 2007 to 2009. Mr. Lee holds a Master of Arts Degree in Accounting and Finance, and is an associate member of the Chartered Institute of Management Accountants and a fellow member of the Hong Kong Institute of Certified Public Accountant.

NON-EXECUTIVE DIRECTOR

Mr. Liu Runtong, aged 37, obtained Bachelor Degree from Department of Chinese of Nankai University in 1996 and world economy postgraduate diploma from Jilin University in 2002. He also holds qualifications of economist, registered securities investment consulting analyst and registered insurance broker issued by various professional organizations in China. Since June 2008, Mr. Liu has been the executive vice president of 首華證券諮詢（深圳）有限公司, a PRC subsidiary of the Company. From 1 January 2010, he is the vice president of "First China Global Wealth Management Company Limited" (a subsidiary of the Company and formerly known as "First China Ta Yu Global Wealth Management Limited"). From May 2007 to September 2008, he was the president of 深圳首華保險經紀有限公司 (a PRC subsidiary of the Company, now known as 深圳首華康宏保險經紀有限公司 and formerly known as 深圳市安和信保險經紀有限公司). For the past 13 years, Mr. Liu has held different positions in various financial media institutions and financial services institutions in Mainland China. During his tenure from 1998 to 2002 as a responsible person for marketing the newspaper "Securities Times", he participated in establishing the "Panorama Network" (www.p5w.net), a well known securities website in China and acted as its major responsible person. In 2000, he acted as consultant in establishing and operating the program

DIRECTORS AND SENIOR MANAGEMENT PROFILE

INDEPENDENT NON-EXECUTIVE DIRECTORS

Professor Zhang Benzheng, aged 71, graduated with a Bachelor Degree from the Faculty of Engineering Physics of the Tsinghua University in 1965. He was a visiting scholar in the Brookhaven National Laboratory of USA and the Stuttgart University of Germany. He was the vice director of the Tsinghua University R&D department and the general manager of Tsinghua University Science and Technology Corporation. During the period from 1999 to 2002, he held various senior positions in two companies listed on the Shenzhen Stock Exchange, namely Tsinghua Unisplendour Limited and Tsinghua Unisplendour Guhan Group Corporation. He was the chairman and legal representative of Tsinghua Unisplendour Guhan Group Corporation and president of Tsinghua Unisplendour Limited before he left these companies in 2002. He then joined Tsinghua Unisplendour (Group) Corporation in 2002 and was its president until 2004. Professor Zhang is currently the general vice president and secretary of the Beijing Non-Governmental Science & Technology Entrepreneurs Association. With his remarkable business leadership as well as exploratory initiatives, Professor Zhang had made tremendous contribution to the companies he worked for. He has not only gained compliments from the society at large, but has also won a series of honors. In 1997, Professor Zhang received the national prize of "The Third Term Science and Technology Light Award for Outstanding Scientific and Technological Entrepreneur". In 2000, he won the "Hong Kong Bauhinia Cup Outstanding Entrepreneur Award" and the "Entrepreneurial Talent" award issued by the Beijing Non-Governmental Science and Technology Entrepreneurs Association. In 2002, he was selected as the first lot of "Zhongguan Village Outstanding Entrepreneurs". Prof. Zhang is currently an independent director of Beijing Lanxum Technology Co., Ltd. (a company listed on Shenzhen Stock Exchange. (Stock Code 300010))

Mr. Tony I Tong, aged 43, graduated from the University of Minnesota with a Bachelor Degree in Mechanical/Industrial Engineering. Mr. Tong started his career with Andersen Consulting (now known as Accenture) and Information Advantage Inc. in Minneapolis, USA. He was an Adjunct Professor of the University of Minnesota and served on the Computer Engineering Department Advisory Board. Mr. Tong is the inventor of "Internet Work Flow System" (US Patent Number 6,012,066) and is a frequent speaker on technology investment. He is currently a fellow of The Hong Kong Institute of Directors. Mr. Tong has extensive experience in financial management and investment. He is co-founder of PacificnetVentures.com, a leading venture investment in China. He was an independent non-executive director and a member of the Audit Committee of Garron International Limited (stock code: 1226) from 2007 to 2010. Mr. Tong is a member of Euro-Asian Cooperation on Gaming Association Ltd (ECGlimited.com). Mr. Tong was named the "25 people to watch" list by Global Gaming Business Magazine and "Asian Gaming 50" by Inside Asian Gaming Magazine in 2008. Mr. Tong was appointed as an independent non-executive director, chairman of Audit Committee, member of Nomination Committee and member of Remuneration Committee, with effect from 28 March 2011.

Mr. Li Jianxing, aged 52, graduated from Shanghai Maritime University with a bachelor degree in accounting. He also received a Master Degree in Business Administration from Canisius College of Buffalo. Mr. Li has over 20-year experience working experience in the field of accounting and corporate finance and has substantial experience in management in various listed companies, investment business, investor relations and project management. He was the senior manager of both the Investment Department and Finance Department of China Everbright Holdings Co., Ltd. from April 1998 to June 2000. He served as the Chief Finance Officer for Intermost Corporation from 1999 to 2003 and a General Manager of Investors Relations of China Everbright Holdings Co. Ltd . From April 2003 to February 2004, he was a General Manager Investor Relations in China Resources Power Holdings Co., Ltd. He has been a Director of Concord Investment Holdings Limited since 2004. Mr. Li was appointed as an independent non-executive director, member of Audit Committee and member of Nomination Committee and member of Remuneration Committee with effect from 28 March 2011.

DIRECTORS AND SENIOR MANAGEMENT PROFILE

Dr. Tsang Hing Lun, aged 61, joined the Group in June 2005. Dr. Tsang is the CEO of Influential Consultants Limited. He is a fellow member of the Hong Kong Institute of Directors, Association of Chartered Certified Accountants and Hong Kong Institute of Certified Public Accountants. Dr. Tsang obtained his PhD in 2006. Dr. Tsang graduated from the Chinese University of Hong Kong with a bachelor degree in business administration (1 Class Hons.) in 1973. Dr. Tsang has served in a senior management capacity in several reputable publicly listed companies in Hong Kong and Singapore. Dr. Tsang joined the Hang Seng Bank group in 1973 and served the group for 17 years. He acted as the assistant general manager of the planning and development division of Hang Seng Bank before joining the UOB Group in Singapore in 1990 as its Head of International Branches Division and First Vice President. After working in the UOB Group, Dr. Tsang returned to Hong Kong in 1992 and acted as an executive director of The Stock Exchange of Hong Kong Limited in 1993, an executive director of China Champ Group in 1994, an alternate chief executive and deputy general manager of the China Construction Bank, Hong Kong Branch, from 1995 to 1998. He is currently an independent non-executive director of Beijing Media Corporation Limited, Sinotrans Shipping Limited as well as Sino-Ocean Land Holdings Ltd. and all these companies are listed on The Stock Exchange of Hong Kong Limited. Dr. Tsang has resigned as an independent non-executive director, member of the Audit Committee, member of Remuneration Committee and member of Nomination Committee, with effect from 6 January 2011.

Mr. Yen Jong Ling, aged 49, holds a Master's degree in Business Administration from State University of New York at Buffalo and a Master's degree in Science, Finance from New York University. He also holds the professional qualifications of CFA and FRM as well as the professional licenses for Type 9 (Asset management) and Type 4 (Advising on securities) regulated activities under the Securities and Futures Ordinance of Hong Kong. Currently, he is the responsible officer of China Merchants Securities (HK) Co., Limited. For the past 17 years, Mr. Yen held various senior positions with different financial institutions in New York, Hong Kong and Taiwan. From September 2006 to October 2007, he was an executive director of AVANTA Investment (International) Limited and was responsible for fund management and investment advisory services. In 2004, he was a managing director of Crosby Asset Management (Hong Kong) Limited and was responsible for setting up a fund. Between 2001 and 2003, he was the president of Hwa Yu Securities Investment Advisory Company and was responsible for promoting investment advisory services and managing discretionary accounts. With over 17 years of exposure in investing in the international capital market, Mr. Yen has vast experience in fund management including mutual fund, pension fund, insurance investment portfolio and management of institutional accounts. Mr. Yen has resigned as an independent non-executive director, member of Audit Committee, member of Nomination Committee and member of Remuneration Committee with effect from 31 March 2010.

DIRECTORS AND SENIOR MANAGEMENT PROFILE

Mr. Zhang Fei Ze, aged 43, obtained a bachelor degree from Hua Zhong Technology University in 2000. Since the end of 2008, he is the chairman and president of Shenzhen Shouguan Investment Co., Ltd. He is mainly responsible for investment in gold-mining site explorations and exploitations. From June 2006 to June 2008, he was the vice-president of China Securities & Surveillance Technology, Inc. (a corporation listed on the New York Stock Exchange). He was a leader of a segment team namely "City of Peace" squad, and participated in the establishment of the "City of Peace of China". He won the recognition of running efficiently an enterprise and making contribution for the social security and order maintenance. From 2000 to 2006, he was the chairman and president of 深圳創冠智能網絡技術公司, leading the enterprise to become a famous system-integration merchant in Southern China region. It was a doubly grade-A enterprise, and served to set standards and demonstrational work for the digitalized systems of Prison of Guangdong of China, which was promoted throughout China. From 1996 to 1999, he was the director and president of Qingdao Xinchengshi Plaza Company Limited ("Xinchengshi", an affiliated company of a subsidiary of Grant Oriental Holdings Limited, ,now known as Shenzhen High-tech Holdings Limited, a company listed on the main board of the Stock Exchange). Xinchengshi was then one of the top ten department stores in China, the saleable area of which reached about a hundred thousand square metres. From August 1988 to 1995, he worked in the General Administration of Customs of the People's Republic of China, where his social network resources and administrative and managerial experience accumulated. Throughout the 22 years of his life, it encouraged him, in a bid for a brilliant fulfillment of his vision to become a distinguished entrepreneur, which is finally done, to painstakingly move on from a government servant, a business-promoter, a managerial professional to an investor. Mr. Zhang has resigned as an independent non-executive director, member of Audit Committee, member of Nomination Committee and member of Remuneration Committee with effect from 28 March 2011.

DIRECTORS' REPORT

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

CORPORATE INFORMATION

The Company was incorporated on 24 May 2001 as an exempted company with limited liability in the Cayman Islands under the Company Law of Cayman Islands.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities and other particulars of the Company's subsidiaries are set out in note 20 to the financial statements.

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 33.

The Directors do not recommend the payment of a dividend nor transfer of any amount to reserves for the year ended 31 December 2010 (2009: Nil).

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group and the Company during the year are set out in note 17 to the financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company are set out in note 33 to the financial statements.

DISTRIBUTABLE RESERVES

Under the Companies Law of the Cayman Islands, the share premium of the Company is available for distribution as dividends to its shareholders subject to the provisions of its Memorandum and Articles of Association and a statutory solvency test. In accordance with Article 137 of the Articles of Association of the Company, dividends may be declared and paid out of the profits of the Company or from any reserves set aside from profits which the Directors determine to be no longer needed. With the sanction of an ordinary resolution, dividends may also be declared or paid out of share premium account. Accordingly, the Company's reserves available for distribution was HK$Nil as at 31 December 2010.

DIRECTORS' REPORT

DIRECTORS

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

Executive Directors

Wang Wenming	*(Chairman)*
Lee Yiu Sun	*(Chief Executive Officer)*

Non-executive Director

Liu Runtong	(appointed on 2 February 2010)

Independent Non-executive Directors

Tsang Hing Lun	(resigned on 6 January 2011)
Tony I Tong	(appointed on 28 March 2011)
Zhang Benzheng	
Li Jiangxing	(appointed on 28 March 2011)
Zhang Fei Ze	(appointed on 20 May 2010 and resigned on 28 March 2011)
Yen Jong Ling	(resigned on 31 March 2010)

In accordance with Article 87(1) of the Company's Articles of Association, the Directors retiring by rotation at the annual general meeting are Mr. Zhang Benzheng. Mr. Liu Runtong wishes to offer himself for re-election. Moreover, in accordance with Article 86(3), Mr. Tony I Tong and Mr. Li Jianxing being appointed by the Directors after the Company's last annual general meeting held on 28 June 2010, will hold office only until the annual general meeting. All four Directors are being eligible for re-election and will offer themselves for re-election at the forthcoming annual general meeting. The remaining Director shall continue to hold office.

Mr. Wang Wenming is a Director of Fame Treasure Limited, which has an interest in the share capital of the Company that would fall to be disclosed to the Company under the provisions in Division 2 and 3 of Part XV of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (the "SFO")

DIRECTORS' SERVICE CONTRACTS

None of the Directors proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the employing company within one year without payment of compensation other than statutory compensation.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at 31 December 2010, the interests or short positions of the Directors and chief executive 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 were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have taken under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

(a) Long positions in shares of the Company

	Number of shares			
Name of Director	**Personal Interests**	**Corporate Interests**	**Total**	**Approximate percentage of shareholding**
Wang Wenming	595,328,957 (Note 1)	162,410,095 (Note 2)	757,739,052	19.79%
Lee Yiu Sun	100,019,000	—	100,019,000	2.61%
Liu Runtong	2,646,000	—	2,646,000	0.07%

Notes:

(1) Mr. Wang Wenming held 450,212,307 shares of the Company. Ms. Chen Dongjin, the spouse of Mr. Wang Wenming, held 145,116,650 shares of the Company. As such, Mr. Wang Wenming was deemed to be interested in 595,328,957 shares of the Company.

(2) Mr. Wang Wenming was deemed to be interested in 162,410,095 shares of the Company through his controlling interests in Fame Treasure Limited.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY *(continued)*

(b) Long positions in underlying shares of the Company

(i) Share option scheme of the Company

Pursuant to the share option scheme adopted by the Company on 17 December 2001 (the "Share Option Scheme"), the Directors and chief executive were granted share options to subscribe for shares of the Company, the details of which as at 31 December 2010 are as follows:

		Number of share options							
Name of Director	Date of grant	Outstanding as at 1 January 2010	Exercised during the year	Granted during the year	Adjustment in respect of the Open Offer	Cancelled/ lapsed during the year	Outstanding as at 31 December 2010 (Note 3)	Option period	Exercise price (note 3) (HK$)
Wang Wenming	13/04/2010	—	—	11,000,000	682,577	—	11,682,577	13/04/2010–12/04/2020	0.419
Lee Yiu Sun	13/04/2010	—	—	30,000,000	1,861,575	—	31,861,575	13/04/2010–12/04/2020	0.419
Lee Yiu Sun	05/09/2007	4,000,000	—	—	248,210	—	4,248,210	05/09/2007–04/09/2017	0.215
Liu Runtong	13/04/2010	—	—	30,000,000	1,861,575	—	31,861,575	13/04/2010–12/04/2020	0.419
Tsang Hing Lun	13/04/2010	—	—	3,000,000	186,158	— (Note 4)	3,186,158	13/04/2010–12/04/2020	0.419
Zhang Benzheng	13/04/2010	—	—	2,000,000	124,105	—	2,124,105	13/04/2010–12/04/2020	0.419

Notes:

(3) After the date of grant, as a result of completion of an open offer, the exercise paid and the number of shares to be issued upon exercise of these outstanding share options have been adjusted with effect from 15 June 2010. Reference is made to the announcement dated 15 June 2010.

(4) with effect from 6 January 2011, Dr Tsang Hing Lun resigned as an independent non-executive director of the Company, member of the Audit Committee, Remuneration Committee and Nomination Committee. Accordingly his entitlement to share option lapsed on the same date. Reference is made to the announcement dated 7 January 2011.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY *(continued)*

(b) Long positions in underlying shares of the Company *(continued)*

(ii) Agreement and Subscription Agreement involving granting of share options

Pursuant to the Agreement dated 11 July 2007 and the Supplementary Agreement dated 30 July 2007 relating to the acquisition of the entire shareholding of GoHi Holdings Limited (collectively the "Agreements"), the Company granted to Mr. Wang Wenming an option to subscribe for 20,000,000 shares of the Company at an exercise price of HK$0.15 per share in each of the 12-month period ending 30 June 2008, 2009 and 2010 respectively (i.e. a maximum of 60,000,000 shares) subject to the fulfillment of certain conditions as stipulated in the Agreements. With the fulfillment of the said conditions for the 12-month periods 30 June 2008, an option to subscribe for 20,000,000 shares was granted to Mr. Wang Wenming who exercised the options and was allotted 20,000,000 shares on 15 January 2009.

With the fulfillment of the said conditions for the 12-month period 30 June 2009, an option to subscribe for another 20,000,000 shares were granted to Mr. Wang Wenming who exercised the option and was allotted 20,000,000 shares on 26 February 2010.

Accordingly, pursuant to the aforesaid Agreements, the remaining option to subscribe for the shares of the Company which has not yet been exercised is 20,000,000 shares of the Company.

Save as disclosed above, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors or chief executive to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate and neither the Directors, nor the chief executive, nor any of their respective spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the year.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY *(continued)*

(c) Short positions in underlying shares of the Company

Name of Director	Number of shares Personal Interests	Corporate Interests	Approximate percentage of shareholding
Lee Yiu Sun	50,000,000 (note 5)	—	1.30%

Note:

(5) Pursuant to an option deed dated 31 August 2005, Asia Network Holdings Limited entered into an option deed with Mr. Lee Yiu Sun ("Mr. Lee") whereby Mr. Lee granted Asia Network Holdings Limited an option to purchase all or part of his 50,000,000 shares in the Company at such time and such price when Mr. Lee intends to transfer or dispose of all or part of the shares to any person during the period commencing on 31 August, 2005 till the date when Mr. Lee ceases to be interested in the shares.

Save as disclosed above, during the year, none of the Directors nor the chief executive of the Company had or was deemed to have any interests and short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required (i) 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 (ii) are required, pursuant to section 352 of the SFO, to be entered into the register referred to therein; or (iii) are required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

So far as is known to any Directors of the Company, as at 31 December 2010, the following persons (not being a Director of the Company) had interests in the shares or underlying shares which were notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept under section 336 of the SFO:

(a) Long positions in shares of the Company

Name of shareholders	Capacity	Number of shares	Approximate percentage of shareholding
Wang Wenming and Chen Dongjin (note 1)	Beneficial owners	595,328,957	15.55%

Notes:

(1) Ms. Chen Dongjin held 145,116,650 shares of the Company. Ms. Chen Dongjin is the spouse of a director of the Company, Mr. Wang Wenming, who held 450,212,307 shares of the Company. As such, they were deemed to be collectively interested in 595,328,957 shares of the Company.

(b) Long positions in underlying shares of the Company

Name of shareholders	Capacity	Number of shares	Approximate percentage of shareholding
Wang Wenming and Chen Dongjin	Beneficial owners	20,000,000 (note 2)	0.52%
	Beneficial owners	11,682,577 (note 3)	0.31%

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY *(continued)*

(b) Long positions in underlying shares of the Company *(continued)*

Notes: (continued)

(2) On 16 November 2007, Mr. Wang Wenming was granted an option which entitles him to subscribe up to 60,000,000 shares of the Company subject to the fulfillment of the conditions as stipulated in the Agreement dated 11 July 2007 and the Supplemental Agreement dated 30 July 2007 relating to the acquisition of the entire shareholding of GoHi Holdings Limited by the Group. As Ms. Chen Dongjin is the spouse of Mr. Wang Wenming, she is deemed to be interested in the said option granted to Mr. Wang Wenming. With the fulfillment of the said conditions for the 12-month periods 30 June 2008, an option to subscribe for 20,000,000 shares had been granted to Mr. Wang Wenming who exercised the options and was allotted 20,000,000 shares on 15 January 2009

With the fulfillment of the said conditions for the 12-month period 30 June 2009, an option to subscribe for another 20,000,000 shares were granted to Mr. Wang Wenming who exercised the option and was allotted 20,000,000 shares on 26 February 2010.

Accordingly, pursuant to the aforesaid Agreements, the remaining option to subscribe for the shares of the Company which has not yet been exercised is 20,000,000 shares of the Company.

(3) Pursuant to the Share Option Scheme, Mr Wang Wenming was granted on 13 April 2010 share options, the number of shares underlying which was adjusted on 15 June 2010, to subscribe for 11,682,577 shares of the Company. Ms. Chen Dongjin is the spouse of Mr Wang Wenming so they were deemed to be collectively interested in the share options to subscribe for 11,682,577 shares of the Company.

Save as disclosed above, as at 31 December 2010, the Company had not been notified of any other person (other than the Directors whose interests are set out in the section "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures" above) who had an interest or short position in the shares or underlying shares of the Company and was required to be recorded in the register required to be kept under Section 336 of the SFO and/or was directly or indirectly interested in 5% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group.

DETAILS OF THE OPTIONS GRANTED BY THE COMPANY

(a) Share Option Scheme of the Company

The Company has adopted a share option scheme (the "Scheme") under which the Directors or employees of the Company or its subsidiaries or certain other persons may be granted share options to subscribe for shares of the Company subject to the terms and conditions stipulated in the Scheme.

(1) Summary of the Scheme

(i) Purpose of the Scheme

The purpose of the Scheme is to provide the people and the parties working for the interest of the Group with an opportunity to obtain equity interest in the Company, thus linking their interest with the interest of the Group and thereby providing them with an incentive to work better for the interest of the Group.

(ii) Participants of the Scheme

Pursuant to the Scheme, the Company may grant share options to (i) employees of the Company (whether full-time or part-time) or any of its subsidiaries or associated companies; (ii) Directors (whether Executive Directors, Non-executive Directors or Independent Non-executive Directors) of the Company or any of its subsidiaries or associated companies; (iii) suppliers of goods and/or services to the Company or any of its subsidiaries or associated companies; and (iv) professionals engaged by the Company or any of its subsidiaries or associated companies.

(iii) Total number of shares available for issue under the Scheme

As at 31 December 2010, the total number of shares available for issue under the Scheme was 123,088,600 shares, representing about 3.21% of the total issued capital.

(iv) Maximum entitlement of each participant

The maximum number of shares of the Company issued and to be issued upon exercise of the options granted and to be granted pursuant to the Scheme and any other share option schemes of the Company (including the Pre-IPO Share Option Plan) to each participant in any 12-month period up to the date of grant of the options shall not exceed 1% of the total number of shares of the Company in issue, save for those share options already granted under the Pre-IPO Share Option Plan.

DETAILS OF THE OPTIONS GRANTED BY THE COMPANY *(continued)*

(a) Share Option Scheme of the Company *(continued)*

(1) Summary of the Scheme (continued)

(v) Option Period

An option may be exercised in accordance with the terms of the Scheme at any time during a period of not more than ten years to be notified by the Board of Directors of the Company (the "Board") to each participant which period of time shall commence on the date on which an offer of the grant of an option is accepted or deemed to have been accepted in accordance with the Scheme and expire on the last day of such period as determined by the Board. There is no minimum period for which an option must be held before it can be exercised.

(vi) Payment on acceptance by option offer

HK$1.00 is payable by the participant to the Company on acceptance of the option offer as consideration for the grant and received by the Company within 14 days from the offer date or within such offer period of time as may be determined by the Board pursuant to the GEM Listing Rules.

(vii) Basis of determining the exercise price

The exercise price per share of the Company under the Scheme is determined by the Board and notified to each participant and shall be no less than the highest of (i) the closing price of the shares of the Company as stated in the daily quotations sheet issued by the Stock Exchange on the date of offer, which must be a day on which the Stock Exchange is open for the business of dealing in securities ("Trading Day"), (ii) the average closing price of the shares of the Company as stated in the daily quotations sheets issued by the Stock Exchange for the five consecutive Trading Days immediately preceding the date of offer, and (iii) the nominal value of a share of the Company.

(viii) Remaining life of the Scheme

The Share Option Scheme will remain valid for a period of 10 years commencing on 17 December 2001 (save that the Company, by ordinary resolution in general meeting or Board may at any time terminate the operation of the Share Option Scheme) and in such event, no further options will be offered but the provisions of the Share Option Scheme shall in all other respects remain in full force and effect.

DETAILS OF THE OPTIONS GRANTED BY THE COMPANY *(continued)*

(a) Share Option Scheme of the Company *(continued)*

(2) Details of share options granted by the Company

On 5 September 2007 and 13 April 2010, options to subscribe for 32,400,000 shares and 84,000,000 of the Company respectively were granted to the Directors and certain employees of the Company. As at 31 December 2010, details of the outstanding options were as follows:

	Number of share options							
Date of grant	Outstanding as at 1 January 2010	Exercised during the year	Granted during the year	Adjustment in respect of the Open Offer	Cancelled/ lapsed during the year	Outstanding as at 31 December 2010 (Note 1)	Option period	Exercise price (note 1) (HK$)
13/04/2010	—	—	84,000,000	5,212,411	—	89,212,411 (Note 2)	13/04/2010–12/04/2020	0.419
05/09/2007	4,500,000	—	—	279,236	—	4,779,236	05/09/2007–04/09/2017	0.215

Notes:

(1) After the date of grant, as a result of completion of an Open Offer, the exercise price and the number of shares to be issued upon exercise of these outstanding share options have been adjusted with effect from 15 June 2010. Reference is made to the announcement dated 15 June 2010.

(2) with effect from 6 January 2011, Dr Tsang Hing Lun resigned as an independent non-executive director of the Company, member of the Audit Committee, Remuneration Committee and Nomination Committee. Accordingly his entitlement to the share option lapsed on the same date. Reference is made to the announcement dated 7 January 2011.

(b) Agreement and Supplemental Agreement involving granting of share options

Pursuant to the Agreement dated 11 July 2007 and the Supplemental Agreement dated 30 July 2007 relating to the acquisition of the entire shareholding of GoHi Holdings Limited, the Company granted to Mr. Wang Wenming an option to subscribe for 20,000,000 shares of the Company at an exercise price of HK$0.15 per share (the "Option") in each of the 12-month periods ending 30 June 2008, 2009 and 2010 respectively (i.e. a maximum of 60,000,000 shares) subject to the fulfillment of certain conditions as stipulated in the Agreements. With the fulfillment of the said conditions for the 12-month period 30 June 2008, an option to subscribe for 20,000,000 shares had been granted to Mr. Wang Wenming who exercised the options and was allotted 20,000,000 shares on 15 January 2009.

With the fulfillment of the said conditions for the 12-month periods 30 June 2009, an option to subscribe for another 20,000,000 shares were granted to Mr. Wang Wenming who exercised the option and was allotted 20,000,000 shares on 26 February 2010.

Accordingly, pursuant to the aforesaid Agreements, the remaining option to subscribe for the shares of the Company which has not yet been exercised is 20,000,000 shares of the Company.

DIRECTORS' REPORT

DIRECTOR'S RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Other than the share option scheme and the subscription agreement as described above and in notes 33 and 35 to the financial statements, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate and neither the Directors, nor the chief executive, nor any of their respective spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the year.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

There was no contract of significance, save as disclosed in the financial statements, in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

MAJOR CUSTOMERS AND SUPPLIERS

For the year under review, the Group's turnover attributable to its five largest customers combined accounted for less that 16% of the Group's total turnover.

The Group had no major supplier due to the nature of principal activities of the Group.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

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

COMPLIANCE WITH RULES 5.48 TO 5.67 OF THE GEM LISTING RULES

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company's Directors have complied with such code of conduct and the required standard of dealings.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

AUDITORS

The accompanying financial statements were audited by Messrs. HLB Hodgson Impey Cheng. A resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board
Lee Yiu Sun
Chief Executive Officer

Hong Kong, 30 March 2011

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Board assumes overall responsibility for the leadership and control of the Group, including providing and setting the Group's directions and strategies in the interests of the Group. It believes in good corporate governance and corporate governance practices that promote investor confidence, development of the Group, and transparency while having the long term interest of the Group and enhancement of shareholders' value as the ultimate objectives. It is committed to and has applied the principles of the Code on Corporate Governance Practices as set out in Appendix 15 of the GEM Listing Rules ("Corporate Governance Code"). The Company was in compliance with the Corporate Governance Code.

DIRECTORS' SECURITIES TRANSACTIONS

In respect of the standard of dealings required of directors, the Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard set out in rules 5.48 to 5.67 of the GEM Listing Rules. The directors have complied with the Company's code of conduct regarding directors' securities transactions.

THE BOARD OF DIRECTORS

As a result of one of the independent non-executive director, Dr Tsang Hing Lun ("Dr Tsang"), resigning with effect from 6 January 2011, and Mr. Zhang Fei Ze ("Mr. Zhang"), resigning with effect from 28 March 2011, both of whom due to their commitment to other business engagements, the Board had once comprised two executive and two non-executive directors (including one independent non-executive director); another two persons were appointed by the Board, effective on 28 March 2011 to fill the vacancies of independent non-executive directors to the existing board. Consequently, a sufficient number of independent non-executive directors is present to meet the requirement set out in Rule 5.06 under the GEM Listing Rules.

In ensuring that the Company has an effective Board, the segregation of the role of Chairman and Chief Executive Officer has been in place since the listing of the Company on the Stock Exchange. Each of all of the non-executive directors is appointed on a two-year term. The Company has received from each of the independent non-executive directors an annual confirmation of his independence pursuant to Rule 5.09 of the GEM Listing Rules and is in the opinion that all independent non-executive directors are independent.

THE BOARD OF DIRECTORS *(continued)*

The present board of directors consists of:

Wang Wenming	*(Chairman)*
Lee Yiu Sun	*(Chief Executive Officer)*
Liu Runtong (appointed on 2 February 2010)	*(Non-executive Director)*
Tony I Tong (appointed on 28 March 2011)	*(Independent Non-executive Director)*
Tsang Hing Lun (resigned on 6 January 2011)	*(Independent Non-executive Director)*
Zhang Benzheng	*(Independent Non-executive Director)*
Li Jianxing (appointed on 28 March 2011)	*(Independent Non-executive Director)*
Zhang Fei Ze (appointed on 20 May 2010 and resigned on 28 March 2011)	*(Independent Non-executive Director)*
Yen Jong Ling (resigned on 31 March 2010)	*(Independent Non-executive Director)*

The Board is mandated to determine and review strategic objectives, appoint and supervise senior management, approve quarterly, interim and annual reports, and review the principal risks of the Group's business to ensure that these risks are within manageable limits. It is also mandated to approve any substantial investment, acquisition or disposal by the Company. Major corporate matters that are delegated to the management include the execution of business strategies and initiatives approved by the Board and the preparation of quarterly, interim and annual reports for the Board's approval. Mr. Wang Wenming (Chairman) is deemed to be interested in the Company's shares owned by Fame Treasure Limited in which Mr. Wang is the controlling shareholder.

There were six board meetings during the year. The attendance of Directors at the board meetings was as follows:

Members	Attendance Number of meetings attended/ Number of meetings during term of service
Wang Wenming	6/6
Lee Yiu Sun	6/6
Liu Runtong (appointed on 2 February 2010)	4/6
Tsang Hing Lun (resigned on 6 January 2011)	4/6
Zhang Benzheng	4/6
Zhang Fei Ze (appointed on 20 May 2010 and resigned on 28 March 2011)	2/6
Yen Jong Ling (resigned on 31 March 2010)	1/6

CORPORATE GOVERNANCE REPORT

REMUNERATION OF DIRECTORS

The Company has established a Remuneration Committee with specific written terms of reference.

As at year end date, the Remuneration Committee consisted of three independent non-executive directors, Dr. Tsang Hing Lun, Professor Zhang Benzheng and Mr. Zhang Fei Ze; and one executive director, Mr. Wang Wenming. Dr. Tsang used to be the chairman of the committee. Dr Tsang resigned on 6 January 2011 and Mr. Zhang resigned on 28 March 2011, respectively due to their commitment to other business engagements, and both effective on 28 March 2011, the Board has appointed another two independent non-executive directors, to fill the vacancies as members of the committee. Both of these two newly-appointed directors, Mr. Tony I Tong and Mr. Li Jianxing together with Mr. Lee Yiu Sun, one of the existing executive directors, have been appointed as members of the Remuneration Committee, all with effect from 28 March 2011. In addition, Professor Zhang Benzheng has been redesignated as the chairman of the Remuneration Committee.

The Remuneration Committee's role and function include making recommendations to the Board on the Company's policy and structure for remuneration of directors and senior management and on the establishment of formal and transparent procedures for developing policy on such remuneration. It also has the delegated responsibility to determine the specific remuneration packages of all executive directors and senior management.

The Company's remuneration policies are determined on the basis of the contributions of staff and directors. Long-term incentive schemes for staff and directors include share options and cash bonuses.

The Remuneration Committee held one meeting during the year and the attendance of its members was as follows:

Members	Number of meetings attended/ Number of meetings during term of service
Tsang Hing Lun (resigned on 6 January 2011)	1/1
Wang Wenming	1/1
Zhang Benzheng	1/1
Yen Jong Ling (resigned on 31 March 2010)	0/1
Zhang Fei Ze (appointed on 20 May 2010 and resigned on 28 March 2011)	0/1

During the year, the Remuneration Committee's work includes considering the proposal on granting of options to subscribe for shares in the Company under a share option scheme adopted on 17 December 2001, and the documents underlying the grant. The details of the share options is set out in note 35 to the financial statements below.

NOMINATION OF DIRECTORS

The Company has established a Nomination Committee with specific written terms of reference. As at year end date, Nomination Committee consisted of three independent non-executive directors, Professor Zhang Benzheng, Dr. Tsang Hing Lun and Mr. Zhang Fei Ze and one executive director, Mr. Wang Wenming. Professor Zhang Benzheng is the chairman of the committee. Since two of the members of the Nomination Committee, Dr Tsang and Mr. Zhang resigned on 6 January 2011 and 28 March 2011 respectively due to their commitment to other business engagements, effective on 28 March 2011 the Board has appointed two independent non-executive directors, Mr. Tony I Tong and Mr. Li Jianxing to fill the vacancies as members of the committee.

The Nomination Committee's role and function include, but is not limited to, reviewing the structure, size and composition of the board of directors on a regular basis and making recommendations regarding any proposed changes; identifying and recommending individuals suitably qualified to become board members; and assessing the independence of independent non-executive directors.

The Nomination Committee held one meeting during the year and the attendance of its members was as follows:

Members	Attendance Number of meetings attended/ Number of meetings during term of service
Tsang Hing Lun (resigned on 6 January 2011)	1/1
Wang Wenming	1/1
Zhang Benzheng	1/1
Yen Jong Ling (resigned on 31 March 2010)	1/1
Zhang Fei Ze (appointed on 20 May 2010 and resigned on 28 March 2011)	0/1

On the nomination process, the Nomination Committee review suggested candidates for directorship having regard to the candidates' reputation and the specific skills or expertise that the candidates can contribute to the Company in the light of the structure, size, and composition of the board of directors. Only candidates who have integrity and can provide specific contributions to the Company thereby enhancing the value of the Company are considered for nomination to the board of directors by the Nomination Committee.

During the year, the Nomination Committee's work included reviewing a candidate for directorship, a member of the Audit Committee, Remuneration Committee and Nomination Committee, having regard to his reputation and his specific skills, in view of his potential contribution to the Company; it subsequently made recommendations thereon to the board of directors.

CORPORATE GOVERNANCE REPORT

AUDITORS' REMUNERATION

For the year ended 31 December 2010, the Group engaged its auditors, Messrs HLB Hodgson Impey Cheng, to provide the following services and their respective fees charged are set out below:

Type of services	2010 Approximately HK$
Audit of the financial statements of the Group	750,000
Non-audit services	
Acting as reporting accountants to report on certain financial information included in the Company's prospectus issued during the year	200,000

AUDIT COMMITTEE

The Company has established an Audit Committee with specific written terms of reference. As at year end date, the Audit Committee consisted of three independent non-executive directors, Dr. Tsang Hing Lun, Professor Zhang Benzheng and Mr. Zhang Fei Ze. Dr. Tsang and Mr. Zhang resigned respectively on 6 January 2011 and 28 March 2011 due to their commitment to other business engagements. The Board has appointed two independent non-executive directors Mr. Tony I Tong and Mr. Li Jianxing, to fill the vacancies as the chairman and a member of the committee effective on 28 March 2011. The Audit Committee's role and function include making recommendations to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor; review and monitor the external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standards; develop and implement policy on the engagement of an external auditor to supply non-audit services; monitor the integrity of financial statements, annual reports and accounts, half-yearly and quarterly reports of the Company, and review significant financial reporting judgments contained in them; review the Company's financial controls, internal control and risk management systems; and review the Group's financial and accounting policies, procedures and practices.

The Audit Committee has reviewed the financial statements of the Group for the year ended 31 December 2010 pursuant to the relevant provisions contained in the Code of Corporate Governance Practices as set out in Appendix 15 of the GEM Listing Rules and was of the opinion that such statements had complied with applicable accounting standards and that adequate disclosures had been made in respect thereof.

AUDIT COMMITTEE *(continued)*

The Audit Committee held four meetings during the year and the attendance of its members was as follows:

Members	Attendance Number of meetings attended/ Number of meetings during term of service
Tsang Hing Lun (resigned on 6 January 2011)	4/4
Zhang Benzheng	4/4
Yen Jong Ling (resigned on 31 March 2010)	1/4
Zhang Fei Ze (appointed on 20 May 2010 and resigned on 28 March 2011)	2/4

During the year, the Audit Committee's work includes reviewing the Company's quarterly, half yearly and annual results, reviewing the Company's system of internal control, and the Company's accounting policies.

The directors' responsibilities for preparing the accounts and the reporting responsibilities of the auditors are set out on pages 31 to 32 .

INTERNAL CONTROL

The Board is responsible for the internal controls of the Group and for reviewing its effectiveness. The Board requires management to establish and maintain sound and effective internal controls. Evaluation of the Group's internal controls is conducted by management on an on-going basis.

The Board and the Audit Committee have reviewed the effectiveness of its internal control systems on the major operations of the Group by appointing a professional accounting firm on their behalf. The scope of review by the professional accounting firm covered all material aspects of the controls with follow-up actions about observations obtained in the review of the control systems in previous years which included financial, operational, and compliance controls, as well as risk management functions. The professional accounting firm reported that there were no significant risks and no significant discrepancy that should be brought to the Board's attention. Accordingly, the Board believed that there would be no significant matter to be brought to the shareholders' attention.

Accordingly, the Board and the Audit Committee considered that the Group's internal control system to be effective and adequate and that the Group has fully complied with the Code Provision regarding internal controls as stated in the Code on Corporate Governance.

INDEPENDENT AUDITORS' REPORT

國衛會計師事務所
Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants

31/F, Gloucester Tower
The Landmark
11 Pedder Street, Central
Hong Kong

INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF
FIRST CHINA FINANCIAL NETWORK HOLDINGS LIMITED
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of First China Financial Network Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 33 to 107, which comprise the consolidated and company statements of financial position as at 31 December 2010, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITORS' 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, 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.

INDEPENDENT AUDITORS' REPORT

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2010, and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

HLB Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants

Hong Kong, 30 March 2011

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2010

	Note	2010 HK$	2009 HK$
Revenue	5	**48,989,233**	85,320,229
Other gains	7	**2,161,965**	1,615,036
Other income	8	**2,181,908**	1,987,495
Employee benefits expenses	11	**(55,193,170)**	(30,873,543)
Depreciation of property, plant and equipment	17	**(4,702,051)**	(3,630,306)
Amortization of intangible assets	18	**(4,800,905)**	(3,726,645)
Impairment of goodwill	18	**(53,811,784)**	—
Impairment of other intangible assets	18	**(131,026,047)**	—
Impairment of trade receivables	25	**(120,049)**	—
Impairment of other receivables		**(1,537,454)**	—
Finance costs	9	**(685,937)**	—
Other operating expenses		**(51,658,982)**	(39,671,275)
Share of losses of associates	21	**(364,161)**	(321,096)
(Loss)/profit before income tax	10	**(250,567,434)**	10,699,895
Income tax credit/(expense)	14	**31,927,626**	(7,654,821)
(Loss)/profit for the year		**(218,639,808)**	3,045,074
Other comprehensive income			
Net gains transferred to profit or loss on disposal of available-for-sale financial assets		**—**	(818,303)
Change in fair value of available-for-sale financial assets		**—**	464,877
Currency translation differences:			
— Group		**4,594,992**	700,939
— Associates		**32,086**	237
Release of translation reserve upon disposal of a subsidiary		**(258)**	(224,114)
Other comprehensive income for the year, net of tax		**4,626,820**	123,636
Total comprehensive (loss)/income for the year		**(214,012,988)**	3,168,710
(Loss)/profit for the year attributable to:			
Owners of the Company	15	**(215,332,026)**	3,404,795
Non-controlling interests		**(3,307,782)**	(359,721)
		(218,639,808)	3,045,074
Total comprehensive (loss)/income attributable to:			
Owners of the Company		**(210,646,237)**	3,528,170
Non-controlling interests		**(3,366,751)**	(359,460)
		(214,012,988)	3,168,710
(Loss)/earnings per share for (loss)/profit attributable to owners of the Company during the year			
— basic	16	**(6.12 HK cents)**	0.12 HK cents
— diluted	16	**(6.12 HK cents)**	0.12 HK cents

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2010

		The Group		The Company	
		2010	2009	**2010**	2009
	Note	**HK$**	HK$	**HK$**	HK$
Non-current assets					
Property, plant and equipment	17	**12,513,884**	13,315,420	**1,751,011**	1,053,000
Intangible assets	18	**81,373**	177,090,438	**—**	—
Statutory deposits and other assets	19	**575,000**	2,075,000	**—**	—
Investments in subsidiaries	20	**—**	—	**4,771,262**	4,771,260
Investments in associates	21	**669,056**	1,001,131	**—**	—
		13,839,313	193,481,989	**6,522,273**	5,824,260
Current assets					
Inventories	23	**41,289**	—	**—**	—
Held-for-trading investments	24	**3,217,558**	—	**—**	—
Current income tax recoverable		**2,201,858**	—	**—**	—
Trade receivables	25	**6,186,956**	17,450,098	**—**	—
Prepayment, deposits and other receivables	26	**55,886,187**	34,494,867	**124,428**	426,546
Amounts due from subsidiaries	20	**—**	—	**18,406,333**	120,720,301
Amount due from an associate	21	**2,501,961**	2,396,430	**—**	—
Bank balances and cash	27	**131,892,718**	88,905,605	**65,860,262**	2,579,310
		201,928,527	143,247,000	**84,391,023**	123,726,157
Total assets		**215,767,840**	336,728,989	**90,913,296**	129,550,417
Current liabilities					
Trade payables	28	**29,394,041**	51,795,602	**—**	—
Other payables and accruals	29	**14,136,997**	7,358,246	**1,636,302**	1,530,957
Amounts due to subsidiaries	20	**—**	—	**1,309,020**	1,594,055
Short-term bank loan	30	**—**	14,727,700	**—**	—
Loan payable under control agreements — amount due within one year	31	**—**	30,021,850	**—**	—
Current income tax liabilities		**—**	5,622,887	**—**	—
		43,531,038	109,526,285	**2,945,322**	3,125,012
Net current assets		**158,397,489**	33,720,715	**81,445,701**	120,601,145
Total assets less current liabilities		**172,236,802**	227,202,704	**87,967,974**	126,425,405

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2010

		The Group		The Company	
		2010	2009	**2010**	2009
	Note	**HK$**	HK$	**HK$**	HK$
Non-current liabilities					
Loan payable under control agreements — amount due after one year	31	**—**	32,854,100	**—**	—
Deferred income tax liabilities	32	**—**	31,456,395	**—**	—
		—	64,310,495	**—**	—
Net assets		**172,236,802**	162,892,209	**87,967,974**	126,425,405
Capital and reserves					
Share capital	33	**38,289,642**	29,541,232	**38,289,642**	29,541,232
Share premium	33	**862,819,484**	495,488,494	**862,819,484**	495,488,494
Special reserve	34	**4,778,740**	4,778,740	**—**	—
Translation reserve		**8,836,527**	4,150,738	**—**	—
Shares to be issued	36(c)	**168,000,000**	336,000,000	**168,000,000**	336,000,000
Share options reserve	36(c)	**14,460,609**	28,921,218	**14,460,609**	28,921,218
Share-based compensation reserve	35	**24,177,746**	795,173	**24,177,746**	795,173
Accumulated losses		**(952,015,652)**	(737,448,308)	**(1,019,779,507)**	(764,320,712)
Equity attributable to owners of the Company		**169,347,096**	162,227,287	**87,967,974**	126,425,405
Non-controlling interests		**2,889,706**	664,922	**—**	—
Total equity		**172,236,802**	162,892,209	**87,967,974**	126,425,405

Wang Wenming
Director

Lee Yiu Sun
Director

STATEMENTS OF CHANGES IN EQUITY

For the year ended 31 December 2010

The Group	Attributable to owners of the Company											
	Share capital HK$ (Note 33)	Share premium HK$ (Note 33)	Special reserve HK$ (Note 34)	Available-for-sale investments revaluation reserve HK$	Translation reserve HK$	Shares to be issued HK$ (Note 36(c))	Share options reserve HK$ (Note 36(c))	Share-based compensation reserve HK$ (Note 35)	Accumulated losses HK$	Total HK$	Non-controlling interests HK$	Total equity HK$
Balance as at 1 January 2009	29,341,232	478,227,885	4,778,740	353,426	3,673,937	336,000,000	43,381,827	1,767,050	(741,824,980)	155,699,117	71,693	155,770,810
Total comprehensive income for the year	—	—	—	(353,426)	476,801	—	—	—	3,404,795	3,528,170	(359,460)	3,168,710
Capital contributions from non-controlling interests	—	—	—	—	—	—	—	—	—	—	1,212,939	1,212,939
Disposal of a subsidiary	—	—	—	—	—	—	—	—	—	—	(63,076)	(63,076)
Disposal of partial equity interest in a subsidiary	—	—	—	—	—	—	—	—	—	—	(197,174)	(197,174)
Issue of shares upon exercise of Option in respect of acquisition of subsidiaries (Note 36(c))	200,000	2,800,000	—	—	—	—	—	—	—	3,000,000	—	3,000,000
Transfer upon exercise of Option in respect of acquisition of subsidiaries (Note 36(c))	—	14,460,609	—	—	—	—	(14,460,609)	—	—	—	—	—
Share option scheme — vested share options lapsed	—	—	—	—	—	—	—	(971,877)	971,877	—	—	—
Balance as at 31 December 2009	29,541,232	495,488,494	4,778,740	—	4,150,738	336,000,000	28,921,218	795,173	(737,448,308)	162,227,287	664,922	162,892,209

STATEMENTS OF CHANGES IN EQUITY

For the year ended 31 December 2010

The Group	Attributable to owners of the Company										
	Share capital	Share premium	Special reserve	Translation reserve	Shares to be issued	Share options reserve	Share-based compensation reserve	Accumulated losses	Total	Non-controlling interests	Total equity
	HK$	HK$	HK$	HK$	HK$	HK$	HK$	HK$	HK$	HK$	HK$
	(Note 33)	(Note 33)	(Note 34)		(Note 36(c))	(Note 36(c))	(Note 35)				
Balance as at 31 December 2009 and 1 January 2010	29,541,232	495,488,494	4,778,740	4,150,738	336,000,000	28,921,218	795,173	(737,448,308)	162,227,287	664,922	162,892,209
Total comprehensive loss for the year	—	—	—	4,685,789	—	—	—	(215,332,026)	(210,646,237)	(3,366,751)	(214,012,988)
Capital contributions from non-controlling interests	—	—	—	—	—	—	—	—	—	5,088,160	5,088,160
Disposal of a subsidiary (Note 37(b))	—	—	—	—	—	—	—	—	—	(45,018)	(45,018)
Disposal of partial equity interest in a subsidiary that do not result in a loss of control (Note 37(d))	—	—	—	—	—	—	—	764,682	764,682	395,294	1,159,976
Issue of shares upon exercise of Option in respect of acquisition of subsidiaries (Note 36(c))	200,000	2,800,000	—	—	—	—	—	—	3,000,000	—	3,000,000
Transfer upon exercise of Option in respect of acquisition of subsidiaries (Note 36(c))	—	14,460,609	—	—	—	(14,460,609)	—	—	—	—	—
Issue of Consideration Shares (Note 36(c))	2,000,000	166,000,000	—	—	(168,000,000)	—	—	—	—	—	—
Issue of Bonus Shares (Note 36(c))	74,783	6,206,960	—	—	—	—	—	—	6,281,743	—	6,281,743
Issue of new shares by way of Open Offer (Note 33)	6,381,607	178,684,992	—	—	—	—	—	—	185,066,599	—	185,066,599
Transaction costs attributable to issue of new shares	—	(2,424,551)	—	—	—	—	—	—	(2,424,551)	—	(2,424,551)
Acquisition of a subsidiary (Note 36(a))	—	—	—	—	—	—	—	—	—	153,099	153,099
Share option scheme — issue of shares under the share option scheme	—	—	—	—	—	—	23,382,573	—	23,382,573	—	23,382,573
Issue of new shares for acquisition of intangible asset	92,020	1,602,980	—	—	—	—	—	—	1,695,000	—	1,695,000
Balance as at 31 December 2010	38,289,642	862,819,484	4,778,740	8,836,527	168,000,000	14,460,609	24,177,746	(952,015,652)	169,347,096	2,889,706	172,236,802

STATEMENTS OF CHANGES IN EQUITY

For the year ended 31 December 2010

The Company	Share capital HK$ (Note 33)	Share premium HK$ (Note 33)	Shares to be issued HK$ (Note 36(c))	Share options reserve HK$ (Note 36(c))	Share-based compensation reserve HK$ (Note 35)	Accumulated losses HK$	Total equity HK$
Balance as at 1 January 2009	29,341,232	478,227,885	336,000,000	43,381,827	1,767,050	(753,956,664)	134,761,330
Total comprehensive loss for the year	—	—	—	—	—	(11,335,925)	(11,335,925)
Issue of shares upon exercise of Option in respect of acquisition of subsidiaries (Note 36(c))	200,000	2,800,000	—	—	—	—	3,000,000
Transfer upon exercise of Option in respect of acquisition of subsidiaries (Note 36(c))	—	14,460,609	—	(14,460,609)	—	—	—
Share option scheme — vested share options lapsed	—	—	—	—	(971,877)	971,877	—
Balance as at 31 December 2009	29,541,232	495,488,494	336,000,000	28,921,218	795,173	(764,320,712)	126,425,405

The Company	**Share capital HK$ (Note 33)**	**Share premium HK$ (Note 33)**	**Shares to be issued HK$ (Note 36(c))**	**Share options reserve HK$ (Note 36(c))**	**Share-based compensation reserve HK$ (Note 35)**	**Accumulated losses HK$**	**Total equity HK$**
Balance as at 31 December 2009 and 1 January 2010	**29,541,232**	**495,488,494**	**336,000,000**	**28,921,218**	**795,173**	**(764,320,712)**	**126,425,405**
Total comprehensive loss for the year	—	—	—	—	—	**(255,458,795)**	**(255,458,795)**
Share option scheme — issue of shares under the share option scheme	—	—	—	—	**23,382,573**	—	**23,382,573**
Issue of shares upon exercise of Option in respect of acquisition of subsidiaries (Note 36(c))	**200,000**	**2,800,000**	—	—	—	—	**3,000,000**
Transfer upon exercise of Option in respect of acquisition of subsidiaries (Note 36(c))	—	**14,460,609**	—	**(14,460,609)**	—	—	—
Issue of Consideration Shares (Note 36(c))	**2,000,000**	**166,000,000**	**(168,000,000)**	—	—	—	—
Issue of Bonus Shares (Note 36(c))	**74,783**	**6,206,960**	—	—	—	—	**6,281,743**
Issue of new shares by way of Open Offer (Note 33)	**6,381,607**	**178,684,992**	—	—	—	—	**185,066,599**
Transaction costs attributable to issue of new shares	—	**(2,424,551)**	—	—	—	—	**(2,424,551)**
Issue of new shares for acquisition of intangible asset	**92,020**	**1,602,980**	—	—	—	—	**1,695,000**
Balance as at 31 December 2010	**38,289,642**	**862,819,484**	**168,000,000**	**14,460,609**	**24,177,746**	**(1,019,779,507)**	**87,967,974**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2010

	Note	2010 HK$	2009 HK$
Cash flows from operating activities			
(Loss)/profit before income tax		**(250,567,434)**	10,699,895
Adjustments for:			
— Depreciation of property, plant and equipment		**4,702,051**	3,630,306
— Amortization of intangible assets		**4,800,905**	3,726,645
— Share of losses of associates		**364,161**	321,096
— Loss/(gain) on disposal of property, plant and equipment		**30,945**	(19,303)
— Net fair value (gains)/losses on securities trading		**(2,258,847)**	34,971
— Impairment of goodwill		**53,811,784**	—
— Impairment of other intangible assets		**131,026,047**	—
— Impairment of trade receivables		**120,049**	—
— Impairment of other receivables		**1,537,454**	—
— Gain on disposal of subsidiaries		**(2,161,965)**	(171,585)
— Net gain transferred from equity on disposal of available-for-sale financial assets		**—**	(818,303)
— Loss on disposal of associates		**—**	75,454
— Gain on disposal of partial equity interest in a subsidiary		**—**	(197,320)
— Share-based compensation expenses		**23,382,573**	—
— Dividend income		**—**	(19,648)
— Interest income		**(538,561)**	(446,436)
Operating cash flows before changes in working capital		**(35,750,838)**	16,815,772
— Statutory deposits and other assets		**—**	(45,000)
— Inventories		**(41,289)**	—
— Held-for-trading investments		**(958,711)**	(351)
— Trade receivables		**(8,535,630)**	16,678,840
— Prepayment, deposits and other receivables		**(23,209,956)**	3,140,358
— Segregated trust bank balances		**6,701,221**	(27,910,699)
— Trade payables		**(1,805,435)**	16,938,225
— Other payables and accruals		**6,908,310**	(22,469,080)
Cash (used in)/generated from operations		**(56,692,328)**	3,148,065
Income tax paid		**(7,333,167)**	(3,408,710)
Interest received		**538,561**	446,436
Net cash (used in)/generated from operating activities		**(63,486,934)**	185,791

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2010

	Note	2010 HK$	2009 HK$
Cash flows from investing activities			
Dividend received		—	19,648
Purchases of property, plant and equipment		**(3,687,409)**	(8,269,354)
Purchases of intangible assets		**(1,933,967)**	—
Proceeds from disposal of property, plant and equipment		**52,366**	51,037
Proceeds from disposal of available-for-sale financial assets		—	1,199,569
Proceeds from disposal of partial equity interest in a subsidiary		**1,180,000**	—
Advances to associates		**(105,531)**	(2,387,162)
Acquisition of subsidiaries, net of cash acquired		**42,169**	(25,301,031)
Investment in associates		—	(453,160)
Disposal of associates		—	5
Disposal of subsidiaries, net of cash disposed		**4,204,842**	1,919,696
Net cash used in investing activities		**(247,530)**	(33,220,752)
Cash flows from financing activities			
Proceeds from issue of ordinary shares, net of related transaction costs		**188,066,599**	3,000,000
Transaction costs attributable to issue of ordinary shares		**(2,424,551)**	—
Repayments of loan payable under control agreements		**(62,875,950)**	—
(Repayments of)/proceeds from short-term bank loan		**(14,727,700)**	14,727,700
Capital contributions from non-controlling interests		**5,088,160**	1,212,939
Net cash generated from financing activities		**113,126,558**	18,940,639
Net increase/(decrease) in cash and cash equivalents		**49,392,094**	(14,094,322)
Cash and cash equivalents at beginning of year		**54,004,538**	67,388,884
Exchange gains on cash and cash equivalents		**1,564,590**	709,976
Cash and cash equivalents at end of year	27	**104,961,222**	54,004,538
Net cash inflow/(outflow) on acquisition of subsidiaries:			
Direct costs relating to the acquisition, settled in cash		—	(1,108,999)
Purchase consideration, settled in cash		**(240,720)**	(26,623,150)
Cash and cash equivalents in subsidiaries acquired		**282,889**	2,431,118
		42,169	(25,301,031)
Net cash inflow arising on disposal of subsidiaries:			
Total cash consideration		**22,851,313**	3,060,005
Bank balances and cash disposed, excluding segregated trust bank balances		**(18,646,471)**	(1,140,309)
		4,204,842	1,919,696

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

1. GENERAL INFORMATION

First China Financial Network Holdings Limited (the "Company") and its subsidiaries (together the "Group") are principally engaged in the provision of stock information and research analysis services and trading and principal investments and in the Peoples's Republic of China (the "PRC"), provision of securities and futures trading services, corporate finance consultancy services, trading and principal investments in Hong Kong, and wealth management services in Hong Kong and the PRC.

The Company was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Law of the Cayman Islands. The Company's registered office is situated at Century Yard, Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KYI-1111, Cayman Islands. The Company's principal place of business is situated at Suites 2802–4, 28th Floor, Tower 6, The Gateway, Harbour City, No. 9 Canton Road, Tsimshatsui, Kowloon, Hong Kong.

The Company's shares are listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The consolidated financial statements are presented in Hong Kong dollars, while the functional currencies of certain subsidiaries are presented in Renminbi ("RMB"). The Company has selected Hong Kong dollar as its presentation currency because the management considered it is more beneficial to the user of the consolidated financial statements. These consolidated financial statements were approved and authorized for issue by the board of directors on 30 March 2011.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by Hong Kong Institute of Certified Public Accountants ("HKICPA"). They have been prepared under the historical cost convention, as modified by available-for-sale financial assets, and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

The preparation of the consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Group

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning on or after 1 January 2010 by the Group.

HKFRS 3 (revised), "Business combinations" — effective from 1 January 2010. The revised standard continues to apply the acquisition method to business combinations but with some significant changes compared with HKFRS 3. For example, all payments to purchase a business are recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the statement of comprehensive income. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs are expensed.

HKAS 27 (revised), "Consolidated and separate financial statements" — effective from 1 January 2010. The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognized in profit or loss. HKAS 27 (revised) has had no impact on the current period, as none of the non-controlling interests have a deficit balance; there have been no transactions whereby an interest in an entity is retained after the loss of control of that entity, and there have been no transactions with non-controlling interests.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

Changes in accounting policy and disclosures *(continued)*

(a) New and amended standards adopted by the Group (continued)

Except for the adoption of HKFRS 3 (revised) and HKAS 27 (revised), the adoption of other new and amended standards and interpretations does not have material impact on these consolidated financial statements and does not result in substantial changes to the Group's accounting policies.

(b) New standards, amendments and interpretations that are published and potentially relevant to the Group's operations, but not yet effective and have not been early adopted by the Group:

- HKFRS 1 (Amendment), "Limited exemption from comparative HKFRS 7 disclosures for first-time adopters" (effective for the Group for annual periods beginning on or after 1 January 2011).
- HKFRS 7 (Amendment), "Financial instruments: Disclosures" (effective for the Group for annual periods beginning on or after 1 January 2011).
- HKFRS 9, "Financial instruments" (effective for the Group for annual periods beginning on or after 1 January 2013).
- HKAS 12 (Amendment), "Deferred tax: Recovery of underlying assets" (effective for the Group for annual periods beginning on or after 1 January 2012).
- HKAS 24 (revised), "Related party disclosures" (effective for the Group for annual periods beginning on or after 1 January 2011).
- HKAS 32 (Amendment), "Classification of rights issues" (effective for the Group for annual periods beginning on or after 1 January 2011).
- HK (IFRIC) — Int 19, "Extinguishing financial liabilities with equity instruments" (effective for the Group for annual periods beginning on or after 1 January 2011).
- HK (IFRIC) — Int 14 (Amendment), "Prepayments of a minimum funding requirement" (effective for the Group for annual periods beginning on or after 1 January 2011).

The adoption of the above standards, amendments and interpretations to existing standards in future periods is not expected to result in substantial changes to the Group's accounting policies.

In addition, HKICPA also published a number of amendments to the existing standards under its annual improvement projects. These amendments are not expected to have a significant financial impact on the results and financial position of the Group.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.2 Consolidation

(a) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognizes any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

Investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly in the statement of comprehensive income (Note 2.6).

Inter-company transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary in the consolidated financial statements to ensure consistency with the policies adopted by the Group.

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the share of net assets attributable to the Group together without goodwill carried in the statement of financial position.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.2 Consolidation *(continued)*

(b) Transactions with non-controlling interests

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income are reclassified to profit or loss where appropriate.

(c) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognized at cost. The Group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss.

The Group's share of its associates' post-acquisition profits or losses is recognized in the consolidated statement of comprehensive income, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses arising in investments in associates are recognized in the consolidated statement of comprehensive income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments.

2.4 Foreign currency translation

(a) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Hong Kong dollars (HK$), which is the Company's functional and the Group's presentation currency.

(b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statement of comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognized in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available-for-sale, are included in other comprehensive income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.4 Foreign currency translation *(continued)*

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each statement of comprehensive income are translated at average exchange rates for the year; and
- all resulting exchange differences are recognized in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to other comprehensive income. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognized in the consolidated statement of comprehensive income as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2.5 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the consolidated statement of comprehensive income during the financial period in which they are incurred.

Depreciation on property, plant and equipment is calculated, using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

Leasehold improvements	Over the term of leases
Office equipment and furniture	3 to 5 years
Computer equipment	3 years
Motor vehicle	3 to 10 years

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.5 Property, plant and equipment *(continued)*

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains or losses on disposals are determined by comparing the proceeds with the carrying amount and recognized in the statement of comprehensive income.

When revalued assets are sold, the amounts included in other reserves are transferred to retained earnings.

2.6 Intangible assets

(a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in "intangible assets". Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose identified according to operating segment.

(b) Trading rights

As at 31 December 2009, the trading rights represented eligibility rights to trade on or through the Stock Exchange and on the Hong Kong Futures Exchange Limited. As at 31 December 2010, the trading rights represent eligibility rights to trade on or through the Stock Exchange. The trading rights are carried at cost less accumulated amortization and accumulated impairment losses.

(c) Website

The website hosting an interactive financial video channel called Stock Online (股市在綫) was acquired by the Group in a business combination. The website has a finite useful life and is carried at cost less accumulated amortization and impairment. Amortization is calculated using the straight-line method to allocate the cost of website over its estimated useful life of 30 years.

(d) Software

The software represents Stock Online First Stock Search Software (選股在線第一搜股軟件). The software has a finite useful life and is carried at cost less accumulated amortization and impairment. Amortization is calculated using the straight-line method to allocate the cost of software over its estimated useful life of 10 years.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.7 Impairment of investments in subsidiaries, associates and non-financial assets

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Impairment testing of the investments in subsidiaries or associates is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary or associate in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.8 Financial assets

Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivable and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

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

Financial assets at fair value through profit or loss are financial assets held-for-trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Assets in this category are classified as current assets.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the end of the reporting period.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.8 Financial assets *(continued)*

Recognition and measurement

Regular way purchases and sales of financial assets are recognized on the trade-date (the date on which the Group commits to purchase or sell the asset). Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value and transaction costs are expensed in the consolidated statement of comprehensive income. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortized cost using the effective interest method.

Gains or losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are presented in the consolidated statement of comprehensive income in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognized in the consolidated statement of comprehensive income as part of other income when the Group's right to receive payments is established.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analyzed between translation differences resulting from changes in amortized cost of the security and other changes in the carrying amount of the security. Translation differences on monetary securities are recognized in profit or loss, translation differences on non-monetary securities are recognized in other comprehensive income. Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognized in other comprehensive income.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognized in equity are included in the consolidated statement of comprehensive income as "net gain transferred from equity on disposal of available-for-sale financial assets".

Interest on available-for-sale securities calculated using the effective interest method is recognized in the consolidated statement of comprehensive income as part of other income. Dividends on available-for-sale equity instruments are recognized in the consolidated statement of comprehensive income as part of other income when the Group's right to receive payments is established.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.9 Impairment of financial assets

For the assets carried at amortized cost, the Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (loss event) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. The Group first assesses whether objective evidence of impairment exists. The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount of the asset is reduced and the amount of the loss is recognized in the consolidated statement of comprehensive income. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in the consolidated statement of comprehensive income.

For the assets classified as available-for-sale, the Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss — is removed from equity and recognized in the separate consolidated statement of comprehensive income. Impairment losses recognized in the separate consolidated statement of comprehensive income on equity instruments are not reversed through the separate consolidated statement of comprehensive income.

2.10 Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the first-in, first-out (FIFO) method. The cost of finished goods is arrived at purchase cost. It excludes borrowing costs. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.11 Trade and other receivables

Trade and other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognized in the consolidated statement of comprehensive income. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against the consolidated statement of comprehensive income.

2.12 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks with original maturities of three months or less.

2.13 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.14 Trade payables

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

2.15 Borrowings

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.16 Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and not designed as at fair value through profit or loss is recognized initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contact at the higher of: (i) the amount determined in accordance with HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*; and (ii) the amount initially recognized less, when appropriate, cumulative amortization recognized in accordance with HKAS 18 Revenue.

2.17 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in the consolidated statement of comprehensive income, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting period in the countries where the Company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.18 Employee benefits

(a) Pension obligations

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the consolidated statement of comprehensive income as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully within the employees when contributed into the MPF Scheme, except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF Scheme. During the reporting period, the total amount of forfeited contributions, which arose upon employees leaving the MPF Scheme and available to reduce the contribution payable in future years was nil (2009: Nil).

Retirement benefits to employees in the People's Republic of China ("PRC") are provided through a defined contribution plan. The Group is required to participate in a central pension scheme operated by the local municipal government. The Group is required to contribute certain percentage of its payroll costs to the central pension scheme. The contributions are charged to the consolidated statement of comprehensive income as they become payable in accordance with the rules of the central pension scheme. The Group has no legal or constructive obligations to pay further contributions after payment of the fixed contribution.

(b) Share-based compensation

The Group operates an equity-settled, share-based compensation plan, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognized as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.18 Employee benefits *(continued)*

(b) Share-based compensation (continued)

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the entity revises its estimates of the number of options that are expected to vest based on the non-marketing vesting conditions. It recognizes the impact of the revision to original estimates, if any, in the statement of comprehensive income, with a corresponding adjustment to equity.

When the options are exercised, the company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognized over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity.

(c) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after reporting period are discounted to present value.

2.19 Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.20 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the services provided in the ordinary course of the Group's activities. Revenue is shown, net of returns, rebates, sales tax and discounts and after eliminating sales within the Group.

The Group recognized revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met each of the Group's activities on the following bases:

(a) Commission income from securities and futures brokerage is recognized on a trade date basis.

(b) Fees and service income are recognized when the relevant transactions have been arranged or the relevant services have been rendered.

(c) Realized fair value gains or losses on securities trading are recorded on a trade date basis whilst unrealized fair value gains or losses are recorded on change in fair value on the reporting period.

(d) Interest income is recognized on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognized using the original effective interest rate.

(e) Dividend income is recognized when the right to receive payment is established.

2.21 Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor), are charged to the consolidated statement of comprehensive income on a straight-line basis over the period of the lease.

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

3. FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(a) Market risk

(i) Foreign exchange risk

Transactional currency exposures arise from the sales or purchase by operating units in currency other than the unit's functional currency. The Group's exposure to foreign currency risk is minimal as almost all of the Group's revenue and costs are denominated in the functional currencies of the operating units. The Group manages the foreign exchange exposure arising from its normal course of business activities and investments in foreign operations by funding its local operations and investments through cash flow generated from business transactions locally. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure closely and will consider hedging significant foreign currency exposure should the need arise.

(ii) Price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. As at 31 December 2010, the Group was exposed to significant equity price risk (2009: Nil). The Group was exposed to equity price risk arising from individual equity investments classified as held-for-trading investments (Note 24) as at 31 December 2010.

The Group's listed investments were listed on Shenzhen Stock Exchange and were valued at quoted market prices as at 31 December 2010.

The following table demonstrates the sensitivity to every 5% increase/decrease in the fair values of the equity investments with all other variables held constant and before any impact on tax, based on their carrying amounts as at 31 December 2010.

	Increase/ (decrease) in carrying amounts of equity investments HK$	Increase/ (decrease) in loss before income tax HK$	Increase/ (decrease) in equity HK$
2010			
Equity securities listed in the PRC			
5% increase in equity price	**160,878**	**(160,878)**	**160,878**
5% decrease in equity price	**(160,878)**	**160,878**	**(160,878)**

3. FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(a) Market risk (continued)

(iii) Cash flow and fair value interest rate risk

During the years ended 31 December 2009 and 2010, the Group is exposed to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank deposits and borrowings which carry prevailing market interest rates. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. The directors considered that the Group's income and operating cash flows are substantially independent of changes in market interest rates.

As at 31 December 2009, the Group's fair value interest rate risk relates primarily to its fixed rate borrowings. The Group currently does not use any derivative contracts to hedge its exposure to interest rate risk. However, management will consider hedging significant interest rate exposure should the need arise.

As at 31 December 2009 and 2010, if interest rates on the bank deposits and borrowings had been increased/decreased by 50 basis points with all other variables held constant, the Group's pre-tax profit for the years ended 31 December 2009 and 2010 would increase/(decrease) by HK$196,384 and HK$524,806 respectively.

(b) Credit risk

The Group reviews the recoverability of its financial assets periodically to ensure that potential credit risk of the counterparty is managed at an early stage and sufficient provision is made for possible defaults. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

At the end of the reporting period, the Group has certain concentrations of credit risk as approximately 44% (2009: 52%) and 80% (2009: 92%) of the Group's trade receivables were due from the Group's largest trade debtor and the five largest trade debtors respectively. Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in Note 25 to the consolidated financial statements.

3. FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(c) Liquidity risk

Ultimate responsibility for liquidity risk management rests with the board of directors. The Group manages liquidity risk by maintaining adequate reserves and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

At 31 December 2010, the Group did not have any loan payable under control agreement (2009: HK$62,875,950) (Note 31) and short-term bank loan (2009: HK$14,727,700) (Note 30).

The maturity profile of the Group's financial liabilities at the end of the reporting period, based on the contractual undiscounted payments, was as follows:

	Less than 1 year HK$	Between 1 and 2 years HK$	Between 2 and 5 years HK$	Over 5 years HK$	Total HK$
2010					
Trade payables	**29,394,041**	**—**	**—**	**—**	**29,394,041**
Other payables and accruals	**14,136,997**	**—**	**—**	**—**	**14,136,997**
2009					
Trade payables	51,795,602	—	—	—	51,795,602
Other payables and accruals	7,358,246	—	—	—	7,358,246
Short-term bank loan	14,727,700	—	—	—	14,727,700
Loan payable under control agreements	30,021,850	32,854,100	—	—	62,875,950

3. FINANCIAL RISK MANAGEMENT *(continued)*

3.2 Capital risk management

Certain of the Group's subsidiaries are regulated by the Securities and Futures Commission of Hong Kong (the "SFC") and are required to comply with certain minimum capital requirements according to the rules of the SFC. In addition, the Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares.

The Group monitors capital on the basis of the debt-to-adjusted capital ratio. This ratio is calculated as net debt divided by adjusted capital. Net debt is calculated as total debt (including current and non-current liabilities but excluding current or deferred income tax liabilities as shown in the consolidated statement of financial position) less cash and cash equivalents. Adjusted capital comprises all components of equity (including share capital and premium, reserves, accumulated losses and non-controlling interests as shown in the consolidated statement of financial position).

During 2010, the Group's strategy, which was unchanged from 2009, was to maintain the debt-to-adjusted capital ratio within 50%. The debt-to-adjusted capital ratios as at 31 December 2010 and 2009 were as follows:

	2010 **HK$**	2009 HK$
Total debt	**43,531,038**	136,757,498
Less: Bank balances and cash, including bank trust accounts (Note 27)	**131,892,718**	88,905,605
Net debt	**—**	47,851,893
Total equity	**172,236,802**	162,892,209
Adjusted capital	**172,236,802**	162,892,209
Debt-to-adjusted capital ratio	**N/A**	29%

The decrease in the debt-to-adjusted capital ratio resulted from fully repayments of short-term bank loan and the loan payable under control agreements during the year ended 31 December 2010 (Notes 30 & 31).

3. FINANCIAL RISK MANAGEMENT *(continued)*

3.3 Fair value estimation

The table below analyzes financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the assets or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2010.

	Level 1 HK$	Level 2 HK$	Level 3 HK$	Total HK$
Held-for-trading investments	**3,217,558**	**—**	**—**	**3,217,558**

The fair value of financial instruments trade in active market is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1. Instruments include in level 1 comprise primarily equity investments listed on Shenzhen Stock Exchange and classified as held-for-trading investments.

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2009: Nil).

As at 31 December 2009, the Group did not have any assets and liabilities that are measured at the above fair value measurements hierarchy.

3. FINANCIAL RISK MANAGEMENT *(continued)*

3.4 Financial instruments by category

The Group 2010	Financial assets at fair value through profit or loss HK$	Loans and receivables HK$	Total HK$
Financial assets as per consolidated statement of financial position			
Statutory deposits and other assets	—	575,000	575,000
Held-for-trading investments	3,217,558	—	3,217,558
Trade receivables	—	6,186,956	6,186,956
Prepayment, deposits and other receivables excluding certain deposits and prepayments	—	38,187,910	38,187,910
Amount due from an associate	—	2,501,961	2,501,961
Bank balances and cash	—	131,892,718	131,892,718
	3,217,558	179,344,545	182,562,103

	Financial liabilities at amortized cost HK$
Financial liabilities as per consolidated statement of financial position	
Trade payables	29,394,041
Other payables and accruals excluding accruals	11,221,040
	40,615,081

3. FINANCIAL RISK MANAGEMENT *(continued)*

3.4 Financial instruments by category *(continued)*

The Group 2009	Loans and receivables HK$
Financial assets as per consolidated statement of financial position	
Statutory deposits and other assets	2,075,000
Trade receivables	17,450,098
Prepayment, deposits and other receivables excluding prepayments	34,023,304
Amount due from an associate	2,396,430
Bank balances and cash	88,905,605
	144,850,437

	Financial liabilities at amortized cost HK$
Financial liabilities as per consolidated statement of financial position	
Trade payables	51,795,602
Other payables and accruals excluding accruals	5,193,129
Short-term bank loan	14,727,700
Loan payable under control agreements	62,875,950
	134,592,381

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

(a) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2.6. The recoverable amounts of cash-generating units ("CGU") have been determined based on value-in-use calculations. These calculations require the use of estimates.

(b) Estimated impairment of intangible assets other than goodwill

The Group periodically reviews internal or external resources to identify indications that the intangible assets other than goodwill have suffered any impairment in accordance with accounting policy stated in Note 2.7. If the recoverable amount of an intangible asset is estimated to be less than its carrying amount, the carrying amount of the intangible asset is reduced to its receivable amount. The assessment of the recoverable amount requires the use of estimates and assumptions.

(c) Estimated impairment of trade and other receivables

The Group's management determines the impairment of trade and other receivables on a regular basis. This estimate is based on the credit history of its customers and current market conditions. Management reassesses the impairment of trade and other receivables at the end of the reporting period.

5. REVENUE

	2010 HK$	2009 HK$
Income from provision of a trading platform	**164,767**	163,918
Commission income from securities and futures brokerage and infrastructure broking service fee	**13,877,575**	10,880,048
Interest income from clients	**315,399**	422,401
Net fair value gains/(losses) on securities trading	**2,258,847**	(34,971)
Income from provision of wealth management services	**1,506,954**	2,859,782
Income from provision of stock information and research services	**30,865,691**	71,029,051
	48,989,233	85,320,229

6. SEGMENT INFORMATION

The chief operating decision-maker has been identified as the executive directors (the "Executive Directors") of the Company. The Executive Directors review the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

The Executive Directors consider the Group has six reportable segments: (1) provision of a trading platform; (2) provision of brokerage and securities margin financing, and infrastructure broking services; (3) provision of corporate finance services; (4) trading and principal investments; (5) provision of wealth management services; and (6) provision of stock information and research services.

6. SEGMENT INFORMATION *(continued)*

The segment information of the reportable segments for the year ended 31 December 2010 is as follows:

	Provision of a trading platform HK$	Brokerage and securities margin financing, and infrastructure broking services HK$	Corporate finance services HK$	Trading and principal investments HK$	Wealth management services HK$	Stock information and research services HK$	Total HK$
Segment revenue from external customers	**164,767**	**14,192,974**	**—**	**2,258,847**	**1,506,954**	**30,865,691**	**48,989,233**
Segment results	**13,127**	**(2,239,447)**	**(5,240)**	**777,631**	**(249,943)**	**(154,794,229)**	**(156,498,101)**
Net unallocated expenses							**(39,430,613)**
Finance costs							**(685,937)**
Interest income							**223,162**
Impairment of goodwill						**(53,811,784)**	**(53,811,784)**
Share of losses of associates						**(364,161)**	**(364,161)**
Loss before income tax							**(250,567,434)**
Income tax credit							**31,927,626**
Loss for the year							**(218,639,808)**

The segment information of the reportable segments for the year ended 31 December 2009 is as follows:

	Provision of a trading platform HK$	Brokerage and securities margin financing, and infrastructure broking services HK$	Corporate finance services HK$	Trading and principal investments HK$	Wealth management services HK$	Stock information and research services HK$	Total HK$
Segment revenue from external customers	163,918	11,302,449	—	(34,971)	2,859,782	71,029,051	85,320,229
Segment results	13,721	(2,521,386)	—	(2,075,441)	637,933	16,637,627	12,692,454
Net unallocated expenses							(1,681,803)
Interest expenses							(13,695)
Interest income							24,035
Share of losses of associates						(321,096)	(321,096)
Profit before income tax							10,699,895
Income tax expense							(7,654,821)
Profit for the year							3,045,074

6. SEGMENT INFORMATION *(continued)*

Other segment information for the year ended 31 December 2010 is as follows:

	Provision of a trading platform HK$	Brokerage and securities margin financing, and infrastructure broking services HK$	Corporate finance services HK$	Trading and principal investments HK$	Wealth management services HK$	Stock information and research services HK$	Unallocated HK$	Total HK$
Depreciation and amortization	—	997,522	—	187,663	80,230	7,183,540	1,054,001	9,502,956
Impairment of goodwill	—	—	—	—	—	53,811,784	—	53,811,784
Impairment of intangible assets	—	—	—	—	—	131,026,047	—	131,026,047
Impairment of trade receivables	—	—	—	—	—	120,049	—	120,049
Impairment of other receivables	—	—	—	—	—	1,537,454	—	1,537,454

Other segment information for the year ended 31 December 2009 is as follows:

	Provision of a trading platform HK$	Brokerage and securities margin financing, and infrastructure broking services HK$	Corporate finance services HK$	Trading and principal investments HK$	Wealth management services HK$	Stock information and research services HK$	Unallocated HK$	Total HK$
Depreciation and amortization	—	1,127,597	—	40,441	65,522	5,397,864	725,527	7,356,951

Segment assets consist primarily of property, plant and equipment, intangible assets, statutory deposits and other assets, investments in associates, held-for-trading investments, trade and other receivables, and bank balances and cash. Segment liabilities comprise operating liabilities.

The segment assets and liabilities as at 31 December 2010 and capital expenditure for the year then ended are as follows:

	Provision of a trading platform HK$	Brokerage and securities margin financing, and infrastructure broking services HK$	Corporate finance services HK$	Trading and principal investments HK$	Wealth management services HK$	Stock information and research services HK$	Unallocated HK$	Total HK$
Segment assets	73,456	63,688,267	213,383	1,750,318	853,674	72,491,601	76,028,085	215,098,784
Investments in associates	—	—	—	—	—	669,056	—	669,056
	73,456	63,688,267	213,383	1,750,318	853,674	73,160,657	76,028,085	215,767,840
Segment liabilities	1,369	29,888,691	—	—	153,686	11,877,369	1,609,923	43,531,038
Capital expenditure								
Additions of property, plant and equipment	—	60,725	—	—	11,564	1,863,108	1,752,012	3,687,409
Additions of intangible assets	—	—	—	—	—	3,628,967	—	3,628,967

6. SEGMENT INFORMATION *(continued)*

The segment assets and liabilities as at 31 December 2009 and capital expenditure for the year then ended are as follows:

	Provision of a trading platform HK$	Brokerage and securities margin financing, and infrastructure broking services HK$	Corporate finance services HK$	Trading and principal investments HK$	Wealth management services HK$	Stock information and research services HK$	Unallocated HK$	Total HK$
Segment assets	47,048	79,565,873	—	1,883,210	3,189,523	236,231,584	14,810,620	335,727,858
Investments in associates	—	—	—	—	—	1,001,131	—	1,001,131
	47,048	79,565,873	—	1,883,210	3,189,523	237,232,715	14,810,620	336,728,989
Segment liabilities	2,030	53,236,952	—	—	106,080	4,296,691	116,195,027	173,836,780
Capital expenditure								
Additions of property, plant and equipment	—	771,376	—	562,989	256,035	8,405,081	141,260	10,136,741
Additions of statutory deposits and other assets	—	45,000	—	—	—	—	—	45,000
Additions of intangible assets	—	—	—	—	—	152,714,320	—	152,714,320

The Group mainly operates in Hong Kong and the PRC.

	2010 HK$	2009 HK$
Revenue		
Hong Kong	**15,457,869**	14,104,121
The PRC	**33,531,364**	71,216,108
	48,989,233	85,320,229

Revenue is allocated based on the country in which the customer is located.

6. SEGMENT INFORMATION *(continued)*

	2010 HK$	2009 HK$
Total assets		
Hong Kong	**142,010,401**	86,258,062
The PRC	**73,088,383**	249,469,796
	215,098,784	335,727,858
Investments in associates	**669,056**	1,001,131
	215,767,840	336,728,989

Total assets are allocated based on where the assets are located.

	2010 HK$	2009 HK$
Capital expenditure		
Hong Kong	**1,812,737**	1,520,625
The PRC	**5,503,639**	161,375,436
	7,316,376	162,896,061

Capital expenditure is allocated on where the assets are located.

Information about major customers

No customer contributed 10% or more of total revenue during the year ended 31 December 2010 (2009: Nil).

7. OTHER GAINS

	2010 HK$	2009 HK$
Gain on disposal of property, plant and equipment	—	19,303
Gain on disposal of partial equity interest in a subsidiary	—	197,320
Gain on disposal of subsidiaries	**2,161,965**	171,585
Gain on disposal of available-for-sale financial assets	—	408,525
Net gain transferred from equity on disposal of available-for-sale financial assets	—	818,303
	2,161,965	1,615,036

8. OTHER INCOME

	2010 HK$	2009 HK$
CCASS fee income	**1,398,768**	974,602
Handling fee income	**129,811**	111,109
Interest income on bank deposits	**222,911**	21,718
Other interest income	**251**	2,317
Dividend income from listed investments	**—**	19,648
Sundry income	**430,167**	858,101
	2,181,908	1,987,495

9. FINANCE COSTS

	2010 HK$	2009 HK$
Interest expenses on:		
Bank borrowings wholly repayable within one year	**685,937**	—

10. (LOSS)/PROFIT BEFORE INCOME TAX

	2010 HK$	2009 HK$
(Loss)/profit before income tax has been arrived at after charging:		
Auditors' remuneration	**750,000**	680,000
Loss on disposal of associates	**—**	75,454
Loss on disposal of property, plant and equipment	**30,945**	—
Operating lease rentals in respect of rented premises	**7,498,227**	7,162,926

11. EMPLOYEE BENEFITS EXPENSES

	2010 HK$	2009 HK$
Wages and salaries	**31,562,582**	30,582,807
Share options granted to directors and employees	**23,382,573**	—
Pension costs — defined contribution schemes	**248,015**	290,736
Employee benefits expenses, including directors' remuneration	**55,193,170**	30,873,543

12. DIRECTORS' REMUNERATION

Year ended 31 December 2010

Name of director	Note	Fees HK$	Salaries, allowances, and benefits in kind (note v) HK$	Employer's contributions to pension scheme HK$	Total HK$
Executive directors					
Mr. Wang Wenming		—	4,262,004	12,000	4,274,004
Mr. Lee Yiu Sun		—	9,550,919	12,000	9,562,919
Non-executive director					
Mr. Liu Runtong	(i)	264,000	8,350,919	—	8,614,919
Independent non-executive directors					
Professor Zhang Benzheng		125,000	556,728	—	681,728
Mr. Zhang Fei Ze	(ii)	74,301	—	—	74,301
Mr. Yen Jong Ling	(iii)	30,000	—	—	30,000
Dr. Tsang Hing Lun	(iv)	130,000	835,092	—	965,092
		623,301	23,555,662	24,000	24,202,963

12. DIRECTORS' REMUNERATION *(continued)*

Year ended 31 December 2009

Name of director	Fees	Salaries, allowances, and benefits in kind (note v)	Employer's contributions to pension scheme	Total
	HK$	HK$	HK$	HK$
Executive directors				
Mr. Wang Wenming	—	1,200,000	12,000	1,212,000
Mr. Lee Yiu Sun	—	1,200,000	12,000	1,212,000
Independent non-executive directors				
Professor Zhang Benzheng	125,000	—	—	125,000
Mr. Yen Jong Ling	120,000	—	—	120,000
Dr. Tsang Hing Lun	130,000	—	—	130,000
	375,000	2,400,000	24,000	2,799,000

Notes:

(i) Appointed on 2 February 2010.

(ii) Appointed on 20 May 2010 and resigned on 28 March 2011.

(iii) Resigned on 31 March 2010.

(iv) Resigned on 6 January 2011.

(v) Benefits in kind include share option. During the year ended 31 December 2010, 76,000,000 share options with fair values of HK$21,155,661 were granted by the Group to the directors of the Company under the Company's Share Option Scheme (2009: Nil).

During the year, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office (2009: Nil). None of the directors waived or agreed to waive any remuneration during the year (2009: Nil).

13. FIVE HIGHEST PAID INDIVIDUALS

The five individuals whose emoluments were the highest in the Group include four (2009: two) directors, details of whose remuneration are set out in Note 12. The emoluments payable to the remaining one (2009: three) individual for the year are as follows:

	2010	2009
	HK$	HK$
Salaries, allowances and benefits in kind	**1,459,092**	2,024,700
Pension costs — defined contribution scheme	**12,000**	36,000
	1,471,092	2,060,700

Their emoluments fell within the following bands:

	2010	2009
	Number of individuals	Number of individuals
Nil to HK$1,000,000	**—**	3
HK$1,000,001 to HK$1,500,000	**1**	—
	1	3

During the year, no emoluments were paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office (2009: Nil).

14. INCOME TAX CREDIT/(EXPENSE)

Hong Kong Profits Tax is calculated at the rate of 16.5% (2009: 16.5%) on the estimated assessable profit arising in or derived from Hong Kong for the year. No provision for Hong Kong Profits Tax has been made in the financial statements as the Group incurred a tax loss for the year (2009: Nil). Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

	2010 HK$	2009 HK$
Current income tax		
— Hong Kong Profits Tax	—	—
— PRC Corporate Income Tax	—	8,400,150
Total current tax	—	8,400,150
Deferred income tax (Note 32):		
Reversal of temporary differences	**(31,927,626)**	(745,329)
Income tax (credit)/expense	**(31,927,626)**	7,654,821

The tax on the Group's (loss)/profit before income tax differs from the theoretical amount that would arise using the Hong Kong Profits Tax rate of 16.5% (2009: 16.5%) as follows:

	2010 HK$	2009 HK$
(Loss)/profit before income tax	**(250,567,434)**	10,699,895
Tax calculated at Hong Kong Profits Tax rate of 16.5% (2009: 16.5%)	**(41,343,627)**	1,765,483
Tax effect of:		
— Different tax rates of subsidiaries operating in other jurisdictions	**(10,417,363)**	1,181,763
— Income not subject to tax	**(512,251)**	(283,513)
— Expenses not deductible for tax purposes	**44,756,847**	313,222
— Others	**7,516,394**	4,677,866
— Reversal of deferred tax liabilities	**(31,927,626)**	—
Tax (credit)/charge	**(31,927,626)**	7,654,821

15. LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY

The loss attributable to owners of the Company is dealt with in the financial statements of the Company to the extent of HK$255,458,795 (2009: HK$11,335,925).

16. (LOSS)/EARNINGS PER SHARE

Basic

Basic (loss)/earnings per share is calculated by dividing the loss attributable to owners of the Company for the year ended 31 December 2010 of HK$215,332,026 (2009: profit of HK$3,404,795) by the weighted average number of 3,520,893,208 (2009: 2,953,356,092) ordinary shares in issue during the year.

Diluted

The computation of diluted loss per share for the year ended 31 December 2010 did not assume the exercise of the Company's share options outstanding during the year ended 31 December 2010 since their exercise would result in a decrease in loss per share.

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume the exercise of the Company's share options outstanding during the year ended 31 December 2009.

	2010	2009
(Loss)/earnings		
(Loss)/profit attributable to owners of the Company	**(HK$215,332,026)**	HK$3,404,795
(Loss)/profit used to determine diluted (loss)/earnings per share	**(HK$215,332,026)**	HK$3,404,795
Weighted average number of ordinary shares in issue	**3,520,893,208**	2,953,356,092
Adjustments for share options (Note 35)	—	140,464
Adjustments for option (Note 36(c))	—	275,377
Weighted average number of ordinary shares for diluted (loss)/earnings per share	**3,520,893,208**	2,953,771,933

17. PROPERTY, PLANT AND EQUIPMENT

The Group	Leasehold improvements	Office equipment and furniture	Computer equipment	Motor vehicles	Total
	HK$	HK$	HK$	HK$	HK$
As at 1 January 2009					
Cost	2,716,798	2,547,349	2,730,721	2,711,035	10,705,903
Accumulated depreciation	(917,420)	(896,517)	(1,261,178)	(451,669)	(3,526,784)
Net book amount	1,799,378	1,650,832	1,469,543	2,259,366	7,179,119
Year ended 31 December 2009					
Opening net book amount	1,799,378	1,650,832	1,469,543	2,259,366	7,179,119
Additions	713,005	6,428,570	341,744	786,035	8,269,354
Acquisition of subsidiaries (Note 36(b))	—	1,837,457	—	29,930	1,867,387
Exchange differences	(428)	(3,052)	(44)	(7,576)	(11,100)
Disposals of subsidiaries	(31,467)	(295,833)	—	—	(327,300)
Disposals	—	(17,421)	—	(14,313)	(31,734)
Depreciation	(848,913)	(1,613,319)	(825,501)	(342,573)	(3,630,306)
Closing net book amount	1,631,575	7,987,234	985,742	2,710,869	13,315,420
As at 31 December 2009					
Cost	3,394,128	10,428,123	3,072,395	3,245,661	20,140,307
Accumulated depreciation	(1,762,553)	(2,440,889)	(2,086,653)	(534,792)	(6,824,887)
Net book amount	1,631,575	7,987,234	985,742	2,710,869	13,315,420
Year ended 31 December 2010					
Opening net book amount	**1,631,575**	**7,987,234**	**985,742**	**2,710,869**	**13,315,420**
Additions	**92,966**	**1,424,851**	**81,325**	**2,088,267**	**3,687,409**
Exchange differences	**14,718**	**249,623**	**4,159**	**83,683**	**352,183**
Disposals of subsidiaries	**—**	**(23,813)**	**(31,953)**	**—**	**(55,766)**
Disposals	**—**	**(74,234)**	**(9,077)**	**—**	**(83,311)**
Depreciation	**(845,683)**	**(2,194,591)**	**(690,640)**	**(971,137)**	**(4,702,051)**
Closing net book amount	**893,576**	**7,369,070**	**339,556**	**3,911,682**	**12,513,884**
As at 31 December 2010					
Cost	**2,768,359**	**11,864,386**	**2,795,124**	**5,446,831**	**22,874,700**
Accumulated depreciation	**(1,874,783)**	**(4,495,316)**	**(2,455,568)**	**(1,535,149)**	**(10,360,816)**
Net book amount	**893,576**	**7,369,070**	**339,556**	**3,911,682**	**12,513,884**

17. PROPERTY, PLANT AND EQUIPMENT *(continued)*

The Company	Leasehold improvements	Office equipment and furniture	Computer equipment	Motor vehicle	Total
	HK$	HK$	HK$	HK$	HK$
As at 1 January 2009					
Cost	1,160,890	339,292	505,504	—	2,005,686
Accumulated depreciation	(64,492)	(32,788)	(409,502)	—	(506,782)
Net book amount	1,096,398	306,504	96,002	—	1,498,904
Year ended 31 December 2009					
Opening net book amount	1,096,398	306,504	96,002	—	1,498,904
Additions	—	6,380	134,880	—	141,260
Depreciation	(386,963)	(109,918)	(90,283)	—	(587,164)
Closing net book amount	709,435	202,966	140,599	—	1,053,000
As at 31 December 2009					
Cost	1,160,890	345,672	640,384	—	2,146,946
Accumulated depreciation	(451,455)	(142,706)	(499,785)	—	(1,093,946)
Net book amount	709,435	202,966	140,599	—	1,053,000
Year ended 31 December 2010					
Opening net book amount	**709,435**	**202,966**	**140,599**	**—**	**1,053,000**
Additions	**—**	**—**	**20,600**	**1,731,412**	**1,752,012**
Depreciation	**(386,963)**	**(110,397)**	**(75,693)**	**(480,948)**	**(1,054,001)**
Closing net book amount	**322,472**	**92,569**	**85,506**	**1,250,464**	**1,751,011**
As at 31 December 2010					
Cost	**1,160,890**	**343,592**	**536,003**	**1,731,412**	**3,771,897**
Accumulated depreciation	**(838,418)**	**(251,023)**	**(450,497)**	**(480,948)**	**(2,020,886)**
Net book amount	**322,472**	**92,569**	**85,506**	**1,250,464**	**1,751,011**

18. INTANGIBLE ASSETS

The Group	Goodwill HK$	Website HK$	Software HK$	Trading rights HK$	Total HK$
As at 1 January 2009					
Cost	663,884,473	—	—	3,592,000	667,476,473
Accumulated amortization and impairment	(635,784,473)	—	—	(3,591,998)	(639,376,471)
Net book amount	28,100,000	—	—	2	28,100,002
Year ended 31 December 2009					
Opening net book amount	28,100,000	—	—	2	28,100,002
Acquisition of subsidiaries (Note 36(b))	18,654,487	134,059,833	—	—	152,714,320
Exchange differences	—	2,761	—	—	2,761
Amortization charge	—	(3,726,645)	—	—	(3,726,645)
Closing net book amount	46,754,487	130,335,949	—	2	177,090,438
As at 31 December 2009					
Cost	682,538,960	134,059,833	—	3,592,000	820,190,793
Accumulated amortization and impairment	(635,784,473)	(3,723,884)	—	(3,591,998)	(643,100,355)
Net book amount	46,754,487	130,335,949	—	2	177,090,438
Year ended 31 December 2010					
Opening net book amount	**46,754,487**	**130,335,949**	**—**	**2**	**177,090,438**
Adjustment to the cost of the business combination in prior years (Note vi)	**6,281,743**	**—**	**—**	**—**	**6,281,743**
Acquisition of a subsidiary (Note 36(a))	**81,372**	**—**	**—**	**—**	**81,372**
Disposal of a subsidiary	**—**	**—**	**—**	**(1)**	**(1)**
Addition	**—**	**—**	**3,628,967**	**—**	**3,628,967**
Exchange differences	**775,554**	**1,862,036**	**—**	**—**	**2,637,590**
Amortization charge	**—**	**(4,535,677)**	**(265,228)**	**—**	**(4,800,905)**
Impairment charge (Note (ii))	**(53,811,784)**	**(127,662,308)**	**(3,363,739)**	**—**	**(184,837,831)**
Closing net book amount	**81,372**	**—**	**—**	**1**	**81,373**
As at 31 December 2010					
Cost	**689,677,629**	**135,921,868**	**3,628,967**	**2,724,000**	**831,952,464**
Accumulated amortization and impairment	**(689,596,257)**	**(135,921,868)**	**(3,628,967)**	**(2,723,999)**	**(831,871,091)**
Net book amount	**81,372**	**—**	**—**	**1**	**81,373**

18. INTANGIBLE ASSETS *(continued)*

Notes:

(i) Goodwill is allocated to the Group's cash-generating unit ("CGU") which is principally engaged in the provision of stock information and research in the PRC. The recoverable amount of a CGU is determined based on value-in-use calculations.

The value-in-use calculation uses pre-tax cash flow projections based on financial budgets approved by management covering a five-year period. The key assumptions used for the cash flow projections include budgeted revenue and budgeted expenses during the forecasting periods, which are determined by management based on past performance and its expectation of market development. Cash flows beyond that five-year period are extrapolated using an estimated growth rate of 3%. The growth rate does not exceed the long-term average growth rate for the industry in which the CGU operates. All cash flows are discounted at a pre-tax discount rate of 17.86% which reflects the specific risks relating to this CGU.

The impairment testing was carried out by management based on the value-in-use calculation and with reference to a valuation carried out by an independent professional valuer, BMI Appraisals Limited.

(ii) The impairment charges of the website and software of HK$127,662,308 and HK$3,363,739 respectively for the year ended 31 December 2010 was resulted in the reassessment of the future profitability of the Group's subsidiaries principally engaged in the provision of stock information and research in the PRC. The reassessment was made in light of tightened policy of the PRC government on regulating the securities and investment consultancy sector of the PRC in which the Group's operates, which is relatively less favourable to foreign enterprise's participation.

(iii) The trading rights as at 31 December 2010 represent two trading rights in the Stock Exchange (2009: two trading rights in the Stock Exchange and one trading right in the Hong Kong Futures Exchange Limited).

(iv) On 3 March 2009, the Group entered into a series of control agreements to acquire control of 深圳畫天影視傳播有限公司 (transliterated as "Shenzhen Sky Picture Communications Company Limited") and its subsidiary. The related goodwill arising from the aforesaid acquisition amounted to HK$18,654,487 (Note 36(b)).

(v) The website hosting an interactive financial video channel called Stock Online (股市在綫) was acquired through the acquisition of Shenzhen Sky Picture Communications Company Limited (Note 36(b)).

(vi) The amounts represented the adjustments to the contingent consideration for the acquisition of the GoHi Group during the year ended 31 December 2007 due to the fulfillment of certain conditions as stipulated in the agreements, which resulted in the issue of the Consideration Shares, the Option and the Bonus Shares as further disclosed in Note 36(c).

(vii) The software as at 31 December 2010 represents Stock Online First Stock Search Software (選股在線第一搜股軟件).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

19. STATUTORY DEPOSITS AND OTHER ASSETS

	The Group	
	2010	2009
	HK$	HK$
Hong Kong Securities Clearing Company Limited ("HKSCC")		
— Contribution fund deposit	**100,000**	100,000
— Admission fee deposit	**100,000**	100,000
The Stock Exchange of Hong Kong Limited		
— Compensation fund deposit	**100,000**	100,000
— Fidelity fund deposit	**100,000**	100,000
— Stamp duty deposit	**75,000**	75,000
HKFE Clearing Corporation Limited ("HKFECC")		
— Reserve fund deposit	**—**	1,500,000
The Securities and Futures Commission of Hong Kong		
— Deposits for responsible officers	**100,000**	100,000
	575,000	2,075,000

20. INVESTMENTS IN SUBSIDIARIES

	The Company	
	2010	2009
	HK$	HK$
Unlisted shares, at cost	**4,771,262**	4,771,260

Amounts due from and due to subsidiaries

The amounts due from and due to subsidiaries as shown on the Company's statement of financial position are unsecured, interest-free and repayable on demand.

20. INVESTMENTS IN SUBSIDIARIES *(continued)*

The following is a list of the Company's principal subsidiaries as at 31 December 2010, all of which are wholly-owned by the Group.

Name	Place of incorporation/ establishment and kind of legal entity	Principal activities and place of operations	Particulars of issued share capital/registered capital
First China Financial Holdings (BVI) Limited	British Virgin Islands, Limited liability company	Investment holding	611,700 ordinary shares of US$1 each
Stockmartnet Limited	Hong Kong, Limited liability company	Securities trading in Hong Kong	3 ordinary shares of HK$1 each
First China Financial Capital Limited	Hong Kong, Limited liability company	Provision of corporate finance services in Hong Kong	2,400,000 ordinary shares of HK$1 each
First China Securities Limited	Hong Kong, Limited liability company	Securities brokerage and securities margin financing, and infrastructure broking services in Hong Kong	57,000,000 ordinary shares of HK$1 each
First China Processing Services Limited	Hong Kong, Limited liability company	Provision of a trading platform in Hong Kong	2 ordinary shares of HK$1 each
IFN-GT Financial Holdings Limited	British Virgin Islands, Limited liability company	Investment holding	1 ordinary share of US$1 each
First China Global Wealth Management Limited	Hong Kong, Limited liability company	Provision of wealth management services in Hong Kong	6,000,000 ordinary shares of HK$1 each
Aceview International Limited	British Virgin Islands, Limited liability company	Investment holding	1 ordinary share of US$1 each
GoHi Holdings Limited	British Virgin Islands, Limited liability company	Investment holding	35,000 ordinary shares of US$1 each
首華證券諮詢(深圳)有限公司 (transliterated as First China Securities Consultancy (Shenzhen) Co., Ltd.)	PRC, Foreign wholly-owned enterprise	Provision of stock information and research services in the PRC	Registered capital of RMB40,000,000 (2009: Registered capital of RMB20,000,000)

20. INVESTMENTS IN SUBSIDIARIES *(continued)*

Name	Place of incorporation/ establishment and kind of legal entity	Principal activities and place of operations	Particulars of issued share capital/registered capital
深圳畫天影視傳播有限公司 (transliterated as Shenzhen Sky Picture Communications Company Limited) (Note)	PRC, Limited liability company	Investment holding and provision of development and design of TV programmes and artwork in the PRC	Registered capital of RMB3,000,000
深圳富盟網絡技術有限公司 (transliterated as Shenzhen Wealth Alliance Networking Company Limited) ("Wealth Alliance") (Note)	PRC, Limited liability company	Development and sales of software for information network equipment, terminal products and calculators in the PRC	Registered capital of RMB10,000,000

Note: The equity interests in these subsidiaries are directly or indirectly held by an individual nominee on behalf of the Group and the Group holds 100% effective interest in these subsidiaries.

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

21. INVESTMENTS IN ASSOCIATES

	The Group	
	2010	2009
	HK$	HK$
Beginning of the year	**1,001,131**	149,697
Additions through acquisition of subsidiaries (Note 36(b))	**—**	868,160
Additions	**—**	453,160
Disposals (Note (i) & (ii))	**—**	(149,027)
Exchange differences	**32,086**	237
Share of losses	**(364,161)**	(321,096)
End of the year	**669,056**	1,001,131
Market values of listed shares	**N/A**	N/A

21. INVESTMENTS IN ASSOCIATES *(continued)*

Details of the Group's associates as at 31 December 2010 are as follows:

Name	Place of incorporation	Principal activities	Particulars of issued shares held	Interest held
深圳市元通視訊技術有限公司	PRC, Limited liability company	Development and sales of software for information network equipment, terminal products and calculators in the PRC	Registered capital of RMB2,000,000	50%
深圳中財贏通信息技術有限公司	PRC, Limited liability company	Development and sales of software for information network equipment, terminal products and calculators in the PRC	Registered capital of RMB1,000,000	40%

Note:

(i) During the year ended 31 December 2009, the Group disposed of its entire equity interests in GTMI Limited upon its deregistration. Accordingly, the result of GTMI Limited were equity accounted for up to 31 December 2009 and a loss of disposal of associate of HK$75,459 was charged to the consolidated statement of comprehensive income.

(ii) On 13 October 2009, the Group disposed of its entire equity interests in Tastyfood Holdings Ltd ("Tasty"). Accordingly, the results of Tasty were accounted for up to 13 October 2009 and a gain on disposal of associate of HK$5 was credited to the consolidated statement of comprehensive income.

The following is the summarized financial information in respect of the Group's associates as extracted from unaudited management accounts or published financial information for the year ended 31 December 2009 and 2010:

	2010 **HK$**	2009 HK$
Assets	**5,313,398**	5,134,443
Liabilities	**3,059,584**	2,943,952
Revenues	**5,050,765**	1,581,084
Losses	**903,643**	680,572

Amount due from an associate

As at 31 December 2010, the amount due from 深圳市元通視訊技術有限公司 is unsecured, interest-free, denominated in RMB and repayable on demand.

22. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	The Group	
	2010	2009
	HK$	HK$
Beginning of the year	**—**	734,692
Disposals	**—**	(1,199,569)
Net gains transferred to equity	**—**	464,877
End of the year	**—**	—

23. INVENTORIES

	The Group	
	2010	2009
	HK$	HK$
Finished goods	**41,289**	—

24. HELD-FOR-TRADING INVESTMENTS

	The Group	
	2010	2009
	HK$	HK$
Equity securities listed on the Shenzhen Stock Exchange at market value	**3,217,558**	—

The fair value of the above equity securities was based on their current bid prices in an active market.

25. TRADE RECEIVABLES

	The Group 2010 HK$	2009 HK$
Amounts receivable arising from securities broking:		
Margin clients	**848,149**	377,318
Cash clients	**2,319,204**	574,853
Brokers and dealers	**6**	6
HKSCC (net)	**2,730,025**	9,075,739
Amounts receivable arising from futures broking:		
Brokers and dealers	**—**	1,907,606
HKFECC	**—**	4,068,896
Other trade receivables	**412,764**	1,445,680
	6,310,148	17,450,098
Less: provision for impairment of trade receivables	**(123,192)**	—
Trade receivables, net	**6,186,956**	17,450,098

The other trade receivables included an amount due from non-controlling interests of approximately HK$172,000 (2009: Nil). The amount is unsecured, interest-free, denominated in Hong Kong dollar, and repayable on demand.

Amounts receivable from margin clients are repayable on demand, bearing interest at prevailing market rates and are secured by clients' pledged securities which are listed on the Stock Exchange with a total market value of approximately HK$32,497,000 as at 31 December 2010 (2009: HK$14,145,000). No aged analysis is disclosed as, in the opinion of the directors, the aged analysis does not give additional value in view of the nature of the business of securities margin financing.

The settlement terms of amounts receivable arising from securities broking are one or two trade days after the trade execution date, and those of amounts receivable arising from futures broking are one trade day after the trade execution date. Except for the amounts receivable from margin clients as mentioned above, these balances are aged within 30 days.

As at 31 December 2010, trade receivables of HK$123,192 were impaired due to unexpected difficulty in collecting the outstanding amounts.

Other trade receivables arising from the provision of corporate finance services and wealth management services are due immediately from date of billing but the Group will generally grant a credit period of 30 days on average to its customers. Trade receivables arising from the provision of stock information and research services are with credit term of 30 to 90 days (2009: 30 to 90 days).

25. TRADE RECEIVABLES *(continued)*

The following is an aged analysis of other trade receivables at the end of the reporting period:

	The Group	
	2010	2009
	HK$	HK$
0–30 days	**289,572**	1,332,390
31–90 days	**—**	—
91–180 days	**—**	—
181–365 days	**—**	—
Over 365 days	**123,192**	113,290
	412,764	1,445,680

As at 31 December 2009, other trade receivables of HK$113,290 was past due but not impaired. These relate to a number of customers for whom there is no recent history of default. The aged analysis of other trade receivables (net of provision of impairment) is as follows:

	The Group	
	2010	2009
	HK$	HK$
Up to 90 days	**—**	—
91–180 days	**—**	—
181–365 days	**—**	—
Over 365 days	**—**	113,290
	—	113,290

The maximum exposure to credit risk at the end of the reporting period is the carrying amounts of trade receivables. Other than the amounts receivable from margin clients, the Group does not hold any collateral as security in respect of its trade receivables.

25. TRADE RECEIVABLES *(continued)*

The carrying amounts of the Group's trade receivables are denominated in the following currencies:

	The Group	
	2010	2009
	HK$	HK$
Taiwan dollars	—	38,783
United States dollars	—	1,195,415
Hong Kong dollars	**6,088,855**	14,915,012
RMB	**98,101**	1,300,888
	6,186,956	17,450,098

Movements on the provision of impairment of trade receivables are as follows:

	The Group	
	2010	2009
	HK$	HK$
At beginning of the year	—	4,467,175
Receivables written off as uncollectible	—	(4,467,175)
Provision for impairment of trade receivables	**120,049**	—
Exchange differences	**3,143**	—
At end of the year	**123,192**	—

26. PREPAYMENT, DEPOSITS AND OTHER RECEIVABLES

Included in other receivables of the Group as at 31 December 2010 were the following amounts due from related companies:

	Highest balance outstanding during the year	The Group 2010	The Group 2009	The Company 2010	The Company 2009
	HK$	**HK$**	HK$	**HK$**	HK$
Amounts due from related parties					
深圳市廣信投資有限公司 (transliterated as "Shenzhen Guangxin Investment Company Limited") ("Shenzhen Guangxin") (Note (a))	7,423,409	**6,454,569**	7,555,268	**—**	—
珠海博眾證券投資諮詢有限公司 (transliterated as "Zhuhai Brightzone Financial Company Limited") ("Zhuhai Brightzone") (Note (b))	146,227	**110,827**	—	**—**	—
Directors of subsidiaries	6,749,600	**6,749,600**	844,011	**—**	—
Director of an associate	1,180,000	**1,180,000**	1,132,900	**—**	—
Non-controlling interests	1,366,115	**1,366,115**	271,896	**—**	—
Deposit for the acquisition of intangible asset paid to a non-controlling interests		**4,625,600**	—	—	—
		20,486,711	9,804,075	**—**	—
Deposit for acquisition of property, plant and equipment		**7,826,000**	—	**—**	—
Other receivables		**13,457,679**	22,323,499	**—**	13,725
Other deposits and prepayments		**14,115,797**	2,367,293	**124,428**	412,821
		55,886,187	34,494,867	**124,428**	426,546

Notes:

(a) Shenzhen Guangxin is a limited company established in the PRC and is controlled by Ms. Chen Dongjin, the spouse of Mr. Wang Wenming who is a director and a substantial shareholder of the Company.

(b) Zhuhai Brightzone is a limited company established in the PRC and is controlled by Shenzhen Guangxin which is a related company of the Company.

(c) The amounts due from the above related parties are unsecured, interest-free, denominated in RMB and repayable on demand.

27. BANK BALANCES AND CASH

	The Group		The Company	
	2010	2009	**2010**	2009
	HK$	HK$	**HK$**	HK$
Cash at bank and in hand	**131,892,718**	88,905,605	**65,860,262**	2,579,310
Maximum exposure to credit risk	**131,892,718**	88,905,605	**65,860,262**	2,579,310

As at 31 December 2010, the Group had bank balances and cash of approximately HK$11,034,444 (2009: HK$26,073,105) which are denominated in RMB. The remittance of these funds out of the PRC is subject to the exchange control restrictions imposed by the PRC government.

The bank balances are deposited with creditworthy banks with no recent history of default.

Cash and bank balances include the following for the purposes of the consolidated statement of cash flows:

	The Group	
	2010	2009
	HK$	HK$
Cash at bank and in hand	**131,892,718**	88,905,605
Segregated trust bank balances	**(26,931,496)**	(34,901,067)
Cash and cash equivalents	**104,961,222**	54,004,538

28. TRADE PAYABLES

	The Group	
	2010	2009
	HK$	HK$
Amounts payable arising from securities broking:		
Margin clients	**501,539**	533,554
Cash clients	**28,707,947**	44,063,889
Amounts payable arising from futures broking:		
Clients	**—**	6,861,873
Other trade payables	**184,555**	336,286
	29,394,041	51,795,602

28. TRADE PAYABLES *(continued)*

Amounts payable to margin clients are repayable on demand and bearing interest at prevailing market rates. No aged analysis is disclosed as, in the opinion of the directors, the aged analysis does not give additional value in view of the nature of the business of securities margin financing.

The settlement terms of amounts payable arising from securities broking are one or two trade days after the trade execution date. Except for the amounts payable to margin clients as mentioned above, these balances are aged within 30 days.

Amounts payable to clients arising from futures broking are margin deposits received from clients for their trading of futures contracts. 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 the directors, the aged analysis does not give additional value in view of the nature of the business of futures broking.

The following is an aged analysis of other trade payables at the end of the reporting period:

	The Group	
	2010	2009
	HK$	HK$
0–30 days	**46,348**	21,674
31–90 days	**—**	—
91–180 days	**—**	—
181–365 days	**—**	3,164
Over 365 days	**138,207**	311,448
	184,555	336,286

The carrying amounts of the Group's trade payables are denominated in Hong Kong dollars.

29. OTHER PAYABLES AND ACCRUALS

	The Group		**The Company**	
	2010	2009	**2010**	2009
	HK$	HK$	**HK$**	HK$
Amounts due to related parties:				
A director of a subsidiary	**5,900,000**	36,076	**—**	—
A director of the Company	**1,121,248**	50,000	**233,244**	—
Non-controlling interests	**1,779,827**	—	**—**	—
	8,801,075	86,076	**233,244**	—
Other payables and accruals	**5,335,922**	7,272,170	**1,403,058**	1,530,957
	14,136,997	7,358,246	**1,636,302**	1,530,957

30. SHORT-TERM BANK LOAN

As at 31 December 2009, the effective interest rate of the short-term bank loan was 5.31% per annum. The carrying amount of short-term bank loan approximated its fair value as the impact of discounting was not significant.

As at 31 December 2009, the short-term bank loan was secured by corporate guarantees issued by a related company, namely Shenzhen Guangxin Investment Company Limited.

31. LOAN PAYABLE UNDER CONTROL AGREEMENTS

	The Group	
	2010	2009
	HK$	HK$
The maturity of loan payable under control agreements is as follows:		
Within one year	—	30,021,850
Between one to two years	—	32,854,100
	—	62,875,950

Further details of the loan payable under control agreements are disclosed in Note 36(b) to the consolidated financial statements.

32. DEFERRED INCOME TAX LIABILITIES

The movement on the deferred income tax liabilities account is as follows:

	The Group	
	2010	2009
	HK$	HK$
Beginning of the year	**31,456,395**	—
Acquisition of subsidiaries (Notes 36(b))	—	32,201,172
Exchange differences	**471,231**	552
Credited to the consolidated statement of comprehensive income	**(31,927,626)**	(745,329)
End of the year	—	31,456,395

The deferred income tax liabilities are attributable to accelerated tax depreciation.

A deferred tax asset has not been recognized in the consolidated financial statements in respect of estimated unused tax losses available for offset against future profits due to the uncertainty of future profit streams. These unrecognized temporary differences have no expiry date.

32. DEFERRED INCOME TAX LIABILITIES *(continued)*

As at 31 December 2010, the unrecognized deferred tax assets of the Group and the Company are as follows:

	The Group		The Company	
	2010	2009	**2010**	2009
	HK$	HK$	**HK$**	HK$
Unused tax losses	**27,540,052**	23,350,833	**17,960,497**	11,920,229

33. SHARE CAPITAL AND PREMIUM

	Note	Number of issued shares (in thousands)	Ordinary shares HK$	Share premium HK$	Total HK$
As at 1 January 2009		2,934,123	29,341,232	478,227,885	507,569,117
Issue of shares through:					
Exercise of Option in respect of acquisition of subsidiaries	(i)	20,000	200,000	2,800,000	3,000,000
Transfer upon exercise of share options		—	—	14,460,609	14,460,609
As at 31 December 2009 and 1 January 2010		**2,954,123**	**29,541,232**	**495,488,494**	**525,029,726**
Issue of shares through:					
Exercise of Option in respect of acquisition of subsidiaries	(iv)	**20,000**	**200,000**	**2,800,000**	**3,000,000**
Issue of Consideration Shares in respect of acquisition of subsidiaries	(iii)	**200,000**	**2,000,000**	**166,000,000**	**168,000,000**
Issue of Bonus Shares in respect of acquisition of subsidiaries	(iii)	**7,478**	**74,783**	**6,206,960**	**6,281,743**
Issue of new shares for acquisition of intangible assets	(ii)	**9,202**	**92,020**	**1,602,980**	**1,695,000**
Issue of new shares by way of the Open Offer	(v)	**638,161**	**6,381,607**	**178,684,992**	**185,066,599**
Transaction costs attributable to issue of new shares		**—**	**—**	**(2,424,551)**	**(2,424,551)**
Transfer upon exercise of Options in respect of acquisition of subsidiaries		**—**	**—**	**14,460,609**	**14,460,609**
As at 31 December 2010		**3,828,964**	**38,289,642**	**862,819,484**	**901,109,126**

33. SHARE CAPITAL AND PREMIUM *(continued)*

The total authorized number of ordinary share is 10,000,000,000 shares (2009: 10,000,000,000 shares) with a par value of HK$0.01 per share (2009: HK$0.01 per share). All issued share are fully paid.

Notes:

(i) On 14 January 2009, 20,000,000 shares of HK$0.01 each were issued at a price of HK$0.15 per share by exercise of the Option granted to the vendor as contingent consideration for the acquisition of GoHi Holdings Limited due to the fulfillment of certain conditions as stipulated in the agreements (Note 36(c)).

(ii) On 19 January 2010, the Group entered into an agreement to acquire a software from the independent third party at a consideration of RMB3,000,000 (equivalent to HK$3,628,967), which was satisfied as to RMB1,500,000 in cash and as to RMB1,500,000 by the allotment and issue of 9,201,954 shares of HK$0.01 each in the capital of the Company at an issue price of approximately HK$0.1842 each. The 9,201,954 shares were issued on 11 March 2010.

(iii) On 29 January 2010, 200,000,000 Consideration Shares of HK$0.01 each and 7,478,265 Bonus Shares of HK$0.01 each were issued to the vendor as contingent consideration for the acquisition of GoHi Holdings Limited due to the fulfillment of certain conditions as stipulated in the agreements (Note 36 (c)).

(iv) On 26 February 2010, 20,000,000 shares of HK$0.01 each were issued at a price of HK$0.15 per share by exercise of the Option granted to the vendor as contingent consideration for the acquisition of GoHi Holdings Limited due to the fulfillment of certain conditions as stipulated in the agreements (Note 36 (c)).

(v) On 15 June 2010, the Company issued 638,160,686 new shares ("Offer Share") at the subscription price of HK$0.29 per Offer Share on the basis of one Offer Share for every five existing shares in issue on 18 May 2010 (the "Open Offer"). The Open Offer was only available to shareholders whose names appear on the register of members of the Company on 18 May 2010 and was not extended to non-qualified shareholders as defined in the Company's prospectus dated 26 May 2010.

The ordinary shares issued during the year have the same rights as the other shares then in issue.

34. SPECIAL RESERVE

The special reserve 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 share premium of First China Financial Holdings (BVI) Limited acquired pursuant to the corporate reorganization undertaken in preparation for the listing of the Company's shares on GEM on 11 January 2002.

35. SHARE OPTION SCHEMES

The Company operates a share option scheme (the "Share Option Scheme") under which persons working for the interest of the Group are entitled to an opportunity to obtain equity interest in the Company. The number of shares in respect of which options may be granted under the Share Option Scheme and any other share option schemes is not permitted to exceed 30% of the shares of the Company in issue from time to time, without prior approval from the Company's shareholders. The maximum number of shares issued and to be issued upon exercise of options granted and to be granted pursuant to the Share Option Scheme and any other share options schemes of the Company to any person (including both exercised and outstanding options) in any 12-month period up to the date of grant of options shall not exceed 1% of the shares of the Company in issue, without prior approval from the Company's shareholders.

The Share Option Scheme was adopted pursuant to a resolution passed on 17 December 2001. The purpose of the Share Option Scheme is to provide the people and the parties working for the interest of the Group with an opportunity to obtain equity interest in the Company, thus linking their interest with the interest of the Group and thereby providing them with an incentive to work better for the interest of the Group. Under the Share Option Scheme, the Board of Directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company. Additionally, the Company may, from time to time, grant share options to outside third parties for settlement in respect of goods or services provided to the Group.

HK$1 is payable on the acceptance of the option per grant. Options may generally be exercised at any time during a period to be notified by the Board to each grantee provided that the period within which the option must be exercised shall not be more than 10 years from the date of grant of the share option.

The exercise price is determined by the Board, and will not be less than the higher of (i) the closing price of the Company's shares on the date of grant; (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of a share.

The Share Option Scheme will remain valid for a period of 10 years commencing on 17 December 2001.

On 5 September 2007, share options to subscribe for an aggregate of 32,400,000 shares of the Company were granted to certain directors and employees of the Company.

On 13 April 2010, share options to subscribe for an aggregate of 84,000,000 shares of the Company were granted to certain directors and employees of the Company. The fair value of 84,000,000 share options granted under the Share Option Scheme on 13 April 2010 was determined by the directors to be HK$23,382,573 with reference to a valuation performed by an independent firm of professional valuers using a binomial model. The inputs into the model included grant date share price of HK$0.4, exercise price of HK$0.419 per share, expected volatility of 103.41%, expected option life of 10 years, no expected dividend and estimated risk-free interest rate of 2.833%.

35. SHARE OPTION SCHEMES *(continued)*

The following table discloses the movements of the share options granted under the Share Option Scheme during the year ended 31 December 2010:

Name of grantee	Date of grant	Exercise price (After adjustment in respect of the Open Offer (note 33)	Exercisable period	Number of share options: Outstanding as at 1 January 2010	Exercised during the year	Granted during the year	Adjustment in respect of the Open Offer (note 33)	Lapsed during the year	Outstanding as at 31 December 2010
Mr. Wang Wenming (executive director)	13 April 2010	HK$0.419	13/04/2010— 12/04/2020	—	—	11,000,000	682,577	—	11,682,577
Mr. Lee Yiu Sun (executive director)	13 April 2010	HK$0.419	13/04/2010— 12/04/2020	—	—	30,000,000	1,861,575	—	31,861,575
Mr. Lee Yiu Sun (executive director)	5 September 2007	HK$0.215	05/09/2007— 04/09/2017	4,000,000	—	—	248,210	—	4,248,210
Mr. Liu Runtong (non-executive director)	13 April 2010	HK$0.419	13/04/2010— 12/04/2020	—	—	30,000,000	1,861,575	—	31,861,575
Dr. Tsang Hing Lun (independent non-executive director)	13 April 2010	HK$0.419	13/04/2010— 12/04/2020	—	—	3,000,000	186,158	—	3,186,158
Professor Zhang Benzheng (independent non-executive director)	13 April 2010	HK$0.419	13/04/2010— 12/04/2020	—	—	2,000,000	124,105	—	2,124,105
Sub-total for directors				4,000,000	—	76,000,000	4,964,200	—	84,964,200
3 employees	13 April 2010	HK$0.419	13/04/2010— 12/04/2020	—	—	8,000,000	496,421	—	8,496,421
1 employee	5 September 2007	HK$0.215	05/09/2007— 04/09/2017	500,000	—	—	31,026	—	531,026
Sub-total for employees				500,000	—	8,000,000	527,447	—	9,027,447
Total				4,500,000	—	84,000,000	5,491,647	—	93,991,647

35. SHARE OPTION SCHEMES *(continued)*

The following table discloses the movements of the share options granted under the Share Option Scheme during the year ended 31 December 2009:

				Number of share options			
Name of grantee	Date of grant	Exercise price	Exercisable period	Outstanding as at 1 January 2009	Exercised during the year	Lapsed during the year	Outstanding as at 31 December 2009
Mr. Richard Yingneng Yin (a former executive director)	5 September 2007	HK$0.228	05/09/2007–04/09/2017	5,000,000	—	(5,000,000)	—
Mr. Lee Yiu Sun (executive director)	5 September 2007	HK$0.228	05/09/2007–04/09/2017	4,000,000	—	—	4,000,000
Sub-total for directors				9,000,000	—	(5,000,000)	4,000,000
1 employee	5 September 2007	HK$0.228	05/09/2007–04/09/2017	500,000	—	—	500,000
1 employee	5 September 2007	HK$0.228	05/09/2008–04/09/2017	500,000	—	(500,000)	—
Sub-total for employees				1,000,000	—	(500,000)	500,000
Total				10,000,000	—	(5,500,000)	4,500,000

As at 31 December 2010, the Company had 93,991,647 (2009: 4,500,000) share options outstanding for the share options granted under the Share Option Scheme. The exercise in full of the remaining share options would, under the present capital structure of the Company, result in the issue of 93,991,647 (2009: 4,500,000) additional ordinary shares of the Company and additional share capital of HK$939,916 (2009: HK$45,000) and share premium of HK$37,467,620 (2009: HK$981,000).

36. BUSINESS COMBINATIONS

(a) Acquisition of Qingdao First China Financial Information Company Limited

Details of net assets acquired and goodwill were as follows:

	HK$
Total purchase consideration satisfied by cash	**240,720**
Fair value of net assets acquired — shown as below	**(159,348)**
Goodwill (Note 18)	**81,372**

The assets and liabilities as of 3 June 2010 arising from the acquisition were as follows:

	Fair value HK$	Acquiree's carrying amount HK$
Property, plant and equipment	**—**	**53,106**
Other receivables	**29,558**	**29,558**
Bank balances and cash	**282,889**	**282,889**
Net assets	**312,447**	**365,553**
Non-controlling interests	**(153,099)**	
Fair value of net assets acquired	**159,348**	

青島首華財經信息有限公司(transliterated as Qingdao First China Financial Information Company Limited) did not contribute any revenue and contributed net loss of HK$178,708 to the Group for the period from 3 June 2010 to 31 December 2010. If the acquisition had occurred on 1 January 2010, total group revenue for the year ended 31 December 2010 would have been HK$48,989,233 and loss for the year would have been HK$218,766,026. This pro forma information is for illustrative purposes only and is not necessarily an indication of the revenue and results of the Group that actually would have been achieved had the acquisition occurred on 1 January 2010, nor is it intended to be a projection of future results.

36. BUSINESS COMBINATIONS *(continued)*

(b) Acquisition of Shenzhen Sky Picture Communications Company Limited

During the year ended 31 December 2009, the Group entered into a conditional loan framework agreement dated 22 December 2008 with Ms. Chen Xiaoying (the "Vendor"), pursuant to which the Group agreed to lend to the Vendor a loan in the principal amount of RMB79,000,000 for a term of ten years. In return, the Vendor agreed to execute a series of control agreements to enable the Group to obtain control of Shenzhen Sky Picture Communications Company Limited and its subsidiary which own and operates Stock Online. The loan is interest free and shall be payable in cash by the Group to the Vendor as to RMB20,000,000 at completion of the loan framework agreement ("Date of Completion"); as to RMB30,000,000 on or before the date failing on the first anniversary of the Date of Completion; and as to RMB29,000,000 on or before the date falling on the second anniversary of the Date of Completion. The acquisition of Shenzhen Sky Picture Communications Company Limited was completed on 3 March 2009.

Details of net assets acquired and goodwill were as follows:

	HK$
Purchase consideration:	
— Loan payable under control agreements	**89,499,100**
— Direct costs relating to the acquisition	**1,108,999**
Total purchase consideration	**90,608,099**
Fair value of net assets acquired — shown as below	**(71,953,612)**
Goodwill (Note 18)	**18,654,487**

36. BUSINESS COMBINATIONS *(continued)*

(b) Acquisition of Shenzhen Sky Picture Communications Company Limited *(continued)*

The assets and liabilities as of 3 March 2009 arising from the acquisition were as follows:

	Fair value HK$	Acquiree's carrying amount HK$
Property, plant and equipment	1,867,387	1,867,387
Intangible assets	134,059,833	134,059,833
Investment in an associate	868,160	868,160
Other receivables	13,147,058	13,147,058
Amount due from an associate	10,513	10,513
Bank balances and cash	2,431,118	2,431,118
Trade payables	(25,768,233)	(25,768,233)
Other payables	(22,461,052)	(22,461,052)
Deferred income tax liabilities	(32,201,172)	(32,201,172)
Net assets		71,953,612
Fair value of net assets acquired	71,953,612	

Shenzhen Sky Picture Communications Company Limited and its subsidiary contributed revenue of HK$3,389,558 and net loss of HK$19,721,314 to the Group for the period from 4 March 2009 to 31 December 2009. If the acquisition had occurred on 1 January 2009, total group revenue for the year ended 31 December 2009 would have been HK$88,472,202 and profit for the year would have been HK$3,572,160. This pro forma information is for illustrative purposes only and is not necessarily an indication of the revenue and results of the Group that actually would have been achieved had the acquisition occurred on 1 January 2009, nor is it intended to be a projection of future results.

36. BUSINESS COMBINATIONS *(continued)*

(c) Acquisition of the GoHi Group

During the year ended 31 December 2007, the Company and its wholly-owned subsidiary, Aceview International Limited entered into a sale and purchase agreement dated 11 July 2007 (as amended by a supplemental agreement dated 30 July 2007) with Fame Treasure Limited (the "Seller") and Mr. Wang Wenming (the "Warrantor"), in relation to the acquisition of the entire issued share capital of GoHi Holdings Limited. GoHi Holdings Limited and its wholly-owned subsidiary, First China Securities Consultancy (Shenzhen) Co., Ltd (collectively, the "GoHi Group") are principally engaged in the provision of stock information and research services in the PRC.

Pursuant to the agreements, the consideration for the acquisition is contingent on, inter alia, specified levels of net profits being achieved by the GoHi Group in future periods and was to be satisfied in the following manner:

(i) Issue of 200,000,000 new shares of HK$0.01 each in the capital of the Company (the "Consideration Shares") at each of the next three anniversary dates after completion, subject to the fulfillment of certain conditions as stipulated in the agreements.

(ii) Grant of an option (the "Option") to the Warrantor to subscribe for a maximum of 60,000,000 new shares of HK$0.01 each in the capital of the Company (the "Option Shares") at an exercise price of HK$0.15 per Option Share, in which 20,000,000 Option Shares are exercisable at each of the next three anniversary dates after completion, subject to the fulfillment of certain conditions as stipulated in the agreements.

(iii) Issue of a maximum of 160,000,000 new shares of HK$0.01 each in the capital of the Company (the "Bonus Shares") at each of the next three anniversary dates after completion, subject to the fulfillment of certain conditions as stipulated in the agreements. The actual number of Bonus Shares to be issued for each period, if any, would be based on the excess of the actual net profits being achieved by the GoHi Group in future periods over the net profit guarantee given by the Seller and the Warrantor and the Company's share prices in future periods.

Completion of the aforesaid acquisition took place on 16 November 2007. The fair value of the Consideration Shares to be issued was based the published price of the Company's shares as quoted on the Stock Exchange on 16 November 2007. The fair value of the Option had been included in the cost of combination at the time of initially accounting for the combination to the extent the adjustment to the cost of combination was considered probable, and such fair value was estimated by reference to an independent professional valuation which incorporated an option pricing model with annual risk free rate of 2.67%, volatility of 106.67%, dividend yield of 0% and other parameters according to the terms of the agreements. The fair value of the Bonus Shares to be issued had not been included in the cost of the combination at the time of initially accounting for the combination as it could not be measured reliably.

37. DISPOSAL OF SUBSIDIARIES

(a) On 27 May 2010, the Group disposed of its entire equity interest in First China Futures Limited at a cash consideration of HK$10,714,466.

The assets and liabilities of this disposed subsidiary at the date of disposal were as follow:

	Carrying amount HK$
Property, plant equipment	28,730
Intangible assets	1
Statutory deposit and other assets	1,500,000
Other receivables	17,164
Trade receivables	19,663,744
Bank balances and cash	7,365,602
Segregated trust bank balances	1,268,350
Trade payables	(20,596,126)
Other payables	(7,000)
	9,240,465
Gain on disposal of a subsidiary	1,474,001
Total cash consideration	10,714,466
Net cash inflow arising on disposal:	
Total cash consideration	10,714,466
Bank balances and cash disposal, excluding segregated trust bank balances	(7,365,602)
	3,348,864

The result of this disposed subsidiary had no significant impact on the Group's consolidated revenue or loss for the year ended 31 December 2010.

37. DISPOSAL OF SUBSIDIARIES *(continued)*

(b) On 2 June 2010, the Group disposed of its entire equity interest in 湖南首華財經信息有限公司(transliterated as Hunan First China Financial Information Company Limited) at a cash consideration of HK$637,947.

The assets and liabilities of this disposed subsidiary at the date of disposal were as follow:

	Carrying amount HK$
Property, plant equipment	**19,062**
Trade receivables	**14,979**
Other receivables	**149,840**
Bank balances and cash	**1,288**
Other payables	**(94,492)**
	90,677
Non-controlling interests	**(45,018)**
	45,659
Gain on disposal of a subsidiary	**592,288**
Total cash consideration	**637,947**
Net cash inflow arising on disposal:	
Total cash consideration	**637,947**
Bank balances and cash disposal	**(1,288)**
	636,659

The result of this disposed subsidiary had no significant impact on the Group's consolidated revenue or loss for the year ended 31 December 2010.

37. DISPOSAL OF SUBSIDIARIES *(continued)*

(c) On 9 March 2010, the Group disposed of its entire equity interest in 北京首華文化傳媒有限公司 at a cash consideration of HK$11,498,900.

The assets and liabilities of this disposed subsidiary at the date of disposal were as follow:

	Carrying amount HK$
Property, plant equipment	7,973
Other receivables	143,737
Bank balances and cash	11,279,581
Other payables	(28,067)
Net assets	11,403,224
Gain on disposal of a subsidiary	95,676
Total cash consideration	11,498,900
Net cash inflow arising on disposal:	
Total cash consideration	11,498,900
Bank balances and cash disposal	(11,279,581)
	219,319

The result of this disposed subsidiary had no significant impact on the Group's consolidated revenue or loss for the year ended 31 December 2010.

(d) On 9 March 2010, the Group disposed of its partial equity interests in 深圳首華康宏保險經紀有限公司 (transliterated as First China Convoy Insurance Broker Company Limited, Shenzhen) at a cash consideration of RMB1,000,000 (equivalent to HK$1,180,000). Such disposal did not result in the Group's losing control over this subsidiary and was accounted for as equity transactions.

37. DISPOSAL OF SUBSIDIARIES *(continued)*

(e) On 23 September 2009, the Group disposed of its entire equity interest in First China Bullion Limited at a cash consideration of HK$3,060,000.

The assets and liabilities of this disposed subsidiary at the date of disposal were as follow:

	Carrying amount HK$
Property, plant equipment	299,945
Other assets	1,760,518
Other receivables	207,580
Amount due from ultimate holding company	2,602,901
Bank balances and cash	989,627
Trade payables	(188,962)
Other payables	(9,000)
	5,662,609
Waiver of amount due from ultimate holding company	(2,602,901)
Gain on disposal of a subsidiary	292
Total cash consideration	3,060,000
Net cash inflow arising on disposal:	
Total cash consideration	3,060,000
Bank balances and cash disposal	(989,627)
	2,070,373

This result of this disposed subsidiary had no significant impact on the Group's consolidated revenue or profit for the year ended 31 December 2009.

(f) On 13 October 2009, the Group disposed of its entire equity interests in International Financial Network Capital (Singapore) Pte Ltd at a cash consideration of S$1 (equivalent to HK$5) and recorded a gain on disposal of HK$180,124. The results of this disposed subsidiary had no significant impact on the Group's consolidated revenue or profit for the year ended 31 December 2009.

(g) During the year ended 31 December 2009, the Group disposed of its entire equity interests in IFN Limited, IFN Rockhound Limited and Global Mall Group Holdings Limited upon their deregistration and recorded losses on disposal in aggregate of HK$8,831. The results of these disposed subsidiaries had no significant impact on the Group's consolidated revenue or profit for the year ended 31 December 2009.

38. OPERATING LEASE COMMITMENTS

As at 31 December 2010, the Group had future aggregated minimum lease payments under non-cancellable operating leases in respect of rented premises as follows:

	The Group	
	2010	2009
	HK$	HK$
No later than one year	**2,116,103**	4,394,174
Later than one year and no later than five years	**—**	1,646,683
	2,116,103	6,040,857

Leases in respect of rented office premises are negotiated for an average period of three years.

The Company did not have significant operating lease commitments at 31 December 2010 (2009: Nil).

39. SIGNIFICANT RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in these consolidated financial statements, the Group had the following significant related party transactions during the year:

		The Group	
		2010	2009
	Note	**HK$**	HK$
Brokerage commission income received from directors	(i)	**15,600**	21,119
Advertising services income received from an associate	(ii)	**84,862**	—
Consultancy fee paid to a subsidiary of Shenzhen Guangxin Investment Company Limited	(ii)	**689,934**	793,618
Office rentals paid to Shenzhen Guangxin Investment Company Limited	(ii)	**885,415**	952,342

	2010	2009
	HK$	HK$
Key management compensation		
— Salaries and other short-term employee benefits	**25,638,055**	4,799,700
— Post-employment benefits	**36,000**	60,000
	25,674,055	4,859,700

39. SIGNIFICANT RELATED PARTY TRANSACTIONS *(continued)*

Notes:

(i) The commission rates were substantially in line with those normally offered by the Group to third party clients. As at 31 December 2010, the outstanding balances with these related parties amounted to HK$8,500 (2009: amounts payable of HK$5,816) in aggregate, which were included in the amounts receivable from margin clients arising from securities broking (Note 25) (2009: amounts payables to cash clients and margin clients arising from securities broking). The amounts due were unsecured, interest-free and repayable within one or two trade days after the trade execution date.

(ii) The advertising services income, consultancy fee and office rentals were based on terms mutually agreed between the parties involved.

The Company has given a corporate guarantee to the extent of HK$23,000,000 (2009: HK$23,000,000) to a bank in respect of general banking facility granted to one of its subsidiaries. During the year ended 31 December 2010, such facility was not utilized by the subsidiary (2009: Nil). In the opinion of the directors, no material liabilities will arise from the above corporate guarantee which arose in the ordinary course of business and fair value of the corporate guarantee granted by the Company is immaterial.

40. CAPITAL COMMITMENTS

Capital expenditure contracted for at the end of the reporting period but not yet incurred is as follows:

	The Group	
	2010	2009
	HK$	HK$
Property, plant and equipment	**70,434,000**	—

41. EVENT AFTER THE REPORTING PERIOD

(i) On 1 March 2011, the Group disposed of the entire equity interest in 深圳首華康宏保險經紀有限公司 (transliterated as First China Convoy Insurance Broker Company Limited, Shenzhen) at a cash consideration of RMB400,000.

(ii) On 26 March 2011, Wealth Alliance (a wholly-owned subsidiary of the Company established in the PRC) entered into an agreement with Zhuhai Brightzon pursuant to which Zhuhai Brightzone has agreed to provide a platform to Wealth Alliance, and be responsible for, the sales and marketing of the stock investment analysis software and software packages developed and owned by the Group and, in return, Zhuhai Brightzone is entitled to receive a sales agency fee from Wealth Alliance subject to and upon the terms contained in the agreement (the "Sales Agency Agreement").

Zhuhai Brightzone is owned as to 88.75% by Shenzhen Guangxin and 11.25% by independent third parties. Shenzhen Guangxin is controlled by Ms Chen Dongjin. Ms Chen Dongjin is the spouse of Mr Wang Wenming who is a director and a substantial shareholder of the Company and is therefore an associate of a connected person of the Company as defined in the the Rules Governing the Listing of Securities on GEM (the "GEM Listing Rules"). Accordingly, the transactions between Wealth Alliance and Zhuhai Brightzone as contemplated under the Sales Agency Agreement constitute continuing connected transactions for the Company under the GEM Listing Rules.

FINANCIAL SUMMARY

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

	Year ended 31 December				
	2010	2009	2008	2007	2006
	HK$	HK$	HK$	HK$	HK$
				(As restated)	
RESULTS					
Revenue	**48,989,233**	85,320,229	72,155,034	44,050,196	457,935,641
(Loss)/profit before income tax	**(250,567,434)**	10,699,895	(619,865,676)	(23,318,083)	(12,390,227)
Income tax (credit)/expense	**31,927,626**	(7,654,821)	(6,410,352)	(1,349,477)	—
(Loss)/profit for the year	**(218,639,808)**	3,045,074	(626,276,028)	(24,667,560)	(12,390,227)
Attributable to:					
Owners of the Company	**(215,332,026)**	3,404,795	(626,262,225)	(24,655,055)	(12,390,227)
Non-controlling interests	**(3,307,782)**	(359,721)	(13,803)	(12,505)	—
	(218,639,808)	3,045,074	(626,276,028)	(24,667,560)	(12,390,227)

	As at 31 December				
	2010	2009	2008	2007	2006
	HK$	HK$	HK$	HK$	HK$
				(As restated)	
ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS					
Total assets	**215,767,840**	336,728,989	173,262,594	673,835,146	61,334,985
Total liabilities	**(43,531,038)**	(173,836,780)	(17,491,784)	(47,408,434)	(26,903,776)
Non-controlling interests	**(2,889,706)**	(664,922)	(71,693)	(85,496)	(5)
	169,347,096	162,227,287	155,699,117	626,341,216	34,431,204