CONVOY 康宏

your finance navigator

CONVOY FINANCIAL SERVICES HOLDINGS LIMITED
康宏理財控股有限公司

(incorporated in the Cayman Islands with limited liability)

Stock Code: 1019

WELL PREPARED FOR ALL YOUR NEEDS

ANNUAL REPORT 2011


WELL PREPARED FOR
ALL YOUR NEEDS

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Corporate Information

Executive directors
Mr. Wong Lee Man *(Chairman)*
Ms. Fong Sut Sam
Mr. Mak Kwong Yiu

Independent non-executive directors
Mrs. Fu Kwong Wing Ting, Francine
Dr. Wu Ka Chee, Davy
Mr. Ma Yiu Ho, Peter

Registered office
Cricket Square
Hutchins Drive
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KY1-1111
Cayman Islands

Headquarters and principal place of business
34th Floor
One Island East
18 Westlands Road
Island East
Hong Kong

Our Company's website address
www.convoy.com.hk

Members of audit committee
Mr. Ma Yiu Ho, Peter *(Chairman of the audit committee)*
Mrs. Fu Kwong Wing Ting, Francine
Dr. Wu Ka Chee, Davy

Members of remuneration committee
Mrs. Fu Kwong Wing Ting, Francine
(Chairman of the remuneration committee)
Dr. Wu Ka Chee, Davy
Mr. Wong Lee Man

Members of nomination committee
Mrs. Fu Kwong Wing Ting, Francine
(Chairman of the nomination committee)
Dr. Wu Ka Chee, Davy
Ms. Fong Sut Sam

Members of corporate governance committee
Dr. Wu Ka Chee, Davy
(Chairman of the corporate governance committee)
Mrs. Fu Kwong Wing Ting, Francine
Ms. Fong Sut Sam
Mr. Mak Kwong Yiu

Compliance officer
Mr. Wang Pui Wang

Company secretary
Mr. Chow Kim Hang

Authorised representatives
Mr. Mak Kwong Yiu
Mr. Chow Kim Hang

Principal share registrar and transfer office
Butterfield Fulcrum Group (Cayman) Limited
Butterfield House
68 Fort Street
P.O. Box 609
Grand Cayman
KY1-1107
Cayman Islands

Hong Kong branch share registrar and transfer office
Tricor Investor Services Limited
26th Floor
Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

Compliance adviser
Quam Capital Limited
Room 3208
Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

Principal bankers
Standard Chartered Bank (Hong Kong) Limited
Industrial and Commercial Bank of China (Asia) Limited

Principal auditors
Ernst & Young
Certified Public Accountants

CHAIRMAN'S STATEMENT

Chairman's Statement

Mr. Wong Lee Man
Chairman

Last year, the global economic growth slowed down generally and the European debt crisis became the must-have reason or excuse for every market fluctuation. The market remained generally conservative on the economic outlook. Stepping into 2012, apart from a change of the economic environment, countries are also facing a significant change in the political climate. This is a year of global elections. Subsequent to the Taiwan presidential election early this year, new presidents will be elected in European countries such as Russia and France and the United States ("U.S."). China, which is closely related to the Hong Kong people, and Hong Kong are also undergoing changes in leadership. Other than the economic factor, the global political landscape, which is going to change more or less, will be another uncertain factor to the changes in global financial market in the future.

During several media interviews early this year, I was asked to predict the economic atmosphere this year. My conclusion was: "Prudent but not optimistic." As an operator of a company, I should have avoided being pessimistic and sending out warning signals, especially when the market confidence has recovered slightly during the small rebound of the overall economy, stock market and property market in the first quarter. However, after experiencing the drastic changes and the widespread financial market turmoil in recent years, I realise that the gap between "not happening" and "not yet happen" may be very narrow. Moreover, taking precautionary measures and risk management is the essence of our industry. We are just being responsible to remain vigilant and prudent.

Exploring Overseas Market Progressively

While being prudent, Convoy is not self-complacent. During the previous year, we closely monitored market developments and made quick responses. Following the regional expansion strategy formulated last year, the Group has commenced operations in Beijing, Shenzhen and Macau and set up the first wealth management centre in Beijing. However, this is still at the investment stage. We will work hard in our overseas operations and expect to reap the fruits in a few years. Meanwhile, the Group is also exploring opportunities to expand its operations into the other parts of Asia. During the reporting period, the Group filed an application and obtained approval in respect of the listing of depositary receipts in Taiwan. However, management finally decided to terminate the listing in light of the uncertain market conditions for the benefit of the shareholders. We also entered into a conditional offer with IPP, the largest IFA company in Singapore. However, as it was expected that the conditions precedent to the completion of the sale and purchase agreement would not be fulfilled by the deadline, the sale and purchase agreement is expected to be terminated. In spite of that, the Group is still determined in pursuing its regional expansion plan. This will continue to be one of the major development directions of the Group in the future. We will pay attention to the circumstances and take appropriate action in due course.

Actively Expanding into the MPF Market

In terms of local market development, the Group is facing two huge opportunities and challenges this year. The MPF Portability Scheme, which will be launched in November 2012, is definitely a piece of good news to the more than 2.5 million employees in Hong Kong. Employees will be able to choose the MPF schemes which suit their needs for their own contributions. This will help to increase market competition. In anticipation of this, many MPF providers have reacted in advance by lowering their administrative charges, thus proving the saying that "whoever can choose is the boss". In fact, the introduction of the competition law, the regulation of the sales of first-hand properties and even the promotion of universal election to protect the basic rights of citizens are all built on the same foundation.

Views still vary on the details on how the new MPF measure should be implemented. I hope that the Government and regulators can communicate with the industry proactively and listen to their views in order to avoid the disadvantages of staying behind closed doors. The Group also understands that customers will surely have a lot of queries and concerns over the new measure. We will facilitate customers' understanding of the new measure through communication between our consultant team and customers and organising talks or workshops. Meanwhile, we will also strengthen our internal training to fully equip all levels of our staff for this new market opportunity.

Supporting the Enhancement of the Regulation of the Industry

The success of an enterprise lies in the confidence and satisfaction of its customers. Therefore, the Group has always taken the initiative to provide protective terms to our customers for the benefit of our customers in compliance with the regulations. With the increasing demand of citizens towards the professional level of insurance and investment advisory and the establishment of the Insurance Authority in full speed, the Group sincerely hopes that the future regulation can enhance the overall level of the industry, increase transparency by formulating a set of uniform practising standards for the industry, optimise the current business environment and increase the confidence of customers in the industry. Besides, with the much divided views in the industry on the implementation of the commission disclosure proposal, we hope that the Hong Kong Commissioner of Insurance can lead the industry to reach a consensus on this measure as soon as possible. We would like to reiterate that, as long as the regulator can finalise on a uniform disclosure mechanism, we will definitely support and comply with the system. After all, the Hong Kong people have already been tired of the differential treatment between close and distant relationships and bullying and unfair practices.

Maintaining High Level of Corporate Governance

Maintaining a high level of corporate governance has always been an important part of our operations. Last year, the Board established a corporate governance committee (the "Corporate Governance Committee") in place of the original compliance committee, with effect from 1 January 2012. The Board has appointed Dr. Wu Ka Chee, Davy, an independent non-executive Director, as the chairman of the Corporate Governance Committee and Mrs. Fu Kwong Wing Ting, Francine, Ms. Fong Sut Sam and Mr. Mak Kwong Yiu as members of the Corporate Governance Committee. Dr. Wu Ka Chee, Davy, is currently a senior lecturer of the Department of Accountancy and Law at the Hong Kong Baptist University and is a co-author of the Guide to Corporate Governance for Subvented Organisations, which was published by the Hong Kong Government in May 2010. He is familiar with the provisions of corporate governance and is an expert in this field. The Corporate Governance Committee is established for the purpose of developing and reviewing the Group's policies and practices on corporate governance and making recommendations to the Board; and reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements to ensure good corporate governance and outstanding management of the Group. To be honest, the rule of governance is all about balance and legal backing. If there is only a set of so-called "self-binding" rules that cannot be examined by the external parties other than by the ruler himself, no matter how "compliant" the ruler has been, he cannot excuse himself from the accusation of "regulatory deficiency".

Market Outlook

Looking ahead, the management remains prudent and observant towards the economic development. With the European debt crisis being mitigated temporarily, the global economy may still be able to achieve a moderate growth. At the same time, in view of the improvement in the U.S. economy and the different measures adopted by different countries, particularly the further money-easing policy of the central banks in the U.S. and Eurozone, the excess capital will be able to create a seemingly good global economy. Nevertheless, under the surface, the deep-rooted problems that have been nagging Hong Kong have not been solved. It is just that nobody wants to or dares to (because of political considerations) propose any strong measures to relieve the problem.

In respect of Mainland China and Hong Kong, despite the continuous slowdown in growth in China, the monetary base has been eased in recent months. It is expected that the decline in inflation will create more space for the PRC Government to further relax its monetary policy. But what concerns me more is the unprecedented tolerance of the internet network in China to certain sensitive terms recently. Allowing freedom while "maintaining stability" is a path that every country has to go through before achieving real prosperity and strength. Hence, the Group is very optimistic to the prospect of China in the long run and will actively expand its operations in important cities and develop new service types in response to market demand by following the strategic expansion strategy.

The political environment in Hong Kong has started a new page as the Fourth Term Chief Executive (CE) Election came to an end under controversy. The CE-elect reiterated that his vision for governance in the future is “prudent adjustments and change while preserving stability”, which is also suitable to describe our operational strategies. Although the SAR Government is changing, Hong Kong’s role as a major offshore Renminbi centre and regional financial hub will remain unchanged. Situated in a favourable location, Hong Kong can fully capitalise on the growth potential arising from the economic interaction between the emerging markets in Asia. In the long run, we are still confident in the Hong Kong economy and in the development prospect of the Group.

This is our second annual report subsequent to our Listing. As I said on the Listing Date, every task conducted and every decision made by the Group after Listing must be open to the public and our investors, employees and customers. I hope you can comment positively on this result announcement. But what’s more important is your unfailing support and advice, which are essential for us to constantly improve ourselves and move forward.

Last but not least, on behalf of the Board, I would like to thank all of our business partners, customers and the public shareholders for their enduring support to Convoy and our colleagues for their dedication and contribution during the past year. Here and now, our Chief Executive Officer, Ms. Fong Sut Sam, will provide a detailed report on the business overview for the past year and the future development of the Company. A citizen measures the performance of the CE by “listening to what he says and observing what he does”. Similarly, reading the report and providing opinion are also the best ways for stakeholders to supervise our performance. Therefore, I hope that you can read this report carefully.

Wong Lee Man
Chairman

Hong Kong, 28 March 2012

CHIEF EXECUTIVE OFFICER'S REVIEW

Ms. Fong Sut Sam
Chief Executive Officer

Business Review and Prospects

Operating Summary

In 2011, Hong Kong continued to be affected by external factors. With global economic prospects persistently dampened by the ever-changing Eurozone sovereign debt crisis, local demand for imports and the production activities in Asia were both affected. Hong Kong exports were threatened and the stock market fluctuated. The generally negative fund performance not only weakened market confidence in investment, but also lashed the ILAS market. However, on the back of the solid foundation laid by the Group in this business segment and its active development of the MPF business during the year, the impact of the market negatives on business operations was mitigated.

On behalf of the Board, I hereby announce the annual results for the year ended 31 December 2011. The Group's revenue reached approximately HK$653 million during the period under review, representing an increase of approximately 14.0% when compared with the same period last year, mainly driven by the business growth of ILAS and other insurance products. Profit for the year attributable to owners of the Company dropped 18.0% to approximately HK$53 million, and net profit margin decreased by approximately 3.2 percentage points to 8.1%. Basic earnings per share were HK13.3 cents. The Board intends to declare a dividend of HK7.0 cents per Share for the year ended 31 December 2011.

Despite a growth in revenue of the Group, profit for the year attributable to owners of the Company recorded a year-on-year decrease since the regional expansion operation was still at the investment stage. To lay a solid foundation for the operation in each region, the Group had to inject capital to finance the operating expenses, such as rental expenses, staff costs and marketing expenses.

Income contributions attributable to different businesses vary in the financial year. However, as we have the largest independent financial advisory ("IFA") team in Hong Kong, we will continue to expand and develop other distribution channels for financial planning services in order to comply with our consistent strategy to provide comprehensive financial planning and insurance service dedicated to our customers.

Foreign market exploration still at the investment stage

In 2011, the Group exerted its effort to implement the "regional expansion" strategy with an aim of becoming one of the largest quality IFA company in Asia. Last year, we focused on developing new markets outside Hong Kong, including Mainland China and the Southeast Asia. For the PRC market, we have established our presence in Shenzhen and Beijing. Convoy Wealth Investment Management (Beijing) Limited ("Convoy Wealth"), which was established by the Group in Beijing last year, was the first IFA company set up by the Group in Mainland China. In August 2011, we set up a wealth management centre in Beijing, which was our first wealth management centre in Mainland China. By cooperating with numerous leading financial management suppliers in the PRC market, Convoy Wealth has formed a product line led by trusts and private equity. Equipped with an experienced, high quality and professional financial management team with excellent performance, Convoy Wealth is dedicated to provide third-party financial management services to the customers in Mainland China.

In Shenzhen, the Group completed the acquisition of Convoy Insurance Broker (Shenzhen) Company Limited in September 2011. The company will provide nationwide insurance brokerage services in Mainland China. The acquisition assisted the Group in further consolidating its development in the PRC market and developing insurance agency business in full-scale in the PRC. Other than expanding the market share of the Group in the PRC market, the acquisition also helped to strengthen our brand in the PRC market.

Besides, after establishing Convoy Insurance Brokers (Macau) Limited, we advanced into the Singaporean market by making a conditional offer to acquire 100% interests in IPP in Singapore at a consideration of approximately HK$162,240,000. Though it is expected that the transaction cannot be completed as the conditions precedent to the completion of the sale and purchase agreement would not be fulfilled by the deadline, the Group will not give up on its target of expanding into the Southeast Asian market, and will continue to be open for identifying merger and acquisition opportunities in the market.

The Group's effort in expanding outside Hong Kong has initially borne fruit. However, it is still at the investment stage. We expect that there will be an obvious increase in revenue from region outside Hong Kong in coming years due to strategically expansion for economic scale operation.

ILAS

Owing to unstable factors such as the European debt crisis, the global demand for ILAS decreased when compared to last year while the demand for traditional insurance products increased steadily. Thanks to our diversified product sales platform and impartial positioning in independent financial planning services, ILAS, in general, still accounted for a high proportion of the total revenue of the Group (that is, 97.0%), up by 12.9% from last year. Though the Group has laid a solid foundation in the ILAS market, we still continue to procure quality product issuers who allow us the most ideal product choices customised to our clients' needs. Last year, we added The Prudential Assurance Company Limited to our original platform as our partner. Up to January 2012, the number of life insurance companies in cooperation with the Group has increased to 18. Currently, more than 230 insurance plans (including basic plans and supplementary benefits) are available for customers to choose from on Convoy's platform.

Development of protective insurance products

In response to a customer survey last year, the majority of our customers expected us to provide more protective products. Therefore, the Group will continue to strengthen the insurance and MPF business this year. More safe recommendations and choices in the insurance business, such as critical illness protection, savings, annuities and Universal Life Insurance, will be offered to provide more diversified and comprehensive product choices to suit customers' needs.

In order to keep pace with the current development of online media and the popularity of online transactions, we will further enhance the insurance business this year by launching an online insurance platform, i-Convoy, hoping to bring new insurance purchasing experience to our customers. Customers may obtain an instant quotation and purchase insurance products that suit their needs from the i-Convoy platform. The number of suppliers providing general insurance products to customers has increased to seven.

i-Convoy targets mainly at the general public and its insurance products include travel insurance, home insurance, motor insurance, domestic helper insurance and pet insurance, etc. All these insurance products are able to cover people's daily needs. At the current stage, the service will only be available in Hong Kong. To ensure that quality service is provided to our customers, each transaction will be followed individually to confirm customers' information and their respective purchased products. The online platform will also regularly provide insurance related information to customers to ensure that the latest news and updates are available to them.

We also strived to enhance the development of our protective insurance products. At the end of last year, the Group renamed its Product Research Department to Insurance Business Department, increased its manpower and appointed Miss Sandra Lau, who had 16 years of experience in the insurance sector, as the Head of Insurance Business Department. We believe that the existing strong customer base of the Group will certainly pose huge cross-selling opportunities and impressive growth potentials in developing the protective insurance business of the Group.

MPF

In 2011, the Group proactively developed the platform for MPF business and achieved encouraging results. As compared to 2010, revenue derived from MPF increased by 35.1%, demonstrating that the way forward formulated by the Group early last year is correct and that our role as an MPF intermediary has gained recognition from our customers. At present our MPF products include most of the authorised schemes, product issuers and major practitioners in the market. We sell 22 out of the 40 products available on the MPF market. During the year, we expanded to include the ORSO (Occupational Retirement Schemes Ordinance) scheme and MPF products offered by China Life Trustees Limited to mainly target the customer group which favours safe and more stable products as well as to enrich our product choices.

The Government is preparing for the launch of ECA (commonly known as "MPF Portability") in 2012 by drafting the laws on enhanced regulation of intermediaries, in the hope of implementing ECA on 1 November 2012. The Group has been closely monitoring the development and has taken the initiative to give its opinion to the regulators on the legislation. Internal training was also organised to cope with the launch of ECA. Last year, over 95% of the licensed consultants of the Group completed the required "ECA Training for MPF Intermediaries" programme by the deadline set by the MPFA. The number of MPF licensed consultants increased by approximately 18%, and the number of consultants who can advise MPF customers on insurance policies and securities at the same time accounted for about 76%, which was higher than the market average of 12%. We strongly believe that in terms of service quality, fund choices, fund performance or service fee, we can be better equipped to offer professional advice to meet our customers' different needs.

Steady growth in number of consultants

Since financial advisory service is a people-oriented industry, talents are the Group's most valuable asset. Despite new rounds of layoffs in the financial industry in face of the economic instability in 2012, the Group still hopes to reduce its operating costs by cutting other non-recurring expenditure, such as promotion and advertising expenses. The Group will not resort to reducing its expenditure by cutting down the number of employees if it is not necessary. Currently, the number of consultants of the Group has reached 1,492 (as at 31 December 2011), which has created the largest IFA team in Hong Kong. In face of the uncertain economic factors and competition for talents from operators in the same sector, the Group expects to uphold the morale and efficiency amongst the staff and maintain a sizable consultant team and its leadership position through staff training and development and its ever-advancing development strategy.

Active support of charity to contribute to the society

The Group aims at becoming the most outstanding IFA company in Hong Kong. Apart from that, the Group is also devoted to the community in order to contribute to the society. Our beneficiaries include the elderly, disadvantaged families, war-wounded and children in the rural areas of Mainland China, etc. Other than our long-time support of U-Hearts and Home of the Elderly Charitable Foundation, the Group also sponsored for the first time the "Children Vaccine Donation Programme" organised by the Children Health Concern Society last year to support the disadvantaged children to receive pneumococcal vaccine. In addition, we also sponsored a talk on life education named "Live in the present" jointly organised by Will In Action and the University of Hong Kong to encourage the public to reflect on their lives.

The Group is not only concerned with social problems, but is also aware of the importance of promoting environmental protection education. Therefore, the Group joined the World Wide Fund for Nature in saving the ocean last year and implemented the "Say No to Sharks' Fins!" policy in the Group and other affiliates by pledging not to sell or buy or consume sharks' fins. By doing so, we hope to lead our staff and peers in environmental conservation and become a pioneer in environmental protection. Besides, the Group also participated in the "2011 Million Trees Project" planting activity organised by the International Committee for Affairs of Reforestation Education (Hong Kong) and the "Power Smart" Energy Saving Contest organised by Friends of the Earth to encourage all levels of staff to help protect the environment.

Last year, the Group received the "Family-Friendly Employer" award under the Family-Friendly Employers Award Scheme 2011 as recognition of our effort in promoting a caring culture in the course of corporate development. In the future, we will continue to implement family-friendly employment practices in order to help our staff to strike a work-life balance.

This is the tenth consecutive year that the Group has been accredited the "Caring Company" logo by the Hong Kong Council of Social Service. We hope that our devotion in charity work will continue and thrive in the community that we live in.

Lastly on behalf of the Board and the management, I would like to express our gratitude to our shareholders, our business partners/product issuers, our team of consultants, and all our colleagues for their continuous support to the Group.

Fong Sut Sam
Chief Executive Officer

Hong Kong, 28 March 2012

Highlights of the Year

Corporate News

May 2011

The Company held a luncheon at a hotel for its business partners to show the Company's appreciation for their long-time support in the hope of maintaining a long-term relationship with them so as to provide more product choices for its customers.

July 2011

Marking the first anniversary of its listing, the Group held a celebration cocktail to share the fruit of success with its staff. Meanwhile, the Group presented certificates of merit and distributed shares to senior supporting staff and financial consultants to reward their dedication and support of the Company during previous years.

July 2011

Convoy Insurance Brokers (Macau) Limited was established.

July 2011

The Convoy office in Shenzhen was set up and an open ceremony was held in early July.

July 2011

Members of the Stock Exchange of Thailand and university students from Thailand visited the Company's headquarters to understand the structure and culture of Convoy and the development of the IFA industry in Hong Kong.

Corporate News

August 2011

In August, the first wealth management centre of Convoy was opened in Beijing and Convoy Wealth Investment Management (Beijing) Limited came into operation.

November 2011

As the sole sponsor for Birdhouse Factory, a circus performance from Las Vegas, the Company invited more than 60 children from the Changing Young Lives Foundation to attend the Convoy's VIP Night at premiere.

December 2011

At the end of last year, the Group conducted another survey on MPF schemes. The findings were analysed with the public and cost-effective recommendations were submitted to the Government.

Awards

April 2011

Convoy has cultivated good corporate social responsibility for 9 years and being awarded "Caring Company Logo" and "5 Years Plus Caring Company" as well.

September 2011

Honored "Your Choice @ Focus - Hong Kong White Collar's Most Favourite Financial Services Brand Award 2011" by Focus Media Hong Kong ("Focus Media").

Awards

October 2011

For the 5th consecutive year being crowned "Company for Financial Planning Excellence (IFA)" by South China Morning Post and the Institute of Financial Planners of Hong Kong.

November 2011

Convoy Financial Services Holdings Limited, Convoy Financial Services Limited, Convoy Asset Management Limited and Convoy Investment Services Limited under CFG received the "Family-Friendly Employer" award under the Family-Friendly Employers Award Scheme 2011.

December 2011

Honored Benchmark Wealth Management Award 2011 - Best Training and Development.

December 2011

12 Convoy financial consultants were awarded "The Certificate of Merit" under the HKIB Outstanding Financial Management Planner Award 2011 by the Hong Kong Institute of Bankers.

January 2011

Two teams of Convoy staff, namely "康宏正行者" and "Convoy ACT", took part in the Green Power Hike for a Greener Future and won the championship and the first runner-up in the HKFI Cup.

February 2011

"Convoy Volunteer Team" co-organized with the Senior Citizen Home Safety Association (SCHSA) to pay visits to the elderly in different districts.

April 2011

Sponsored the "Children Vaccine Donation Programme (愛苗行動-兒童疫苗捐助計劃)" organised by the Children Health Concern Society and the Federation of Parent-Teacher Associations of the Northern District in order to support the children living below the poverty line in different ways and protect them.

April 2011

Sponsored a talk on life education named "Live in the present (把握當下)" jointly organised by Will In Action, a non-profit organisation, and the University of Hong Kong to encourage the public to reflect on their lives and on the real meaning of "How can you understand life without understanding about death?".

May 2011

"Convoy Volunteer Team" helped to protect the environment by participating in the "2011 Million Trees Project" planting activity organised by the International Committee for Affairs of Reforestation Education (Hong Kong).

June 2011

The staff formed a team to join the "Kick off poverty – Road to Paris 2011 The Homeless World Cup" organised by The Homeless World Cup last year.

July 2011

Supported the MSF Day 2011 to support the humanitarian life-saving effort of the Médecins Sans Frontiéres and pay effort in helping people in calamity.

August 2011

Attended the 3rd "Kick-off Ceremony for Staff Caring Day and Forum on Staff Caring and Corporate Value (員工關懷日啟動禮暨員工關懷與企業價值論壇)" organised by the Lion Rock Junior Chamber and talked about the relationship between staff members and corporate success.

August 2011

Sponsored the "Hong Kong Elderly Blog" event organised by Home of the Elderly Charitable Foundation.

August 2011

Participated in the "Power Smart" Energy Saving Contest organised by Friends of the Earth to encourage all levels of staff to help protect the environment.

August 2011

Introduced the "Say No to Shark Fin!" programme to save the earth in action.

September 2011

Sponsored the youth exchange activity called "Heart to Heart Guizhou Trip (心連心，夢飛翔，貴州之旅)" organised by U-Hearts.

September 2011

"Convoy Volunteer Team" visited 200 singleton elderly living in Ho Man Tin Estate on the eve of Mid-Autumn Festival and brought festive joy to them by giving out Mid-Autumn Festival gift sets.

October 2011

Sponsored the youth exchange activity called "Heart to Heart Guizhou Trip (心連心，夢飛翔，貴州之旅)" organised by U-Hearts and was invited to attend the closing ceremony of the activity.

November 2011

33 staff joined the annual Oxfam Trailwalker charity competition, while 7 staff formed a volunteer team to support and cheer up for the trailwalkers all night long at Checkpoint 3. They demonstrated team spirit and realised the true meaning of trailwalking.

November 2011

"Convoy Volunteer Team" joined the "Guizhou Student Sponsorship Visit" organised by U-Hearts.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Highlights

Key financial information/financial ratios	For the year ended 31 December 2011 HK$'000	2010 HK$'000 (Restated)	% Change Increase/ (decrease)
Revenue	**652,875**	572,481	14.0%
Net profit attributable to owners of the Company	**53,003**	64,635	(18.0%)
Net profit margin	**8.1%**	11.3%	(3.2%)
Dividend per ordinary share:			
– Proposed final dividend	**7.0 cents**	2.0 cents	250.0%
– Interim dividend declared during the year	**2.0 cents**	6.8 cents	(70.6%)
	9.0 cents	8.8 cents	2.3%

Financial Review

Revenue

Revenue of the Group for the year ended 31 December 2011 was HK$652.9 million (2010: HK$572.5 million). An analysis of the Group's revenue is as follows:

	For the year ended 31 December 2011 HK$'000	2011 %	2010 HK$'000	2010 %
Investment brokerage commission income	**633,068**	**97.0**	560,724	97.9
Insurance brokerage commission income	**12,028**	**1.8**	6,091	1.1
Pension scheme brokerage commission income	**7,657**	**1.2**	5,666	1.0
Advisory income	**122**	**0.0**	–	–
	652,875	**100.0**	572,481	100.0

Our revenue for the year ended 31 December 2011 was approximately HK$652.9 million, representing an increase of approximately 14.0% compared with that for the year ended 31 December 2010. Approximately HK$652,570,000 (2010: HK$572,481,000) of the Group's revenue from external customers were generated in Hong Kong for the year ended 31 December 2011. The remaining HK$305,000 (2010: Nil) of the Group's revenue from external customers were generated in Mainland China and Macau, through our regional expansion strategy.

Revenue – Hong Kong Operations

Approximately HK$652,570,000 (2010: HK$572,481,000) of the Group's revenue from external customers were generated in Hong Kong for the year ended 31 December 2011. This mainly represented revenue from ILAS of approximately HK$632,885,000 (2010: HK$560,724,000), revenue from other insurance products of approximately HK$12,028,000 (2010: HK$6,091,000) and revenue from MPF schemes of HK$7,657,000 (2010: HK$5,666,000). The increase in revenue was principally attributable to the expansion of our consultant team and our Group's continued effort in soliciting and exploring new customers and in providing our best independent financial advisory services to our customers, which led to the increase in the number of customers purchasing new policies of ILAS, other insurance products and MPF schemes through our Group in 2011.

Our internal incentive program for the primary purpose of recognising and rewarding the contributions by our consultant team to the Company and our external marketing effort in building up and promoting the Group's corporate brand names also contributed to the increase in revenue during the year.

Although the global economy was volatile, mainly due to ongoing uncertainty surrounding the Eurozone sovereign debt situation, their negative impacts on our Group's overall financial performance were limited and our Group continued to sustain growth in revenue.

Revenue derived from ILAS continued to be the major contributor to the Group's total revenue generated from Hong Kong for the year ended 31 December 2011. The proportion of the revenue derived from ILAS remained stable and accounted for approximately 97.0% and 97.9% of our revenue for the years ended 31 December 2011 and 2010, respectively.

Revenue derived from other insurance products and MPF schemes achieved satisfactory growth for the year ended 31 December 2011 compared with that for the year ended 31 December 2010. This was resulted from our Group's continued effort in pursuing the strategy of business diversification during the year. The Group will continue to pursue its strategy to diversify its businesses and client portfolio so as to achieve growth in each business.

Revenue – Mainland China Operations

The Mainland China market is one of the key focuses of the Group's regional expansion strategy.

Following the acquisition of an 80% equity interest in 深圳康宏保險經紀有限公司, a limited liability company established in the PRC, which is licensed to provide nationwide insurance brokerage services in Mainland China, in September 2011, the Group has expanded its business into the insurance brokerage industry in Mainland China and has generated investment brokerage commission income of approximately HK$37,000 for the year ended 31 December 2011 (2010: Nil).

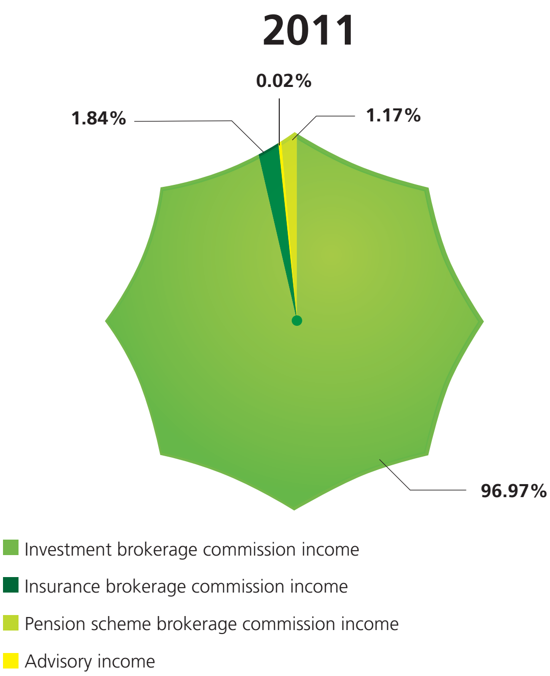
With the grand opening of our first wealth management centre in Beijing in August 2011, through our wholly-owned foreign enterprise, 康宏財富投資管理(北京)有限公司, the Group has expanded its IFA services to Mainland China. This wealth management centre aimed at providing investment advisory and corporate marketing services. During the year ended 31 December 2011, the Group has generated advisory income of approximately HK$122,000 (2010: Nil).

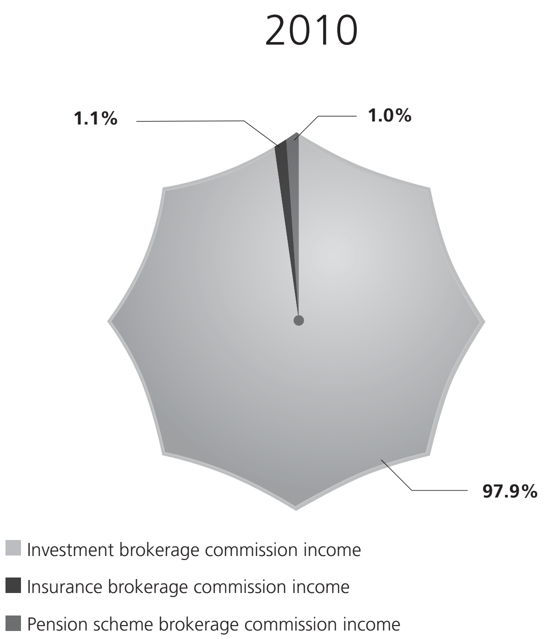
Revenue – Macau Operations

During the year ended 31 December 2011, the Group has earned investment brokerage commission income of approximately HK$146,000 (2010: Nil) from external customers in Macau through its subsidiary, Convoy Insurance Brokers (Macau) Limited, a limited liability company incorporated in Macau for providing insurance brokerage services in Macau.

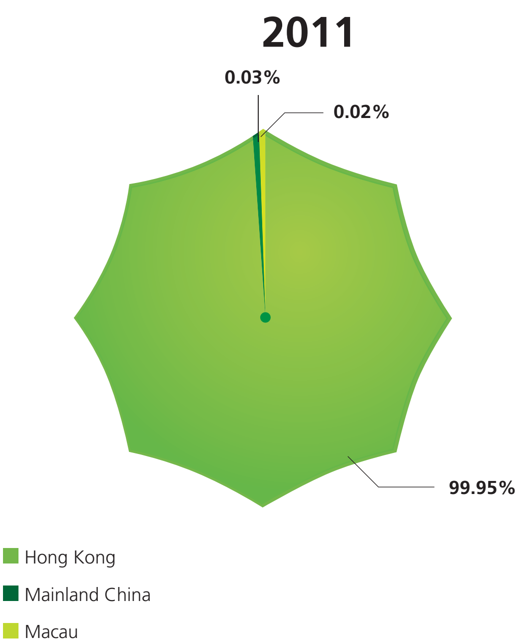
Revenue from Mainland China and Macau operations represented a small portion of the Group's total revenue for the year ended 31 December 2011 as their operations mainly commenced in late 2011. We will continue to devote dedicated resources to achieve business growth in these two regions.

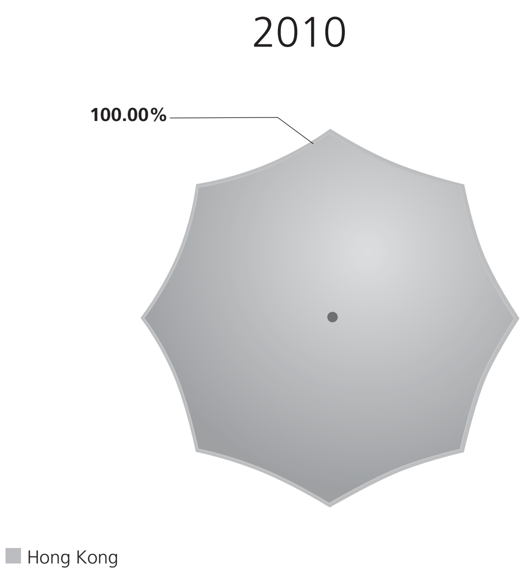
Revenue mix analysis:





Revenue by geographical region:





Operating expenses

Total operating expenses for the year ended 31 December 2011 was HK$590.5 million (2010: HK$496.6 million). An analysis of these expenses are as follows:

	For the year ended 31 December		Increase	% Change Increase/
	2011	2010	(decrease)	(decrease)
	HK$'000	HK$'000 (Restated)	HK$'000	%
Commission expenses	**390,608**	330,146	60,462	18.3
Staff costs	**60,369**	49,743	10,626	21.4
Rental expenses	**42,444**	35,617	6,827	19.2
Depreciation	**15,387**	15,856	(469)	(3.0)
Marketing expenses	**17,204**	11,201	6,003	53.6
Other expenses	**64,509**	53,989	10,520	19.5
	590,521	496,552	93,969	18.9

The ratios of these expenses to revenue are as follows:

	For the year ended 31 December	
	2011	2010
	%	%
Commission expenses	**59.8**	57.7
Staff costs	**9.2**	8.7
Rental expenses	**6.5**	6.2
Depreciation	**2.4**	2.8
Marketing expenses	**2.6**	2.0
Other expenses	**9.9**	9.4

Commission expenses

Commission expenses were approximately HK$390.6 million for the year ended 31 December 2011, representing an increase of approximately 18.3% from that for the year ended 31 December 2010, outpacing the increase in our revenue for the same period. The increase in the ratio of commission expenses to revenue was mainly due to the increase in incentives and bonus paid to consultants for the year ended 31 December 2011.

Staff costs

Total staff costs for the year ended 31 December 2011 was HK$60.4 million (2010: HK$49.7 million). An analysis of staff costs are as follows:

	For the year ended 31 December			% of change
	2011	2010	Increase/ (decrease)	Increase/ (decrease)
	HK$'000	HK$'000 (Restated)	HK$'000	%
Staff costs:				
Supporting staff	**52,788**	39,360	13,428	34.1
Salary-based trainees	**7,581**	10,383	(2,802)	(27.0)
	60,369	49,743	10,626	21.4
Number of staff as at 31 December:				
Supporting staff	**172**	131	41	31.3
Salary-based trainees	**95**	80	15	18.8
Number of staff as at 31 December:				
Hong Kong	**205**	180	25	13.9
Mainland China	**58**	31	27	87.1
Macau	**4**	Nil	4	100.0

The increase in staff costs was mainly attributable to (i) the increase in staff's salaries; (ii) the Group's business expansion in Mainland China; and (iii) the increased headcount of senior staff to support the business and regional expansion of the Group.

Rental expense

Rental expense was approximately HK$42.4 million for the year ended 31 December 2011, representing an increase of approximately 19.2% from that for the year ended 31 December 2010. This was resulted from the leasing of new office premises in Macau, Shenzhen and Beijing for regional expansion. The full year leasing of an office premise in Hong Kong for the year ended 31 December 2011 also contributed to the increase in rental expenses.

Depreciation

Depreciation was approximately HK$15.4 million for the year ended 31 December 2011, representing a decrease of approximately 3.0% from that for the year ended 31 December 2010. The major components of depreciation were leasehold improvements and computer equipment.

Marketing expenses

Marketing expenses were approximately HK$17.2 million for the year ended 31 December 2011, representing an increase of approximately 53.6% from that for the year ended 31 December 2010, which was mainly resulted from the increase in corporate marketing events during the year ended 31 December 2011, in response to the Group's focus in building up and promoting its brand names actively to rebound from global economic downturn in late 2008.

Other expenses

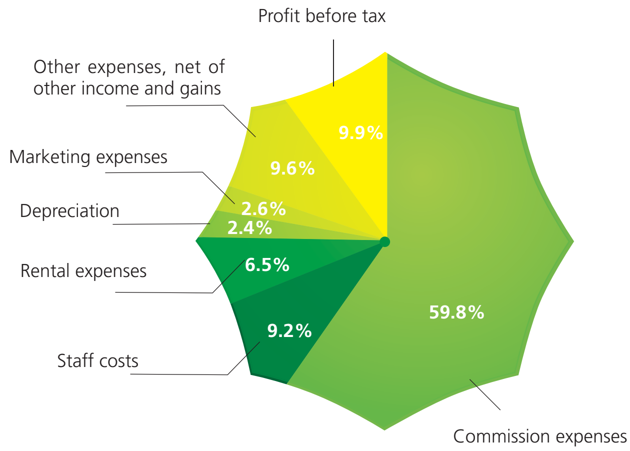
Other expenses were approximately HK$64.5 million for the year ended 31 December 2011, representing an increase of approximately 19.5% compared with that for the year ended 31 December 2010. The increase was mainly caused by (i) business growth and regional expansion to Mainland China and Macau during the year ended 31 December 2011; (ii) the one-off expenditure of equity-settled share-based payment; and (iii) legal and professional fees incurred for the TDR Issue and regional expansion projects.

The Group will continue to streamline its operational workflows and pursue cost awareness measures so as to achieve higher cost effectiveness in our Group's operations.

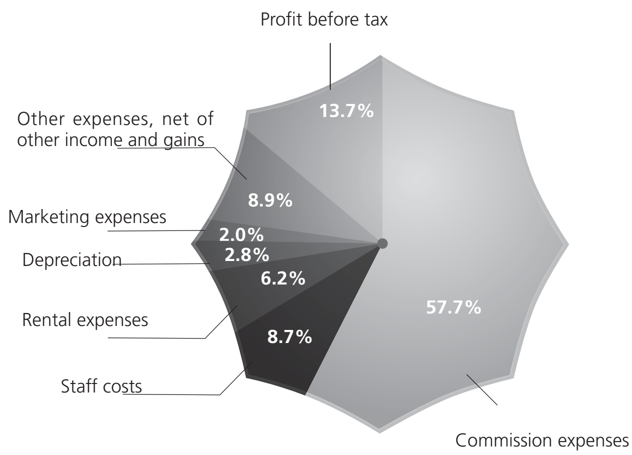
Profit attributable to owners of the Company and net profit margin

The profit attributable to owners of the Company for the year was approximately HK$53.0 million for the year ended 31 December 2011, representing a decrease of approximately 18.0% compared with that for the year ended 31 December 2010. The net profit margin decreased from approximately 11.3% for the year ended 31 December 2010 to approximately 8.1% for the year ended 31 December 2011, primarily as a result of the increase in operating expenses as disclosed above.

Cost to revenue analysis:



2011



2010

Liquidity and Financial Resources

The Group mainly relies upon the shareholders' fund and cash generated from its business operations to finance its operations and expansion. The net proceeds of approximately HK$103.0 million raised from the Listing has enlarged the capital base of the Group and strengthened the Group's financial position thereby facilitating the expansion of the Group's onward development in IFA in the future.

As at 31 December 2011, the Group had cash and cash equivalents of approximately HK$219.2 million (31 December 2010: HK$227.2 million (Restated)). The Group's total current assets decreased from approximately HK$293.3 million (Restated) as at 31 December 2010 to approximately HK$288.6 million as at 31 December 2011, while total current liabilities decreased from approximately HK$145.3 million (Restated) as at 31 December 2010 to approximately HK$135.4 million as at 31 December 2011. The current ratio was maintained at approximately 2.1 as at 31 December 2011 (2010: 2.0).

As at 31 December 2011, the Group had cash and cash equivalents of HK$219.2 million and had no external borrowings. The Group has sufficient working capital to meet the funding requirements for business development opportunities in the near future. The Group's liquidity, on a long term basis, will be funded by operating cash inflow. Should there be any substantial business expansion in the future, equity and debt financing would be considered for the best interests of the shareholders whichever is appropriate. The Group will continue to seek for development opportunities with a view to balance the risks and opportunities in maximising shareholders' value.

On 16 February 2011, the Company entered into a warrant placing agreement in connection with the warrant placing, pursuant to which the placing agent conditionally agreed to place, on a best effort basis, up to 50,000,000 warrants conferring rights to subscribe for 50,000,000 warrant shares at the exercise price of HK$1.6 per warrant to HK$2.0 per warrant to not less than six warrant placees who and their respective ultimate beneficial owners are independent third parties. The warrants were placed at a warrant placing price of HK$0.02 each. Further details of the placing are set out in the Company's announcement dated 16 February 2011.

During the year, no warrants were exercised. The proceeds from warrants placing of HK$965,000, net of warrant placing expense of HK$35,000, were recorded as a component of shareholders' equity in warrant reserve.

Subsequent to the end of the reporting period, no warrants were exercised and all the warrants were expired on 23 February 2012.

Use of Proceeds from the Company's Initial Public Offering

The proceeds from the Listing, after deduction of related issuance expenses, amounted to approximately HK$103.0 million.

Up to 31 December 2011, approximately HK$37.4 million (2010: HK$11.8 million) has been utilised as at 31 December 2011, of which (i) HK$8.9 million (2010: HK$3.9 million) was applied for enhancement of the quality of the consultants through incentives; (ii) HK$16.7 million (2010: HK$5.3 million) was applied for the expansion and promotion of ILAS, MPF schemes and other insurance business through marketing events; (iii) HK$6.0 million (2010: HK$2.6 million) was applied for the development of on-line application system; and (iv) HK$5.8 million (2010: Nil) was applied for exploration of merger and acquisition opportunities and business collaboration with well-established companies.

The unutilised balances of approximately HK$65.6 million (2010: HK$91.2 million) have been placed with licensed banks and/or authorised financial institutions in Hong Kong as short-term interest-bearing deposits, which is in accordance with the disclosure under the section headed "Future Plans and Use of Proceeds" of the Prospectus.

The unutilised proceeds will be applied by the Company in accordance with their intended uses as disclosed in the Prospectus.

Human Resources and Remuneration Policies

As at 31 December 2011, the Group had an aggregate of approximately 172 (31 December 2010: 131 (Restated)) supporting staff and 95 (31 December 2010: 80) salary-based trainees. The total remuneration of the employees (including the Directors' remuneration) were approximately HK$60.4 million for the year ended 31 December 2011 (2010: approximately HK$49.7 million (Restated)).

The increase in staff costs was mainly attributable to (i) the increase in staff's salaries; (ii) the Group's business expansion in Mainland China; and (iii) the increased headcount of senior staff to support the business and regional expansion of the Group.

The Group offered competitive market remuneration packages for employees and granted bonuses with reference to employees' performance during the reporting periods according to the general rules of the Group's remuneration policy.

The emoluments of the Directors of the Company are in accordance with the remuneration policy of our Group that it is our Group's remuneration objective to, in consultation with the remuneration committee of our Company, remunerate Directors fairly but not excessively for their efforts, time and contributions made to the Group and the remuneration of Directors would be determined with reference to various factors such as duties and level of responsibilities of each Director, the available information in respect of companies of comparable business or scale, the performance of each Director and the Group's performance for the financial year concerned and the prevailing market conditions.

In addition, the Company's share award scheme (the "Award Scheme"), was adopted pursuant to a resolution passed on 25 January 2011 for the primary purpose of recognising the contributions by certain selected participants and giving incentives thereto in order to retain them for the continual operation and development of the Group and attracting suitable personnel for further development of the Group. Details of the Award Scheme are disclosed in note 27 to the financial statements.

Risk Management

The Group adopts very stringent risk management policies and monitoring systems to mitigate the risks associated with interest rate, credit, liquidity and foreign currency in all its major operations.

Interest rate risk

The Group is exposed to interest rate risk through the impact of rate changes on interest-bearing financial assets. Cash at banks earns interest at floating rates based on daily bank deposit rates.

The Group reviews interest rate risk regularly and monitors closely the fluctuation of interest rates and will make proper adjustments if necessary.

Credit risk

The Group conducts business only with recognised and creditworthy third parties. Receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

Even though there is no significant credit risk exposure during the year ended 31 December 2011, the Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management.

Liquidity risk

In the management of liquidity risk, the Group monitors and maintains its level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

Foreign currency risk

The Group mainly operates in Hong Kong and Mainland China with most of the Group's monetary assets, liabilities and transactions principally denominated in Hong Kong dollars and Renminbi, respectively. Majority of the commission revenue and expenditure incurred by the operating units of the Group were denominated in the units' functional currency and as a result, the Group does not anticipate significant transactional currency exposure. The Group has not used any derivative to hedge its exposure to foreign currency risk.

Material Acquisition and Disposal of Subsidiaries

(1) On 6 January 2011, the Group has entered into an agreement with an independent third party for the acquisition of an entire issued share capital in Convoy China Insurance Agency Co., Limited ("CCIA"), a company incorporated in Hong Kong, which is engaged in the provision of all insurance agency services in Hong Kong and is certified to be capable to set up wholly-owned insurance agency business in Mainland China, under the Mainland and Hong Kong Closer Economic Partnership Arrangement, at consideration of approximately HK$100,000;

(2) On 7 April 2011, Convoy Insurance Brokers (Macau) Limited, a limited liability company incorporated in Macau was formed to provide insurance brokerage services in Macau;

(3) On 8 April 2011, CCIA has entered into a capital increase agreement (the "Capital Increase Agreement") with an independent third party, 北京碧升保險代理有限公司, a limited liability company incorporated in the PRC, which is engaged in the provision of insurance agency services. Pursuant to the Capital Increase Agreement, 北京碧升保險代理有限公司 will increase its capital from RMB6,000,000 to RMB20,000,000 and the increase in capital of RMB14,000,000 will be contributed by CCIA upon the completion of the Capital Increase Agreement. After the completion of the Capital Increase Agreement, CCIA will hold approximately 70% equity interests in 北京碧升保險代理有限公司. This transaction has not been completed up to the date of this annual report;

(4) On 12 April 2011, the Group has entered into the share transfer agreement with CFG, whereby the Group has agreed to purchase and CFG has agreed to sell the entire share capital in Prosper Ocean at a consideration of HK$1,056,041.89, equivalent to the unaudited consolidated net asset value of Prosper Ocean as at 31 January 2011 of HK$1,056,041.89 ("Prosper Ocean Acquisition"). The transaction has been completed on 3 May 2011;

(5) On 12 April 2011, the Group has entered into the equity transfer agreement with CFG, whereby the Group has agreed to purchase and CFG has agreed to sell the entire equity interest in 康宏財富投資顧問(北京)有限公司 (Convoy Wealth Investment Consultation (Beijing) Company Limited#) ("Convoy Beijing") at a consideration of RMB8,639,088.6 (equivalent to approximately HK$10,280,515.43), equivalent to the unaudited net asset value of Convoy Beijing as at 31 January 2011 of RMB8,639,088.6. This transaction has not been completed up to the date of this annual report;

(6) On 26 July 2011, 康宏財富投資管理(北京)有限公司, a subsidiary, was incorporated and registered as a wholly-owned foreign enterprise under the PRC law for providing investment advisory and corporate marketing services;

(7) On 27 July 2011, the Group entered into the sale and purchase agreement (the "Sale & Purchase Agreement") with the holders of 11,236,905 shares of IPP, whereby the Group made the conditional general offer in accordance with the terms of the Sale & Purchase Agreement to all the shareholders of the IPP to purchase their respective shares of the IPP. Further details of the transactions were set out in the announcements of the Company dated 27 July 2011, 28 July 2011, 10 August 2011, 15 November 2011 and 5 December 2011. A circular containing, among other things, further details of the transactions contemplated under the Sale & Purchase Agreement and the financial information of the IPP (the "Circular") have been despatched to the shareholders of the Company on 23 December 2011.

According to the terms of the Sale & Purchase Agreement and as stated in the paragraph headed "Conditions Precedent" in the section entitled "Letter from the Board" of the Circular, in the event that the conditions precedent to the completion of the Sale & Purchase Agreement (including but not limited to all necessary legal and regulatory approvals having been obtained and the due diligence investigations in relation to the proposed acquisition of the shares in the IPP in accordance with the Sale & Purchase Agreement and the transaction(s) contemplated under the Sale & Purchase Agreement having been completed and the result of such due diligence investigations being satisfactory to the purchaser to the Sale & Purchase Agreement, which is an indirect wholly-owned subsidiary of the Company) are not fulfilled or waived on or before 31 March 2012, the Sale & Purchase Agreement shall terminate and no party shall have any claim of any nature whatsoever against the other parties under the Sale & Purchase Agreement.

The English translation of the Chinese name is included for information purpose only, and should not be regarded as the official English translation of such Chinese name.

(8) On 15 September 2011, the Group acquired an 80% interest in 深圳康宏保險經紀有限公司 from 首華証券諮詢(深圳)有限公司, an independent third party. 深圳康宏保險經紀有限公司 is an enterprise established in the PRC which holds an insurance licence (經營保險經紀業許可證) issued by the 中國保險監督管理委員會 that permits it to provide nationwide insurance brokerage services in Mainland China. The acquisition was made as part of the Group's strategy to expand its business into the insurance brokerage industry in the Mainland China. The purchase consideration for the acquisition was in the form of cash, with RMB3,149,000 (equivalent to approximately HK$3,729,000) paid at the acquisition date.

Significant Investment Held

The Group did not have significant investment held as at 31 December 2011.

Future Plans Relating to Material Investment or Capital Asset

As at the date of this annual report, the Group has executed regional business expansion and the agreements and actions in respect of acquisition of subsidiaries as disclosed in the section headed "Material Acquisition and Disposal of Subsidiaries".

Contingent Liabilities

The Group did not have any significant contingent liabilities as at 31 December 2011.

Capital Expenditures

The Group's capital expenditures primarily consisted of expenditures on leasehold improvements, acquisition of computer equipment and systems, office equipment and motor vehicle. For the years ended 31 December 2011 and 2010, the Group incurred capital expenditures in the amounts of approximately HK$14.8 million and HK$7.6 million, respectively. The significant increase in capital expenditure was mainly resulted from the renovation of one of our Hong Kong office premises in early 2011 and renovation of new office premises in Shenzhen, Macau, Beijing and Nanjing for regional expansion.

Other than the above, the Group also paid deposits for acquisitions of computer equipment and systems amounted to approximately HK$1.9 million, mainly related to the development of on-line application system.

Commitments

The Group's contractual commitments are primarily related to the operating lease commitments of its office premises, staff quarters and certain of its office equipment under operating lease arrangements, capital commitments related to acquisitions of items of computer equipment and systems and leasehold improvements and other commitments related to the acquisitions of subsidiaries as disclosed in the section headed "Material Acquisition and Disposal of Subsidiaries".

The Group's operating lease commitments amounted to HK$92.5 million and HK$119.0 million in the aggregate as at 31 December 2011 and 31 December 2010 respectively.

The Group's capital commitments related to acquisitions of items of computer equipment and systems and leasehold improvements amounted to nil and HK$3.3 million as at 31 December 2011 and 31 December 2010 respectively.

The Group's other commitments related to the acquisitions of subsidiaries amounted to approximately HK$190.1 million and nil as at 31 December 2011 and 31 December 2010 respectively. As at 31 December 2011, there was a commitment in an amount of approximately HK$162.2 million which was related to the acquisition of shares of IPP. According to the terms of the Sale & Purchase Agreement and as stated in the paragraph headed "Conditions Precedent" in the section entitled "Letter from the Board" of the Circular, in the event that the conditions precedent to the completion of the Sale & Purchase Agreement (including but not limited to all necessary legal and regulatory approvals having been obtained and the due diligence investigations in relation to the proposed acquisition of shares in the IPP in accordance with the Sale & Purchase Agreement and the transaction(s) contemplated under the Sale & Purchase Agreement having been completed and the result of such due diligence investigations being satisfactory to the purchaser to the Sale & Purchase Agreement, which is an indirect wholly-owned subsidiary of the Company) are not fulfilled or waived on or before 31 March 2012, the Sale & Purchase Agreement shall terminate and no party shall have any claim of any nature whatsoever against the other parties under the Sale & Purchase Agreement.

Prospects

In the coming year, we will devote dedicated resources in driving our existing financial planning business to grow.

We will continue to expand our consultant team and strengthen our IFA services so as to further boost up the number of customers purchasing new policies of ILAS, other insurance products, MPF schemes and advisory business. We will continue to provide a comprehensive range of investment products and services and pursue business diversification strategy in order to achieve continued growth in ILAS business, MPF intermediary business, other insurance product and advisory business.

We believe that the proposed launch of ECA in November 2012 would offer huge business opportunities for our Group. Being a leading open platform to contain numerous MPF products, our Group would be a very competitive player in the new market derived from the launch of ECA. In bid to capture such opportunities, our Group has prepared for almost three years and achieved approximately 67% of our consultant force being licensed for MPF business. Besides, our MPF specialised team has been set up for almost two years to make enhancement in the perspectives of training, product mix, market visibility and education, and achieved impressive MPF business growth for the past two years.

Apart from the direct business opportunities derived from ECA, we believe ILAS market will be boosted due to the increase in employees' awareness of the need of retirement and their MPF details. This would help our core business to a greater extend in near future.

To grasp the fruitful opportunities arising from the increasing popularity of using electronic trading platform, we will launch our internet information platform for our general insurance products in 2012.

To further enhance our platform operation, we will continue to develop and enhance our on-line application system in order to support our business growth. At the same time, we will strive to streamline our operational workflows and pursue cost awareness measures so as to achieve higher cost effectiveness in our Group's operations.

We value staff as the core asset of our Company and the key contributor to the success of our Company. To retain our talents and key staff, we will continue to build a best working place for our staff to work and to give appreciation and reward to all levels of our staff for their contributions to the Company. We will continue to review the career goals of our talents and key staff so as to ensure that their talents and capabilities can be further developed and promoted to a higher level. To cope with our business growth, we will also invite senior and experienced candidate to join our team.

As mentioned in our annual report 2010, "regional expansion" strategy covering Mainland China and South East Asia, aim to set our Group as one of the largest quality IFA in Asia by way of acquisition and development of insurance agent, insurance broker, investment consultancy firm and IFA in the region, will continue to be our main business strategy in the coming year.

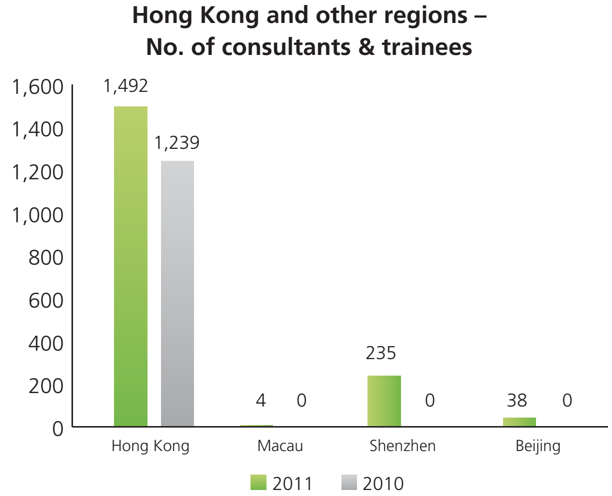
Throughout the year of 2011, we have successfully kicked off this strategy through acquisition of well established companies in Hong Kong and the Mainland China, as disclosed in the section headed "Material Acquisition and Disposal of Subsidiaries" of this annual report. We have successfully expanded our IFA business to Mainland China following the grand opening of our first wealth management centre in Beijing, which aimed at providing investment advisory and corporate marketing services. In addition, our Macau office has built up a team of insurance salesmen, which can provide insurance brokerage services in Macau. All these paved the ways to make us to become one of the largest independent financial advisory firms in Asia.

As mentioned above, the Mainland China market is one of the key focuses of the Group's regional expansion strategy. In addition to our existing Mainland China operations in Shenzhen and Beijing, we hope to further extend our reach to other Mainland China provinces and we will continue to be open for good merger and acquisition opportunities.

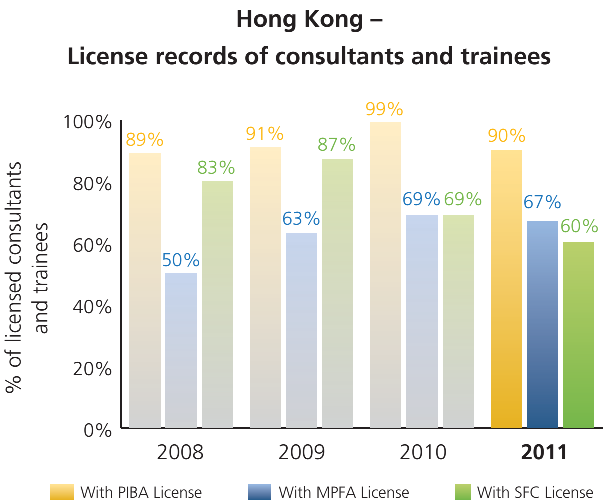
It is inevitable that we will face different challenges for our core financial planning business in Hong Kong under such uncertain and volatile economic situation and for our newly developed regional businesses through our regional expansion strategy. However, we are confident that with our strong team of consultant force and well-established brand name and operation platform, our business will continue to expand and our Group's market position and capability in the global IFA industry will be further promoted.

Operation Review

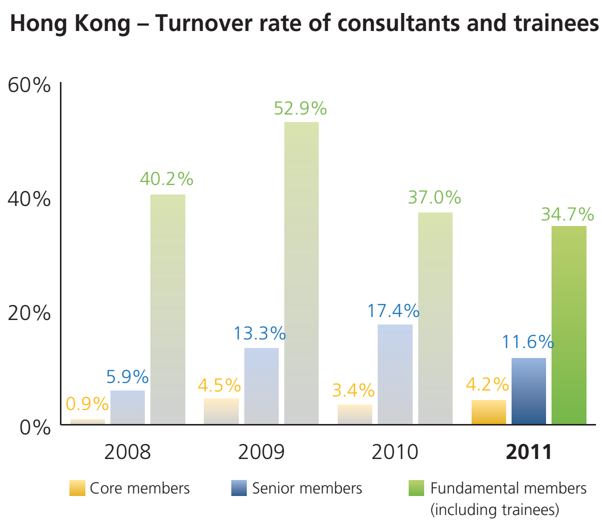
Change in the number of consultants and trainees:



Licensing profile of consultants and trainees:



Turnover rate of consultants and trainees:

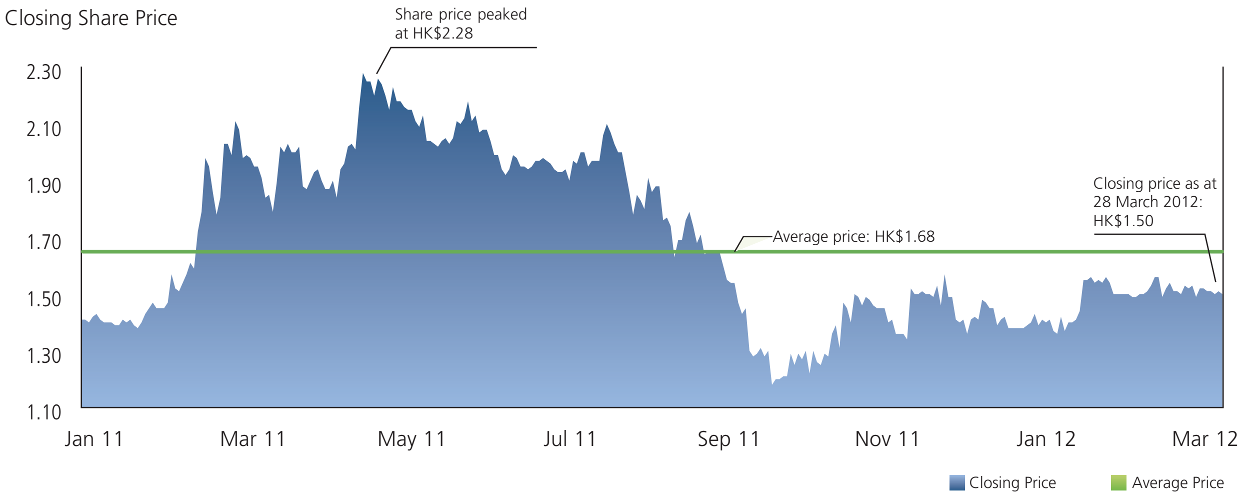


Core members: Deputy director, senior vice president, vice president, associate director and assistant vice president.

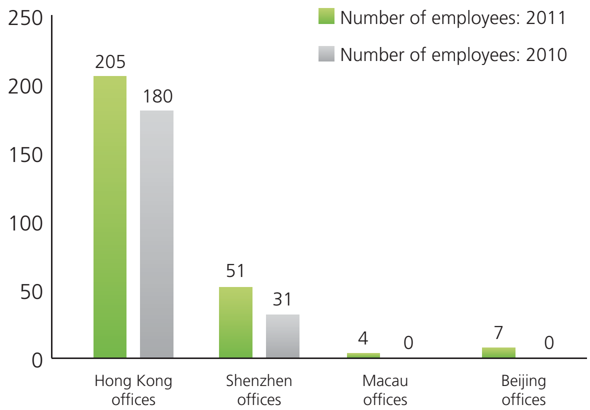
Senior members: Assistant associate directors, associate, relationship manager, chief wealth management advisor and principal consultant.

Fundamental members: senior consultant, senior wealth management advisor, consultant, wealth management advisor and trainee.

Performance of share price (stock code: 1019):



Number of employees:



Location of office premises for 2011:

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. Wong Lee Man,

aged 43, was appointed as an executive Director and chairman of our Company on 12 March 2010. Mr. Wong is the director of 6 subsidiaries of the Company. He is also non-executive director and the chairman of CFG. He is responsible for the overall management and strategic development of our Group. Mr. Wong joined the Group in November 1998. He has joined the financial services industry for 20 years and has gained all-round experience through working for both international and local financial companies in Hong Kong including The New Zealand Insurance Life (Bermuda) Ltd., Top Glory Insurance Company (Bermuda) Ltd. and National Panafund Ltd. He earned the designation of Fellow, Life Management Institute from the Life Office Management Association, Inc. in September 1995. Mr. Wong is the Founding Member and Honorary Secretary of the Independent Financial Advisors Association Limited in Hong Kong.

Ms. Fong Sut Sam,

aged 43, was appointed as an executive Director on 12 March 2010. Ms. Fong is the director of 6 subsidiaries of the Company. She has also been the chief executive officer and an executive director of CFS and a director of CFG. She manages the overall strategic development and the operation of the Group. Ms. Fong joined our Group in November 1998 and has led various functions, including the consultancy force, corporate communications, sales and marketing, training and operation. Her exceptional achievements in the financial industry and contribution to the community earned her the title of "Benchmark Most Extraordinary Women in Finance 2009" from the Benchmark magazine. Ms. Fong graduated from the South Bank University in London in June 1992 with a Bachelor of Science degree. In December 2002, she graduated with a Master's Degree in Business Administration from the Chinese University of Hong Kong and was placed on the Dean's List.

Since 2010, Ms. Fong has been appointed as the panel member of 2 Appeal Boards (Amusement Game Centres Ordinance and Betting Duty Ordinance) of Home Affairs Bureau. In 2012, she was appointed as a panel member of the Municipal Services Appeals Board by Chief Executive of the Government of the Hong Kong Special Administrative Region.

In addition, she is a member of Marketing Management Committee of Hong Kong Management Association. In 2011, she was appointed as advisory board member of the CUHK Center for Entrepreneurship and honorary member of Hong Kong Institute of Marketing. Moreover, she has become the Honorable Advisor of U-Hearts and Mission of Love.

Mr. Mak Kwong Yiu,

aged 37, was appointed as an executive Director on 16 March 2010. Mr. Mak is the director of 9 subsidiaries of the Company. He joined our Group in May 2002 as the chief financial officer and is responsible for the accounting and finance functions of our Group. Mr. Mak graduated from the Hong Kong University of Science and Technology with a Bachelor of Business Administration degree in Finance in November 1996 and a Master of Business Administration degree in November 2004. He earned the Chartered Financial Analyst designation in September 2000. He has been a Certified Public Accountant in the United States since May 2002 and a member of the Hong Kong Institute of Certified Public Accountants since May 2003. Mr. Mak is currently an executive director of Computech Holdings Limited, whose shares are listed on the Growth Enterprise Market of the Stock Exchange.

Independent Non-Executive Directors

Mrs. Fu Kwong Wing Ting, Francine,

aged 43, was appointed as an independent non-executive Director on 16 March 2010. Mrs. Fu attained her master degree from Oxford University in the United Kingdom in Politics, Philosophy and Economics in June 1994 and has been holding the CERTIFIED FINANCIAL PLANNERCM designation since October 2001. Mrs. Fu is the managing principal and owner of a business consulting firm, Coram Advisory Services (HK) Limited, set up in 2008 to provide advisory service to business based in Hong Kong. Before setting up her own practice, she was the Chief Marketing Officer of AXA China Region Insurance Company Limited, one of the top three long term insurers in Hong Kong, from January 2006 to June 2008. She has been in the financial services industry for over 15 years with various leading financial services companies and is the immediate past President of the IFPHK. She has previously been an Award Council Member of the Hong Kong Award for Young People, a member of the Advisory Committee on Applied Mathematics for the Hong Kong Polytechnic University, a full member of the committee on Investment-Linked Assurance and Pooled Retirement Funds, an alternate member of the same committee, a member of the Investor Education Advisory Committee of the Hong Kong Securities and Futures Commission from April 2006 to March 2008 and a member of the Award Council of the Hong Kong Award for Young People from February 1994 to January 1996. Mrs. Fu is currently a board member of Li Po Chun United World College (Hong Kong), Limited (since 1991), United World Colleges Hong Kong Committee Limited (since 2008) and a member of the Banking and Finance Industry Training Board of the Vocational Training Council of Hong Kong (since 2009), the Insurance Industry Training Advisory Committee (since 2011), the Non-local Higher and Professional Education Appeal Board (since 2010), Solicitors Disciplinary Tribunal Panel (since 2010) and the Accreditation of Academic and Vocational Qualifications Ordinance Appeal Board (since 2011).

Dr. Wu Ka Chee, Davy,

aged 43, was appointed as an independent non-executive Director on 16 March 2010. Dr. Wu has been a senior lecturer of the Department of Accountancy and Law at the Hong Kong Baptist University since September 2009. He attained a doctorate degree in law in December 2003, a postgraduate certificate in law in June 1994 and a bachelor degree in law in November 1993, all from The University of Hong Kong. He is a co-author of the Guide to Corporate Governance for Subvented Organisations, which was published by the Hong Kong Government in May 2010. He is a member of the Advisory Group on Share Capital, Distribution of Profits and Assets and Charges Provisions for the rewrite of the Companies Ordinance and the Advisory Group on Modernisation of Corporate Insolvency Law on appointment by the Financial Services and Treasury Bureau of the Hong Kong Government.

Mr. Ma Yiu Ho, Peter,

aged 47, was appointed as an independent non-executive Director on 16 March 2010. Mr. Ma is currently the financial controller and company secretary of The Hong Kong Parkview Group Ltd., shares of which are listed on the Main Board. He has been a member of the Hong Kong Institute of Certified Public Accountants since February 1990 and a fellow member of the Association of Chartered Certified Accountants (UK) since April 1994. Mr. Ma obtained a Master of Business Administration Degree from The Hong Kong University of Science and Technology in November 1995. He is also an associate member of the Hong Kong Institute of Directors. He has over 20 years' experience in the finance and accounting field and worked as the financial controller, qualified accountant and authorised representative of VODone Limited, shares of which are listed on the Main Board of the Stock Exchange, chief financial officer of Superior Fastening Technology Limited, a Singapore listed company.

The Board is committed to maintaining good corporate governance standard and procedures to safeguard the interests of the Company's shareholders and to enhance accountability and transparency.

Corporate Governance Practices

The Board is of the view that the Company has complied with the Code on Corporate Governance Practices (the "Corporate Governance Code") as set out in Appendix 14 of the Listing Rules during the year ended 31 December 2011. None of the Directors is aware of any information that would reasonably indicate that the Company or any of its Directors is not or was not, throughout the year ended 31 December 2011 in due compliance with the code provisions of the Corporate Governance Code.

Model Code for Securities Transactions by 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 the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules. Having made specific enquiry of all Directors, all Directors have complied with the required standard set out in the Model Code and its code of conduct regarding Directors' securities transactions by the Directors adopted by the Company throughout the year ended 31 December 2011.

Board of Directors

Composition

The Board currently comprises three executive Directors and three independent non-executive Directors. The list of Directors is set out in the section headed "Directors' Report" of this annual report.

The Board includes a balanced composition of executive and non-executive Directors so that there is a strong independent element on the Board, which can effectively exercise independent judgement.

The non-executive Directors are of sufficient calibre and number for their views to carry weight. The functions of non-executive Directors include, but not limited to:

- bringing an independent judgement at Board meetings;
- taking the lead where potential conflicts of interests arise;
- serving on Board committees if invited; and
- scrutinising the Company's performance.

The Board members have no financial, business, family or other material/relevant relationships with each other.

The Board has a balance of skills and experience appropriate for the requirements of the business of the Company. The Directors' biographical information is set out in the section headed "Biographical details of directors and senior management" of this annual report.

Composition of the Board, including names of independent non-executive Directors of the Company, is disclosed in all corporate communications to shareholders.

Role and function

The Board is responsible for overall strategic formulation and performance monitoring of the Group. It delegates day-to-day operations of the Company to the senior management within the control and authority framework set by the Board. In addition, the Board has also delegated various responsibilities to the audit committee, the remuneration committee, the nomination committee and the compliance committee. Further details of these committees are set out in this annual report.

Board meetings

The Board is going to meet at least four times a year. Additional meetings would be arranged, if and when required. The Directors can attend meetings in person or through other means of electronic communication in accordance with the Articles.

The company secretary of the Company (the "Company Secretary") assists the Chairman in drawing the agenda of each meeting and each Director may request inclusion of matters in the agenda. Generally, at least 14 days' notice of a regular Board meeting is given and the Company aims at giving reasonable notice for all other Board meetings. The Company also aims at sending the agenda and the accompanying board papers, which are prepared in such form and quality as will enable the Board to make an informed decision on matters placed before it, to all Directors at least 3 days before the intended date of a Board meeting.

All Directors have access to the Company Secretary who is responsible for ensuring that Board procedures are complied with and all applicable rules and regulations are followed.

The Company Secretary is responsible for taking minutes of Board and Board committee meetings, drafts and final versions of which would be sent to Directors for comments and records respectively, in both cases within a reasonable time after each meeting. Minutes are recorded in sufficient detail regarding the matters considered by the Board and decisions reached, including any concerns raised by Directors or dissenting views (if any) expressed. Minutes of the Board and the Board committees meetings are kept by the Company Secretary and are open for inspection by any Director/committee member.

If a substantial shareholder or a Director has a conflict of interest in a matter (including material transaction with connected persons) which the Board has determined to be material, a Board meeting will be held instead of by way of circulation.

Attendance records

During the financial year ended 31 December 2011, the Directors have made active contribution to the affairs of the Group and 15 Board meetings were held to consider, among other things, various projects contemplated by the Group and to review and approve the final results for the year ended 31 December 2010 and the interim results for the six months ended 30 June 2011 of the Group.

Details of Directors' attendance records in 2011 are as follows:

Meetings attended/Eligible to attend	
Executive Directors	
Mr. Wong Lee Man	14/15
Ms. Fong Sut Sam	15/15
Mr. Mak Kwong Yiu	15/15
Independent non-executive Directors	
Mr. Ma Yiu Ho, Peter	10/15
Mrs. Fu Kwong Wing Ting, Francine	10/15
Dr. Wu Ka Chee, Davy	10/15

Access to information

The Directors may seek independent professional advice in appropriate circumstances, at the Company's expenses. The Company will, upon request, provide separate independent professional advice to Directors to assist the relevant Directors to discharge their duties to the Company.

The Board is supplied with relevant information by the senior management pertaining to matters to be brought before the Board for decision as well as reports relating to operational and financial performance of the Group before each Board meeting. Where any Director requires more information than is volunteered by the management, each Director has the right to separately and independently access to the Company's senior management to make further enquiries if necessary.

Appointments and re-election of Directors

Appointment of new Directors is a matter for consideration by the nomination committee. The nomination committee will review the profiles of the candidates and make recommendations to the Board on the appointment, re-nomination and retirement of Directors.

According to the Articles, any Director so appointed by the Board shall hold office, in the case of filling a casual vacancy, only until the next following general meeting of the Company or, in the case of an addition to their number, until the next following annual general meeting of the Company who shall then be eligible for re-election at such general meeting. Every Director (including non-executive Director) is appointed for a specific term and is subject to retirement by rotation at least once every three years.

Every newly appointed Director will be given an introduction of regulatory requirements. The Directors are continually updated on the latest development of the Listing Rules and other applicable statutory requirements to ensure compliance and upkeep of good corporate governance practice.

Independent non-executive Directors

Pursuant to Rules 3.10(1) and 3.10(2) of the Listing Rules, the Company has appointed three independent non-executive Directors. One of the independent non-executive Directors has appropriate professional qualifications or accounting or related financial management expertise.

The Company has received from each of its independent non-executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and the Company considers that all of the independent non-executive Directors are independent. Each of the independent non-executive Directors has entered into a service contract with the Company for a term of three years commencing from the Listing Date.

Directors' and officers' liability

Appropriate insurance cover on directors' and officers' liabilities has been in force to protect the Directors and officers of the Group from their risk exposure arising from the businesses of the Group.

Chairman and Chief Executive Officer

The Corporate Governance Code provision A.2.1 stipulates that the roles of chairman and chief executive officer should not be performed by the same individual. To ensure a balance of power and authority, the roles of chairman and the chief executive officer are separate and are not performed by the same individual to reinforce their independence and accountability. Mr. Wong Lee Man assumes the role of the chairman and Ms. Fong Sut Sam serves as the chief executive officer of the Company. The chairman provides leadership for the Board and overall strategic formulation for the Group. The chief executive officer has overall chief executive responsibility for the Group's business development and day-to-day management generally. The division of responsibilities between the chairman and the chief executive officer is clearly established and set out in writing.

With the support of executive Directors and the Company Secretary, the chairman seeks to ensure that all Directors are properly briefed on issues arising at the Board meetings and receive adequate and reliable information in a timely manner.

Board Committees

The Board has established the following committees to oversee particular aspects of the Company's affairs and to assist in the execution of the Board's responsibilities. All committees have their own terms of reference. All resolutions passed by the committees will be reported to the Board at the next Board meeting.

Audit Committee

The Company established an audit committee (the "Audit Committee") on 23 June 2010 with written terms of reference in compliance with Rules 3.21, 3.22 and 3.23 of the Listing Rules. The primary duties of the Audit Committee are mainly to make recommendation to the Board on the appointment and removal of external auditor; review the financial statements and material advice in respect of financial reporting; and oversee internal control procedures of our Company. The Audit Committee consists of three members, namely Mrs. Fu Kwong Wing Ting, Francine, Dr. Wu Ka Chee, Davy and Mr. Ma Yiu Ho, Peter. Mr. Ma Yiu Ho, Peter is the chairman of the Audit Committee.

The members of the Audit Committee during the year and their attendance were as follows:

Meetings attended/Eligible to attend	
Mr. Ma Yiu Ho, Peter *(Chairman of the Audit Committee)*	2/2
Ms. Fu Kwong Wing Ting, Francine	2/2
Dr. Wu Ka Chee, Davy	2/2

During the year, 2 meetings of the Audit Committee were held for, amongst other things:

- Reviewing the final results of the Group for the year ended 31 December 2010 and interim results of the Group for the six months ended 30 June 2011;

- Reviewing the Group's financial information;

- Reviewing the continuing connected transactions as set forth on pages 47 to 48 of this annual report;

- Reviewing the effectiveness of the Group's internal control system; and

- Reviewing of the status of all business.

During the year, the Board had no disagreement with the Audit Committee's view on the selection, appointment, resignation or dismissal of the external auditor.

Nomination Committee

The Company established a nomination committee (the "Nomination Committee") on 23 June 2010. Written terms of reference in compliance with paragraph A.4.4 of the Corporate Governance Code have been adopted. The primary function of the Nomination Committee is to make recommendations to the Board regarding candidates to fill vacancies on the Board. The Nomination Committee consists of three members, namely Mrs. Fu Kwong Wing Ting, Francine, Dr. Wu Ka Chee, Davy and Ms. Fong Sut Sam. Mrs. Fu Kwong Wing Ting, Francine is the chairman of the Nomination Committee.

The members of the Nomination Committee during the year and their attendance were as follows:

Meetings attended/Eligible to attend	
Mrs. Fu Kwong Wing Ting, Francine *(Chairman of the Nomination Committee)*	3/3
Dr. Wu Ka Chee, Davy	3/3
Ms. Fong Sut Sam	3/3

During the year, 3 meetings of the Nomination Committee were held for, amongst other things:

- Reviewing the structure, size and composition of the Board;

- Assessing the independence of the independent non-executive Directors; and

- Making recommendation to the Board on matters relating to the appointment of Directors.

Remuneration Committee

The Company established a remuneration committee (the "Remuneration Committee") on 23 June 2010 with written terms of reference in compliance with paragraph B.1.1 of the Corporate Governance Code. The primary duties of the Remuneration Committee are to make recommendation to the Board on the overall remuneration policy and structure relating to all Directors and senior management of our Group; review performance based remuneration; and ensure none of our Directors determine their own remuneration. The Remuneration Committee consists of three members, namely Mrs. Fu Kwong Wing Ting, Francine, Dr. Wu Ka Chee, Davy and Mr. Wong Lee Man. Mrs. Fu Kwong Wing Ting, Francine is the chairman of the Remuneration Committee.

The members of the Remuneration Committee during the year and their attendance were as follows:

Meetings attended/Eligible to attend	
Mrs. Fu Kwong Wing Ting, Francine *(Chairman of the Remuneration Committee)*	3/3
Dr. Wu Ka Chee, Davy	3/3
Mr. Wong Lee Man	3/3

During the year, 3 meetings of the Remuneration Committee were held for, amongst other things:

- Reviewing the remuneration and terms of service contracts of the executive Directors;

- Determining the bonuses of the executive Directors for the year 2011; and

- Making recommendations to the Board on the directors' fee of the independent non-executive Directors for the year 2011.

Compliance Committee

The Company established a compliance committee (the "Compliance Committee") on 23 June 2010. The primary function of the Compliance Committee is to make recommendations to the Board regarding regulatory and compliance matters relating to our Group. The Compliance Committee consists of four members, namely Mrs. Fu Kwong Wing Ting, Francine, Dr. Wu Ka Chee, Davy, Ms. Fong Sut Sam and Mr. Mak Kwong Yiu. Dr. Wu Ka Chee, Davy is the chairman of the Compliance Committee.

The members of the Compliance Committee during the year and their attendance were as follows:

Meetings attended/Eligible to attend	
Dr. Wu Ka Chee, Davy *(Chairman of the Compliance Committee)*	3/3
Mrs. Fu Kwong Wing Ting, Francine	3/3
Ms. Fong Sut Sam	3/3
Mr. Mak Kwong Yiu	3/3

During the year, 3 meetings of the Compliance Committee were held for, amongst other things:

- Discussing on and reviewing of regulatory and compliance matters relating to the Group.

With effect from 1 January 2012, the Board has established a corporate governance committee (the "Corporate Governance Committee") in place of the existing Compliance Committee.

The Corporate Governance Committee is established for the purpose of developing and reviewing the Group's policies and practices on corporate governance and making recommendations to the Board; and reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements. The terms of reference of the Corporate Governance Committee would be made available on the Company's website on www.convoy.com.hk.

The Board has appointed Dr. Wu Ka Chee, Davy, Mrs. Fu Kwong Wing Ting, Francine, Ms. Fong Sut Sam and Mr. Mak Kwong Yiu as members of the Corporate Governance Committee. Dr. Wu Ka Chee, Davy has been appointed as the chairman of the Corporate Governance Committee.

Directors' Responsibility for the Financial Statements

The Directors understand and acknowledge their responsibility for making sure that the financial statements for each financial year are prepared to reflect the true and fair view of the state of affairs, results and cash flows of the Group and in compliance with relevant law and disclosure provisions of the Listing rules. In preparing the financial statements for the year ended 31 December 2011, the Directors have selected appropriate accounting policies and applied them consistently; made judgements and estimates that are prudent and reasonable, and have prepared the financial statements on a going concern basis. The Directors also ensure that the financial statements of the Group are published in a timely manner.

The statement of the auditor of the Company, Ernst & Young, about its reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report on pages 49 to 50 of this annual report.

Auditor's Remuneration

During the year, the remuneration paid and payable to the Company's auditor, Ernst & Young, are approximately HK$1,250,000 for audit services and HK$2,888,000 for non-audit services.

Internal Control

The Board is responsible for maintaining a sound and effective internal control system in order to safeguard the interests of the shareholders and the assets of the Company against unauthorised use or disposition, ensuring maintenance of proper books and records for the provision of reliable financial information, and ensuring compliance with the relevant rules and regulations.

The Group has engaged a firm of certified public accountants, namely Messrs. Dominic K.F. Chan & Co. to perform an internal control review of the Group's internal control system.

The Directors acknowledge their responsibility for reviewing the Group's internal control systems and would communicate regularly with the Audit Committee and the certified public accountants. The Board was satisfied to the effectiveness of the Company in managing risks based on the internal audit report and the findings performed by the certified public accountants.

Investor Relations

Information of the Group is delivered to the shareholders and investors through a number of channels, which includes annual report, interim report and announcements. The latest information of the Group together with the published documents are also available on the Company's website at http://www.convoy.com.hk.

The Board is pleased to present their annual report and the audited financial statements of the Company and the Group for the year ended 31December 2011.

Corporate Reorganisation

The Company is a limited liability company incorporated in the Cayman Islands on 12 March 2010. The address of the Company's registered office is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

Pursuant to the Reorganisation to rationalise the structure of the Group in preparation for the Listing, the Company became the direct/indirect holding company of the subsidiaries comprising the Group on 21 June 2010. Details of the Reorganisation were set out in the section headed "Corporate Reorganisation" in Appendix V to the Prospectus issued by the Company.

The Company's Shares have been listed on the Stock Exchange since 13 July 2010.

Principal Activities

The principal activity of the Company is investment holding. The Group is principally engaged in the IFA business. The activities of its principal subsidiaries are set out in note 15 to the financial statements.

Results and Appropriations

The results of the Group for the year ended 31 December 2011 and the state of affairs of the Company and the Group as at that date are set out in the financial statements on pages 49 to 106.

An interim dividend of HK2.0 cents per share amounting to HK$8,000,000 were paid to the shareholders during the year. The Board will recommend a final dividend of HK7.0 cents per share, payable on Monday, 16 July 2012 to those persons registered as shareholders on Thursday, 28 June 2012. This together with the interim dividend of HK2.0 cents per share, will add up a total dividend of HK9.0 cents per share for the year (2010: HK8.8 cents per share).

Closure of Register of Members

The register of members of the Company will be closed as follows:

(a) For the purpose of ascertaining shareholders who are entitled to attend and vote at the annual general meeting to be held on Wednesday, 13 June 2012 (or any adjournment thereof), the register of members of the Company will be closed from Friday, 8 June 2012 to Wednesday, 13 June 2012 (both days inclusive). In order to qualify for the right to attend and vote at the meeting (or any adjournment thereof), all transfers accompanied by the relevant share certificates should be lodged with the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, of 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Thursday, 7 June 2012.

(b) For the purpose of ascertaining shareholders who qualify for the final dividend, the register of members of the Company will be closed from Monday, 25 June 2012 to Thursday, 28 June 2012 (both days inclusive). In order to qualify for the final dividend, all transfer accompanied by the relevant share certificates should be lodged with the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, of 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Friday, 22 June 2012. Shares of the Company will be traded ex-dividend as from Thursday, 21 June 2012.

Reserves

Details of movements in the reserves of the Company and the Group during the year are set out in note 28 to the financial statements and in the consolidated statement of changes in equity, respectively.

Distributable Reserves of the Company

At 31 December 2011, the Company's reserves available for distribution, calculated in accordance with the Companies Law, Cap.22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, amounted to HK$134.8 million (2010: HK$133.3 million), of which HK$28.0 million (2010: HK$8.0 million) has been proposed as a final dividend for the year. The amount of HK$134.8 (2010: HK$133.3 million) includes the Company's share premium account which may be distributable provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

Charitable Donations

During the year, the Group made charitable donations amounting to HK$486,000 (2010: HK$455,000).

Property, Plant and Equipment

Details of movements in the property, plant and equipment of the Group are set out in note 13 to the financial statements.

Share Capital

Details of movements in the Company's share capital during the year are set out in note 26 to the financial statements.

Major Products Issuers and Suppliers

In the year under review, revenue from the Group's five largest product issuers accounted for 92.9% (2010: 95.6%) of the total revenue for the year and revenue from the largest product issuer included therein amounted to 56.8% (2010: 58.2%).

Commission expenses attributable to the 5 highest paid consultants of the Group accounted for less than 30% of the Group's total commission expenses for the year under review.

None of the Directors or any of their associates or any shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's entire issued share capital) had any beneficial interest in the Group's five largest product issuers.

Summary Financial Information

A summary of the published results, assets and liabilities of the Group for the last five financial years, as extracted from the consolidated financial statements and the Prospectus, is set out on page 107. This summary does not form part of the audited financial statements.

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.

Purchase, Sale or Redemption of Listed Securities

During the year ended 31 December 2011, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

Share Option Scheme

The share option scheme (the "Share Option Scheme") of the Company was conditionally approved by written resolutions of the sole shareholder of the Company dated 23 June 2010 and shall be valid and effective for a period of 10 years to 22 June 2020.

According to the Share Option Scheme, the Board may at its absolute discretion, offer to grant option to any Employee, Business Associate and the trustee (whether family, discretionary or otherwise) whose beneficiaries or objects include any Employee or Business Associate of the Group (collectively, the "Participants").

For the purpose of this section, Employee means (i) any full-time employee and director (including executive director, non-executive director and independent non-executive director or proposed executive director, non-executive director and independent non-executive director) of any member of the Group; and (ii) any part-time employee with weekly working hours of 10 hours or above of the Group; and Business Associate means (a) any adviser, consultant or agent (in the areas of legal, technical, financial or corporate managerial) to the Group; (b) any provider of goods and/or services to the Group; or (c) any other person who, at the sole discretion of the Board, has contributed or may contribute to the Group (the assessment criterion of which are (i) such person's contribution to the development and performance of the Group; (ii) the quality of work performed by such person for the Group; (iii) the initiative and commitment of such person in performing his or her duties; and (iv) the length of service or contribution of such person to the Group).

The purpose of the Share Option Scheme is to encourage the Participants to perform their best in achieving the goals of the Group and at the same time allow the Participants to enjoy the results of the Company attained through their efforts and contributions and to provide the Participants with incentives and help the Company in retaining its existing Employees and recruiting additional Employees.

The subscription price in respect of any particular option shall be such price as determined by the Board in its absolute discretion at the time of the grant of the options but in any case the subscription price shall not be less than the higher of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a trading day; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the 5 trading days immediately preceding the date of grant; or (iii) the nominal value of a Share. Each of the grantee is required to pay HK$1.00 as consideration for the grant of share options in accordance with the Share Option Scheme and the offer of share options must be accepted within 21 days from the date of the offer.

The maximum number of Shares in respect of which options may be granted under the Share Option Scheme and any other schemes must not, in aggregate, exceed 40,000,000 Shares, which represented 10% of the total issued share capital of the Company as at the date of the annual report.

No Participant shall be granted an option if the total number of Shares issued and to be issued upon exercise of the options granted and to be granted (including both exercised and outstanding options) in 12-month period up to and including the date of grant to such Participant would exceed 1% of the Shares for the time being in issue unless the proposed grant has been approved by the shareholders of the Company in general meeting with the proposed grantee and his associates (as defined in the Listing Rules) abstaining from voting.

An option may be exercised in accordance with the terms and conditions of the Share Option Scheme at any time during such period as the Board may in its absolute discretion determine, save that such period shall not be more than 10 years from the date of grant of the option and the Board may provide restrictions on the exercise of an option during the period an option may be exercised. There is no requirement that an option must be held for any minimum period before it can be exercised but the Board are empowered to impose at its discretion any such minimum period at the time of grant of any option.

During the year ended 31 December 2011, no share options were granted, exercised or cancelled by the Company under the Share Option Scheme.

Share Award Scheme

The Company's share award scheme (the "Award Scheme"), was adopted pursuant to a resolution passed on 25 January 2011 for the primary purpose of recognising the contributions by certain selected participants and giving incentives thereto in order to retain them for the continual operation and development of the Group and attracting suitable personnel for further development of the Group.

Details of the Award Scheme are disclosed in note 27 to the financial statements.

Directors

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

Executive directors

Mr. Wong Lee Man
Ms. Fong Sut Sam
Mr. Mak Kwong Yiu

Independent non-executive directors

Mrs. Fu Kwong Wing Ting, Francine
Dr. Wu Ka Chee, Davy
Mr. Ma Yiu Ho, Peter

Biographical details of the above Directors are set out in the section headed "BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT" on pages 35 to 36 of this report.

In accordance with article 84 of the Company's articles of association, Mr. Wong Lee Man and Mr. Ma Yiu Ho, Peter will retire from office of Directors by rotation and, being eligible, will offer themselves for re-election as Directors of the Company at the forthcoming annual general meeting of the Company.

Appointment of Independent Non-Executive Directors

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

Directors' Service Contracts

Each of the Directors has entered into a service contract with the Company for a term of three years commencing from the Listing Date and to continue thereafter until terminated by a three months' notice in writing served by either party on the other without payment of compensation.

Each of the executive Directors shall also be entitled to a bonus for each financial year of the Company which is at the discretion of the Board and determined by reference to performance of each Director concerned and the Group's performance for the financial year concerned and based on the recommendation from the remuneration committee of our Company.

Save as disclosed above, none of the Directors being proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

Remuneration of the Directors

Details of the remuneration of the Directors are set out in note 7 to the financial statements.

Directors' Interests in Contracts of Significance

No contract of significance, to which the Company, its holding companies, fellow subsidiaries or 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.

Contract of Significance

There is no contract of significance between the Company or any of its subsidiaries, and a controlling shareholder or any of its subsidiaries.

Management Contract

Other than the service contracts of the Directors, the Company has not entered into any contract with any individual, firm or body corporate to manager or administer the whole or any substantial part of any business of the Company.

Interests in Competitors

So far as the Directors were aware, none of the Directors or their associates had any interest in a business that competes or may compete with the business of the Group.

Interests and/or Short Positions of the Directors and Chief Executives in the Share Capital of the Company and Its Associated Corporations

As at 31 December 2011, the Directors, chief executives and their associates had the following interests or short positions in shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") contained in the Listing Rules:

(i) Directors' interests in the shares of associated corporations:

Name of associated corporation	Name of Director	Capacity	Long/short position	No. of ordinary shares in Convoy Inc. held	Approximate percentage of the issued share capital in Convoy Inc.
Convoy Inc.	Mr. Wong Lee Man	Beneficial owner	Long position	14,074	19.69%
	Ms. Fong Sut Sam	Beneficial owner	Long position	14,034	19.63%
	Mr. Mak Kwong Yiu	Beneficial owner	Long position	3,911	5.47%

Other than as disclosed above, none of the Company's Directors, chief executive nor their associates had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations within the meaning of the SFO as at 31 December 2011.

Interests and/or Short Positions of Substantial Shareholders in the Share Capital of the Company

Save as disclosed in the section headed "Interests and/or Short Positions of the Directors and Chief Executives in the Share Capital of the Company and its Associated Corporations", as at 31 December 2011, the following corporations had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Name of shareholder	Capacity	Long/Short position	Number of Shares held	Approximate percentage of the issued share capital
Convoy Inc. (Note 1)	Interests of a controlled corporation	Long position	300,000,000	75%
Perfect Team Group Limited ("Perfect Team") (Note 1)	Interests of a controlled corporation	Long position	300,000,000	75%
CFG	Beneficial owner	Long position	300,000,000	75%

Note:

1. The 300,000,000 Shares are held by CFG which is owned as to approximately 43.79% by Convoy Inc. and 56.21% by Perfect Team. As a result of such relationship as described in this paragraph, Convoy Inc. and Perfect Team are deemed to be interested in 300,000,000 Shares held by CFG. CFG is beneficially interested in 300,000,000 Shares.

Save as disclosed above, and as at 31 December 2011, the Directors of the Company were not aware of any persons (who were not directors or chief executives of the Company) who had an interest or short position in the share capital of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein.

Arrangements to Purchase Shares or Debentures

Save as disclosed in the "INTERESTS AND/OR SHORT POSITIONS OF THE DIRECTORS AND CHIEF EXECUTIVES IN THE SHARE CAPITAL OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS" above and in the share option scheme disclosed on pages 43 to 44 to the annual report, at no time during the year was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Continuing Connected Transactions

The Group has entered into certain agreements and arrangements with its connected persons in the ordinary and usual course of business of the Group during the reporting period. Details of these transactions are set out below.

Non-exempt continuing connected transaction

Service fees paid to connected persons

CFS has entered into contract for services (the "Shin Family Service Contracts") with three associates (as defined under the Listing Rules) of Mr. Shin Kin Man (the "Shin Family"). Mr. Shin Kin Man is the executive director of CFS and one of the controlling shareholders. Under the Shin Family Service Contracts, CFS agreed to pay commission or fee to the Shin Family for their acting as consultants of CFS to provide the insurance and MPF schemes brokerage services in Hong Kong pursuant to the terms and conditions of the Shin Family Service Contracts. Such commissions to be paid to the Shin Family represent normal commissions applicable to all other consultants, and would not include payment of any kind to which all other consultants would not be entitled. The Shin Family Service Contracts would expire on 31 December 2012 for a period of three years from 1 January 2010 to 31 December 2012, with the annual cap amounts to HK$7,500,000, HK$7,900,000 and HK$8,300,000 for the financial years ended/ending 31 December 2010, 2011 and 2012.

The execution of the Shin Family Service Contracts constitutes a continuing connected transaction of the Company under Rule 14A.14 of the Listing Rules. Details of the transaction were disclosed in the Company's Prospectus.

During the year, the commission expenses paid to the Shin Family amounted to approximately HK$5,531,000 (2010: HK$5,893,000).

The independent non-executive Directors of the Company have reviewed the continuing connected transactions set out above and have confirmed that these continuing connected transactions were entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; and (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

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

The auditor has reported to the Directors that (i) nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions have not been approved by the Company's Board of Directors; (ii) for transactions involving the provision of services by the Group, nothing has come to their attention that causes them to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Company; (iii) nothing has come to their attention that causes them to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and (iv) with respect to the aggregate amount of the continuing connected transactions, nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions have exceeded the maximum aggregate annual value disclosed in the Prospectus dated 29 June 2010 made by the Company in respect of the disclosed continuing connected transactions.

Prior to the Prosper Ocean Acquisition, the Group received administrative services from Shenzhen Sheng Hai Information and Consultation Company Limited ("Sheng Hai"), an indirect wholly-owned subsidiary of CFG and agreed to pay service fees of approximately HK$950,000 to Convoy Collateral Limited, a wholly-owned subsidiary of CFG under the administrative services agreement. Upon completion of the Prosper Ocean Acquisition, Sheng Hai would no longer provide any administrative services to any company other than the Group. Therefore, such exempt continuing connected transaction was terminated upon the completion of the Prosper Ocean Acquisition.

The administrative service fee charged to a fellow subsidiary, as disclosed in note 33 (a)(ii) to the financial statement, is recognised as a result of the application of the principle of merger accounting. Details of the merger accounting and restatement are set out in note 2.4 to the financial statements.

Audit Committee

The Company established an audit committee on 23 June 2010 (the "Audit Committee) with written terms of reference in compliance with the Listing Rules. The Audit Committee of the Company comprises of three independent non-executive Directors of the Company, namely Mr. Ma Yiu Ho, Peter (the chairman of the Audit Committee), Mrs. Fu Kwong Wing Ting, Francine and Dr. Wu Ka Chee, Davy.

The Audit Committee has reviewed together with the management of the Company the accounting principles, accounting standards and methods adopted by the Company, discussed the matters concerning internal control, auditing and financial reporting matters and has reviewed the consolidated financial statements of the Group for the year ended 31 December 2011.

Sufficiency of Public Float

Based on the information that is publicly available to the Company and to the best knowledge of the Directors, at least 25% of the Company's issued share capital were held by members of the public as at the date of this report as required under the Listing Rules.

Events after the Reporting Period

Details of significant events occurring after the reporting period are set out in note 37 to the financial statements.

Auditors

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board

Wong Lee Man
Chairman
Hong Kong, 28 March 2012

ERNST & YOUNG
安 永

To the shareholders of Convoy Financial Services Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Convoy Financial Services Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 51 to 106, which comprise the consolidated and company statements of financial position as at 31 December 2011, 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. Our report is made 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.

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 2011, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants

22/F CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong
28 March 2012

Consolidated Statement of Comprehensive Income

Year ended 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000 (Restated)
REVENUE	5	**652,875**	572,481
Other income and gains, net	5	**2,186**	2,816
Commission expenses		**(390,608)**	(330,146)
Staff costs	6	**(60,369)**	(49,743)
Depreciation	13	**(15,387)**	(15,856)
Commission clawback		**(6,332)**	(6,035)
Other expenses		**(117,825)**	(94,772)
PROFIT BEFORE TAX	6	**64,540**	78,745
Income tax expense	9	**(15,056)**	(14,110)
PROFIT FOR THE YEAR		**49,484**	64,635
OTHER COMPREHENSIVE INCOME			
Exchange differences on translation of foreign operations		**78**	16
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**49,562**	64,651
Profit for the year attributable to:			
Owners of the Company	10	**53,003**	64,635
Non-controlling interests		**(3,519)**	–
		49,484	64,635
Total comprehensive income attributable to:			
Owners of the Company		**52,895**	64,651
Non-controlling interests		**(3,333)**	–
		49,562	64,651
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	12		
Basic (HK cents)		**13.3**	18.6
Diluted (HK cents)		**13.2**	18.6

Details of the dividends payable and proposed for the year are disclosed in note 11 to the financial statements.

Consolidated Statement of Financial Position

31 December 2011

	Notes	31 December 2011 HK$'000	31 December 2010 HK$'000 (Restated)	1 January 2010 HK$'000 (Restated)
NON-CURRENT ASSETS				
Property, plant and equipment	13	**26,074**	23,721	32,025
Deposits paid for purchases of items of property, plant and equipment		**5,680**	5,187	–
Goodwill	14	**5,381**	–	–
Loans and other receivables	16	**21,307**	–	–
Rental deposits		**13,347**	11,873	6,952
Prepayments		**245**	409	805
Deferred tax assets	17	**3,779**	2,609	683
Total non-current assets		**75,813**	43,799	40,465
CURRENT ASSETS				
Accounts receivable	18	**53,349**	56,261	17,601
Prepayments, deposits and other receivables	19	**14,821**	9,559	20,834
Equity investment at fair value through profit or loss	20	**183**	230	238
Due from a fellow subsidiary	33(c)	**643**	–	–
Restricted cash	21	**394**	–	–
Cash and cash equivalents	22	**219,248**	227,215	83,873
Total current assets		**288,638**	293,265	122,546
CURRENT LIABILITIES				
Accounts payable	23	**98,429**	99,695	75,565
Other payables and accruals	24	**30,161**	32,061	19,593
Due to the immediate holding company	33(c)	**–**	155	368
Tax payable		**217**	7,317	15,319
Commission clawback	25	**6,588**	6,115	5,913
Total current liabilities		**135,395**	145,343	116,758
NET CURRENT ASSETS		**153,243**	147,922	5,788
Net assets		**229,056**	191,721	46,253
EQUITY				
Equity attributable to owners of the Company				
Issued capital	26	**40,000**	40,000	–
Reserves		**189,310**	151,721	46,253
		229,310	191,721	46,253
Non-controlling interests		**(254)**	–	–
Total equity		**229,056**	191,721	46,253

Wong Lee Man
Director

Fong Sut Sam
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2011

		Attributable to owners of the Company												
	Notes	Issued capital HK$'000	Share premium account HK$'000	Capital reserve HK$'000 (note 28 (a))	Merger reserve HK$'000 (note 28 (a))	Shares held for share award scheme HK$'000 (note 27)	Warrant reserve HK$'000 (note 26)	Exchange fluctuation reserve HK$'000	Reserve funds HK$'000 (note 28 (a))	Other reserves HK$'000 (note 28 (a))	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2010 (As previously stated)		–	–	1,000	–	–	–	–	–	–	44,948	45,948	–	45,948
Adjustments (note 2.4)		–	–	–	–	–	–	59	23	–	223	305	–	305
At 1 January 2010 (Restated)		–	–	1,000	–	–	–	59	23	–	45,171	46,253	–	46,253
Profit for the year		–	–	–	–	–	–	–	–	–	64,635	64,635	–	64,635
Other comprehensive income for the year:														
Exchange differences on translation of foreign operations		–	–	–	–	–	–	16	–	–	–	16	–	16
Total comprehensive income for the year		–	–	–	–	–	–	16	–	–	64,635	64,651	–	64,651
Issue of new shares upon incorporation and pursuant to a group reorganisation	26	30,000	35,379	(65,379)	–	–	–	–	–	–	–	–	–	–
Issue of new shares in connection with the placing and initial public offering	26	10,000	110,000	–	–	–	–	–	–	–	–	120,000	–	120,000
Share issue expenses	26	–	(11,983)	–	–	–	–	–	–	–	–	(11,983)	–	(11,983)
Transfer to retained profits		–	–	–	–	–	–	–	20	–	(20)	–	–	–
2010 interim dividend	11	–	–	–	–	–	–	–	–	–	(27,200)	(27,200)	–	(27,200)
At 31 December 2010 (Restated) and at 1 January 2011 (Restated)		40,000	133,396	(64,379)	–	–	–	75	43	–	82,586	191,721	–	191,721
Profit for the year		–	–	–	–	–	–	–	–	–	53,003	53,003	(3,519)	49,484
Other comprehensive income for the year:														
Exchange differences on translation of foreign operations		–	–	–	–	–	–	(108)	–	–	–	(108)	186	78
Total comprehensive income for the year		–	–	–	–	–	–	(108)	–	–	53,003	52,895	(3,333)	49,562
Net proceeds from issue of warrants		–	–	–	–	–	965	–	–	–	–	965	–	965
Shares purchased for share award scheme	27	–	–	–	–	(3,500)	–	–	–	–	–	(3,500)	–	(3,500)
Equity-settled share-based payment	27	–	–	–	–	3,705	–	–	–	–	–	3,705	–	3,705
Transfer from shares held for share award scheme	27	–	–	–	–	(205)	–	–	–	–	205	–	–	–
Acquisition of subsidiaries under common control	33(b)	–	–	–	(1,056)	–	–	–	–	–	–	(1,056)	–	(1,056)
Acquisition of a subsidiary	29	–	–	–	–	–	–	–	–	–	–	–	(413)	(413)
Gain on deemed disposal of interests in subsidiaries	28(a)	–	–	–	–	–	–	–	–	65	–	65	(65)	–
Capital contribution by non-controlling interests		–	–	–	–	–	–	–	–	–	–	–	3,557	3,557
Waiver of an amount due to the immediate holding company	28	–	–	–	–	–	–	–	–	515	–	515	–	515
Transfer to retained profits		–	–	–	–	–	–	–	3	–	(3)	–	–	–
2010 final dividend	11	–	–	–	–	–	–	–	–	–	(8,000)	(8,000)	–	(8,000)
2011 interim dividend	11	–	–	–	–	–	–	–	–	–	(8,000)	(8,000)	–	(8,000)
At 31 December 2011		40,000	133,396*	(64,379)*	(1,056)*	–	965*	(33)*	46*	580*	119,791*	229,310	(254)	229,056

* These reserve accounts comprise the consolidated reserves of HK$189,310,000 (2010: HK$151,721,000 (Restated)) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**64,540**	78,745
Adjustments for:			
Bank interest income	5	**(1,149)**	(239)
Dividend income from a listed investment	5	**–**	(3)
Gain on disposal of items of property, plant and equipment	5	**–**	(67)
Fair value loss on an equity investment at fair value through profit or loss	5	**47**	8
Depreciation	13	**15,387**	15,856
Impairment of other receivables, net	6	**467**	5,044
Write-off of other receivables	6	**39**	166
Equity-settled share-based payment	27	**3,705**	–
Commission clawback		**6,332**	6,035
		89,368	105,545
Decrease/(increase) in accounts receivable		**2,912**	(38,660)
Decrease/(increase) in prepayments, deposits and other receivables		**(6,578)**	1,541
Increase in an amount due from a fellow subsidiary		**(643)**	–
Increase/(decrease) in accounts payable		**(1,293)**	24,130
Increase/(decrease) in other payables and accruals		**(5,992)**	12,476
Increase/(decrease) in an amount due to the immediate holding company		**378**	(213)
Decrease in commission clawback		**(5,859)**	(5,833)
Cash generated from operations		**72,293**	98,986
Hong Kong profits tax paid		**(23,276)**	(23,959)
Mainland China taxes paid		**(52)**	(77)
Net cash flows from operating activities		**48,965**	74,950
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**1,149**	239
Dividend received from a listed investment		**–**	3
Acquisition of a subsidiary	29	**(3,678)**	–
Acquisition of subsidiaries under common control	2.4	**(1,056)**	–
Increase in loans and other receivables	16	**(21,307)**	–
Deposits paid for purchases of items of property, plant and equipment		**(1,889)**	(5,187)
Purchases of items of property, plant and equipment		**(14,798)**	(7,745)
Proceeds from disposal of items of property, plant and equipment		**–**	265
Increase in restricted cash	21	**(394)**	–
Net cash flows used in investing activities		**(41,973)**	(12,425)

	Notes	2011 HK$'000	2010 HK$'000 (Restated)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares	26	–	120,000
Share issue expenses		–	(11,983)
Proceeds from placement of warrants	26	**965**	–
Shares purchased for share award scheme	27	**(3,500)**	–
Capital contribution from non-controlling interests		**3,557**	–
Dividends paid	11	**(16,000)**	(27,200)
Net cash flows from/(used in) financing activities		**(14,978)**	80,817
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(7,986)**	143,342
Cash and cash equivalents at beginning of year		**227,215**	83,873
Effect of foreign exchange rate changes, net		**19**	–
CASH AND CASH EQUIVALENTS AT END OF YEAR		**219,248**	227,215
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	22	**120,696**	127,169
Non-pledged time deposits with original maturity of less than three months when acquired	22	**98,552**	100,046
		219,248	227,215

Statement of Financial Position

31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
NON-CURRENT ASSETS			
Investments in subsidiaries	15	**66,435**	65,379
CURRENT ASSETS			
Due from subsidiaries	15	**109,649**	32,909
Prepayments	19	**180**	183
Cash and cash equivalents	22	**118,579**	100,248
Total current assets		**228,408**	133,340
CURRENT LIABILITIES			
Due to subsidiaries	15	**117,336**	24,961
Accruals	24	**1,765**	413
Total current liabilities		**119,101**	25,374
NET CURRENT ASSETS		**109,307**	107,966
Net assets		**175,742**	173,345
EQUITY			
Issued capital	26	**40,000**	40,000
Reserves	28(b)	**135,742**	133,345
Total equity		**175,742**	173,345

Wong Lee Man
Director

Fong Sut Sam
Director

1.1 Corporate Information

Convoy Financial Services Holdings Limited (the "Company") is a limited liability company incorporated in the Cayman Islands on 12 March 2010. The address of the Company's registered office is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

During the year, the Group was principally engaged in independent financial advisory ("IFA") business.

In the opinion of the Directors, the immediate holding company of the Company is Convoy Financial Group Limited (''CFG''), and the ultimate holding company of the Company is Convoy Inc., both of which are incorporated in the British Virgin Islands.

2.1 Basis of Preparation

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for an equity investment, which has been measured at fair value. These financial statements are presented in Hong Kong dollars.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2011. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

Total comprehensive income within a subsidiary is attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate.

2.2 Changes in Accounting Policy and Disclosures

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

HKFRS 1 Amendment	Amendment to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters*
HKAS 24 (Revised)	*Related Party Disclosures*
HKAS 32 Amendment	Amendment to HKAS 32 *Financial Instruments: Presentation – Classification of Rights Issues*
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 *Prepayments of a Minimum Funding Requirement*
HK(IFRIC)-Int 19	*Extinguishing Financial Liabilities with Equity Instruments*
Improvements to HKFRSs 2010	Amendments to a number of HKFRSs issued in May 2010

Other than as further explained below regarding the impact of HKAS 24 (Revised), and amendments to HKFRS 3, HKAS 1 and HKAS 27 included in *Improvements to HKFRSs 2010,* the adoption of the new and revised HKFRSs has had no significant financial effect on these financial statements.

The principal effects of adopting these HKFRSs are as follows:

(a) HKAS 24 (Revised) *Related Party Disclosures*

HKAS 24 (Revised) clarifies and simplifies the definitions of related parties. The new definitions emphasise a symmetrical view of related party relationships and clarify the circumstances in which persons and key management personnel affect related party relationships of an entity. The revised standard also introduces an exemption from the general related party disclosure requirements for transactions with a government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The accounting policy for related parties has been revised to reflect the changes in the definitions of related parties under the revised standard. The adoption of the revised standard did not have any impact on the financial position or performance of the Group.

(b) *Improvements to HKFRSs 2010* issued in May 2010 sets out amendments to a number of HKFRSs. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments has had a significant financial impact on the financial position or performance of the Group. Details of the key amendments most applicable to the Group are as follows:

- HKFRS 3 *Business Combinations*: The amendment clarifies that the amendments to HKFRS 7, HKAS 32 and HKAS 39 that eliminate the exemption for contingent consideration do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of HKFRS 3 (as revised in 2008).

  In addition, the amendment limits the scope of measurement choices for non-controlling interests. Only the components of non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation are measured at either fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another HKFRS.

  The amendment also added explicit guidance to clarify the accounting treatment for non-replaced and voluntarily replaced share-based payment awards.

2.2 Changes in Accounting Policy and Disclosures (continued)

(b) (continued)

- HKAS 1 *Presentation of Financial Statements*: The amendment clarifies that an analysis of each component of other comprehensive income can be presented either in the statement of changes in equity or in the notes to the financial statements. The Group elects to present the analysis of each component of other comprehensive income in the statement of changes in equity.

- HKAS 27 *Consolidated and Separate Financial Statements*: The amendment clarifies that the consequential amendments from HKAS 27 (as revised in 2008) made to HKAS 21, HKAS 28 and HKAS 31 shall be applied prospectively for annual periods beginning on or after 1 July 2009 or earlier if HKAS 27 is applied earlier.

2.3 Issued but not yet Effective Hong Kong Financial Reporting Standards

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*[4]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets*[1]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*[4]
HKFRS 9	*Financial Instruments*[6]
HKFRS 10	*Consolidated Financial Statements*[4]
HKFRS 11	*Joint Arrangements*[4]
HKFRS 12	*Disclosure of Interests in Other Entities*[4]
HKFRS 13	*Fair Value Measurement*[4]
HKAS 1 Amendments	Amendments to HKAS 1 *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*[3]
HKAS 12 Amendments	Amendments to HKAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets*[2]
HKAS 19 (2011)	*Employee Benefits*[4]
HKAS 27 (2011)	*Separate Financial Statements*[4]
HKAS 28 (2011)	*Investments in Associates and Joint Ventures*[4]
HKAS 32 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*[5]
HK(IFRIC)-Int 20	*Stripping Costs in the Production Phase of a Surface Mine*[4]

1 Effective for annual periods beginning on or after 1 July 2011
2 Effective for annual periods beginning on or after 1 January 2012
3 Effective for annual periods beginning on or after 1 July 2012
4 Effective for annual periods beginning on or after 1 January 2013
5 Effective for annual periods beginning on or after 1 January 2014
6 Effective for annual periods beginning on or after 1 January 2015

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Group considers that these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

2.4 Merger Accounting and Restatements

The Group accounts for all its business combinations involving entities under common control under the principles of merger accounting in accordance with Accounting Guideline 5 *Merger Accounting for Common Control Combinations* ("AG 5") issued by the HKICPA. In the current year, the Group acquired the entire equity interest in Prosper Ocean Investments Limited together with its subsidiary, 深圳盛海信息咨詢有限公司 ("Shenzhen Sheng Hai Information and Consultation Company Limited#") (collectively the "POI Group"), from CFG for a consideration of HK$1,056,000 and accordingly, the Group has applied the principle of merger accounting in accordance with the requirement set out in AG 5 to the acquisition.

Prosper Ocean Investments Limited and 深圳盛海信息咨詢有限公司 were incorporated on 20 October 2004 and 29 May 2007, respectively. In the opinion of the Directors, the acquisition would (i) help cope with the increasing operating demand of the Group for back office administrative services in Mainland China; (ii) ultimately reduce the costs of and increase the efficiency of back office administrative services; and (iii) support the Group's implementation of its "regional expansion" strategy which aims to make the Group one of the largest quality independent financial advisory companies in Asia by way of acquisition and expansion of the Group's insurance brokerage, investment consultancy and independent financial advisory businesses in the region, including Mainland China.

The consolidated statement of financial position of the Group as at 31 December 2010 has been restated to include the assets and liabilities of the POI Group as if the acquisition had been completed as at 1 January 2010. The consolidated statement of comprehensive income for the year ended 31 December 2010 has been restated to include the results of the POI Group as if the POI Group was a member of the Group throughout the years ended 31 December 2010 and 2011.

The English translation of the Chinese name is included for information purpose only, and should not be regarded as the official English translation of such Chinese name.

2.4 Merger Accounting and Restatements (continued)

The effect of the application of merger accounting on the consolidated statement of comprehensive income for the year ended 31 December 2010 and the consolidated statement of financial position as at 31 December 2010 was summarised below:

(a) Consolidated statement of comprehensive income for the year ended 31 December 2010

	HK$'000 (As previously stated)	Adjustments on merger accounting HK$'000 (i)	HK$'000 (Restated)
REVENUE	572,481	–	572,481
Other income and gains, net	750	2,066	2,816
Commission expenses	(330,146)	–	(330,146)
Staff cost	(47,876)	(1,867)	(49,743)
Depreciation	(15,806)	(50)	(15,856)
Commission clawback	(6,035)	–	(6,035)
Other expenses	(94,883)	111	(94,772)
PROFIT BEFORE TAX	78,485	260	78,745
Income tax expense	(14,042)	(68)	(14,110)
PROFIT FOR THE YEAR	64,443	192	64,635
OTHER COMPREHENSIVE INCOME			
Exchange differences on translation of foreign operations	–	16	16
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	64,443	208	64,651
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Basic (HK cents)	18.6		18.6
Diluted (HK cents)	18.6		18.6

2.4 Merger Accounting and Restatements (continued)

(b) Consolidated statement of financial position as at 31 December 2010

	HK$'000 (As previously stated)	Adjustments on merger accounting HK$'000 (ii)	HK$'000 (Restated)
NON-CURRENT ASSETS			
Property, plant and equipment	23,452	269	23,721
Deposits paid for purchases of items of property, plant and equipment	5,187	–	5,187
Rental deposits	11,873	–	11,873
Prepayments	305	104	409
Deferred tax assets	2,609	–	2,609
Total non-current assets	43,426	373	43,799
CURRENT ASSETS			
Accounts receivable	56,261	–	56,261
Prepayments, deposits and other receivables	9,464	95	9,559
Equity investment at fair value through profit or loss	230	–	230
Cash and cash equivalents	226,845	370	227,215
Total current assets	292,800	465	293,265
CURRENT LIABILITIES			
Accounts payable	99,695	–	99,695
Other payables and accruals	31,891	170	32,061
Due to the immediate holding company	–	155	155
Tax payable	7,317	–	7,317
Commission clawback	6,115	–	6,115
Total current liabilities	145,018	325	145,343
NET CURRENT ASSETS	147,782	140	147,922
Net assets	191,208	513	191,721
EQUITY			
Equity attributable to owners of the Company			
Issued capital	40,000	–	40,000
Reserves	151,208	513	151,721
Total equity	191,208	513	191,721

(i) The adjustments are to include the results of the POI Group for the year ended 31 December 2010 and to eliminate all the transactions between the POI Group and the Group for the year ended 31 December 2010.

(ii) The adjustments are to include the assets and liabilities of the POI Group as at 31 December 2010 and to eliminate all the balances between the POI Group and the Group as at 31 December 2010.

2.5 Summary of Significant Accounting Policies

Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's statement of comprehensive income to the extent of dividends received and receivable. The Company's investments in subsidiaries are stated at cost less any impairment losses.

Business combinations and goodwill (other than business combinations involving entities under common control)

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets of the subsidiary acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

2.5 Summary of Significant Accounting Policies (continued)

Merger accounting for business combinations involving entities under common control

Business combinations under common control are accounted for in accordance with Accounting Guideline 5 *Merger Accounting for Common Control Combinations*. In applying merger accounting, financial statement items of the combining entities or businesses to which common control combination occurs are included in the consolidated financial statements as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

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

The combined statement of comprehensive income includes the results of each of the combining entities or businesses from 1 January 2010 or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the combined financial statements are presented as if the entities or businesses had been combined at the end of the previous reporting period or, where the combining entities first came under common control on a later date, at that later date.

All significant intra-group transactions and balances have been eliminated on combination.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than financial assets, goodwill and deferred tax assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of comprehensive income in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of comprehensive income in the period in which it arises.

2.5 Summary of Significant Accounting Policies (continued)

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person:

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

 (ii) has significant influence over the Group; or

 (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

 (i) the entity and the Group are members of the same group;

 (ii) one entity is a joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

 (iii) the entity and the Group are joint ventures of the same third party;

 (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

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

 (vi) the entity is controlled or jointly controlled by a person identified in (a); and

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

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of comprehensive income in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

2.5 Summary of Significant Accounting Policies (continued)

Property, plant and equipment and depreciation (continued)

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold improvements	Over the shorter of the lease terms and 25%
Furniture, fixtures and equipment	20%
Computer equipment	30%
Motor vehicles	30%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of comprehensive income in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Rentals payable under operating leases net of any incentives received from the lessor are charged to the statement of comprehensive income on the straight-line basis over the lease terms.

Investments and other financial assets

Initial recognition and measurement

Financial assets within the scope of HKAS 39 are classified as financial assets at fair value through profit or loss and loans and receivables, as appropriate. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of comprehensive income. These net fair value changes do not include any dividends earned on these financial assets, which are recognised in accordance with the policy set out for "Revenue recognition" below.

2.5 Summary of Significant Accounting Policies (continued)

Investments and other financial assets (continued)

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

The Group evaluates its financial assets at fair value through profit or loss (held for trading) to assess whether the intent to sell them in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets and management's intent to sell them in the foreseeable future significantly changes, the Group may elect to reclassify these financial assets. The reclassification from financial assets at fair value through profit or loss to loans and receivables, available-for-sale financial assets or held-to-maturity investments depends on the nature of the assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation and the loss arising from impairment is recognised in the statement of comprehensive income.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated Group's continuing involvement in the asset. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

2.5 Summary of Significant Accounting Policies (continued)

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and 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 (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced either directly or through the use of an allowance account and the amount of the loss is recognised in the statement of comprehensive income. Interest income continues to be accrued as the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the statement of comprehensive income.

2.5 Summary of Significant Accounting Policies (continued)

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of HKAS 39 are classified as loans and borrowings. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus directly attributable transaction costs.

Subsequent measurement

After initial recognition, loans and borrowings are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of comprehensive income when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in the statement of comprehensive income.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of comprehensive income.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transactions costs.

Shares held for share award scheme

Where shares of the Company are purchased from the market for a restricted share award scheme, the consideration paid, including any directly attributable incremental costs, is presented as "Shares held for share award scheme" and deducted from equity.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

2.5 Summary of Significant Accounting Policies (continued)

Cash and cash equivalents (continued)

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of each reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in the statement of comprehensive income.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

2.5 Summary of Significant Accounting Policies (continued)

Income tax (continued)

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

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

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) investment brokerage commission income, on an accrual basis when brokerage services are rendered and in accordance with the terms of the underlying agreements with the product issuers;

(b) insurance and pension scheme brokerage commission income, on an accrual basis based on the commissioning of the respective insurance policies and pension schemes;

(c) advisory income and service income, on an accrual basis when services have been rendered;

(d) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset; and

(e) dividend income, when the shareholders' right to receive payment has been established.

Share-based payment transactions

The Company operates a restricted share award scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) and consultants of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined based on the quoted market price of the equity instruments at the date at which they are granted, further details of which are given in note 27 to the financial statements.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period reflects the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of comprehensive income for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

2.5 Summary of Significant Accounting Policies (continued)

Share-based payment transactions (continued)

No expense is recognised for awards that do not ultimately vest.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

Other employee benefits

Pension scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefit 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 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 with 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.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in central pension schemes operated by the respective local municipal governments. These subsidiaries are required to contribute a certain percentage of its payroll costs to the central pension scheme. The contributions are charged to the statement of comprehensive income as they become payable in accordance with the rules of the central pension scheme.

Social security scheme

The employees of the Group' subsidiary which operates in Macau are required to participate in a central social security scheme operated by the Macao SAR Government. The subsidiary is required to contribute a fixed amount of its payroll costs to the central social security scheme. The contributions are charged to the statement of comprehensive income as they become payable in accordance with the rules of the central social security scheme.

Paid leave carried forward

The Group provides paid annual leave to its employees under their employment contracts on a calendar year basis. Under certain circumstances, such leave which remains untaken as at the end of the reporting period is permitted to be carried forward and utilised by the respective employees in the following year. An accrual is made at the end of each reporting period for the expected future cost of such paid leave earned during the year by the employees and carried forward.

2.5 Summary of Significant Accounting Policies (continued)

Dividends

Final dividends proposed by the directors after the end of the reporting period are not recognised as a liability at the end of the reporting period. When these dividends have been approved by the shareholders and declared in a general meeting, they are recognised as a liability.

Interim dividends were simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends were recognised immediately as a liability when they are proposed and declared.

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. All differences arising on settlement or translation of monetary items are taken to the statement of comprehensive income.

All differences arising on settlement or translation of monetary items are taken to the statement of comprehensive income. These are recognised in other comprehensive income until the net investment is disposed of, at which time the cumulative amount is reclassified to the statement of comprehensive income. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in equity.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gain or loss arising on retranslation of a non-monetary item is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation differences on item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of certain overseas subsidiaries are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the end of the reporting period and their statements of comprehensive income are translated into Hong Kong dollars at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in a separate component of equity. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of comprehensive income.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

3. Significant Accounting Judgements and Estimates

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgement

In the process of applying the Group's accounting policies, management has made the following judgement, apart from those involving estimations, which has the most significant effect on the amounts recognised in the financial statements:

Income tax provisions

Determining income tax provisions involves judgements on the future tax treatment of certain transactions. The Group carefully evaluates the tax implications of transactions and tax provisions are made accordingly. The tax treatment of such transactions is assessed periodically to take into account all the changes in the tax legislations and practices.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The calculation of the fair value less costs to sell is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Impairment of loans and receivables

The Group assesses at the end of the reporting period whether there is any objective evidence that a loan and receivable is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics.

3. Significant Accounting Judgements and Estimates (continued)

Estimation uncertainty (continued)

Impairment of loans and receivables (continued)

The Group maintains an allowance for estimated impairment of receivables arising from the inability of its debtors to make the required payments. The Group makes its estimates based on the ageing of its receivable balances, debtors' creditworthiness, past repayment history and historical write-off experience. If the financial condition of its debtors was to deteriorate so that the actual impairment loss might be higher than expected, the Group would be required to revise the basis of making the allowance.

Useful lives and residual values of property, plant and equipment

In determining the useful life and residual value of an item of property, plant and equipment, the Group has to consider various factors, such as expected usage of the asset, expected physical wear and tear, the care and maintenance of the asset, and legal or similar limits on the use of the asset. The estimation of the useful life of the asset is based on the experience of the Group with similar assets that are used in a similar way. Additional to or reduction in depreciation is made if the estimated useful lives and/or the residual values of items of property, plant and equipment are different from the previous estimation. Useful lives and residual values are reviewed at the end of the reporting period based on changes in circumstances.

Deferred tax assets

Deferred tax assets are recognised for all deductible temporary differences, and carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Estimation of commission clawback

The Group reviews the carrying amount of commission clawback at the end of the reporting period and estimates the expected cash outflows related to commission clawback. The estimation requires the Group to make estimates of the expected future occurrence of commission clawback by the product issuers and the expenditure required to settle the obligations. Details of the commission clawback are set out in note 25 to the financial statements.

4. Segment Information

All the Group's revenue and operating profit are generated from the provision of IFA services. Revenue represents the aggregate of investment brokerage commission income, insurance brokerage commission income, pension scheme brokerage commission income and advisory income. Information reported to the Group's chief operating decision maker, for the purpose of resources allocation and assessment performance, is focused on the operating results of the Group as a whole as the Group's resources are integrated and no discrete financial information is available. Accordingly, no segment analysis is presented.

Geographical information

(a) Revenue from external customers

	2011 HK$'000	2010 HK$'000
Hong Kong	**652,570**	572,481
Mainland China	**159**	–
Macau	**146**	–
	652,875	572,481

The revenue information above is based on the location of the customers.

(b) Non-current assets

	2011 HK$'000	2010 HK$'000 (Restated)
Hong Kong	**27,190**	28,943
Mainland China	**9,966**	374
Others	**224**	–
	37,380	29,317

The non-current asset information above is based on the location of assets and excludes financial instruments and deferred tax assets.

Information about product issuers

Revenue from major product issuers, each of them contributing to 10% or more of the Group's revenue, is set out below:

	2011 HK$'000	2010 HK$'000
Product issuer A	**370,580**	332,901
Product issuer B	**118,974**	130,615
Product issuer C	**79,230**	61,927

5. Revenue, Other Income and Gains, Net

Revenue, which is also the Group's turnover, represents the aggregate of investment brokerage commission income, insurance brokerage commission income, pension scheme brokerage commission income and advisory income earned during the year.

An analysis of revenue, other income and gains, net is as follows:

	2011 HK$'000	2010 HK$'000 (Restated)
Revenue		
Investment brokerage commission income	**633,068**	560,724
Insurance brokerage commission income	**12,028**	6,091
Pension scheme brokerage commission income	**7,657**	5,666
Advisory income	**122**	–
	652,875	572,481
Other income and gains, net		
Bank interest income	**1,149**	239
Dividend income from a listed investment	**–**	3
Service income from a fellow subsidiary	**392**	2,066
Gain on disposal of items of property, plant and equipment	**–**	67
Fair value loss on an equity investment at fair value through profit or loss	**(47)**	(8)
Foreign exchange differences, net	**174**	–
Others	**518**	449
	2,186	2,816

6. Profit Before Tax

The Group's profit before tax is arrived at after charging:

	Note	2011 HK$'000	2010 HK$'000 (Restated)
Minimum lease payments under operating leases:			
Land and buildings		**42,344**	35,573
Equipment		**100**	44
		42,444	35,617
Employee benefit expense (including directors' remuneration (note 7)):			
Salaries, allowances, bonuses and benefits in kind		**57,657**	47,861
Equity-settled share-based payment		**373**	–
Pension scheme contributions		**2,339**	1,882
		60,369	49,743
Equity-settled share-based payment:			
Employees (included in employee benefit expense)		**373**	–
Consultants (included in other expenses)		**3,332**	–
		3,705	–
Auditors' remuneration		**1,263**	861
Impairment of other receivables, net	19	**467**	5,044
Write-off of other receivables		**39**	166

7. Directors' Remuneration

Directors' remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	Group	
	2011 HK$'000	2010 HK$'000
Fees	**410**	203
Other emoluments:		
Salaries, allowances and benefits in kind	**5,635**	4,075
Discretionary bonuses	**1,613**	1,023
Pension scheme contributions	**36**	119
	7,284	5,217
	7,694	5,420

Included in the directors' remuneration were rental benefits for accommodation provided to directors of HK$648,000 (2010: HK$573,000) during the year.

7. Directors' Remuneration (continued)

(a) Independent non-executive directors

The fees paid and payable to independent non-executive directors during the year were as follows:

	2011 HK$'000	2010 HK$'000
Mrs. Fu Kwong Wing Ting, Francine	**150**	75
Dr. Wu Ka Chee, Davy	**130**	63
Mr. Ma Yiu Ho, Peter	**130**	65
	410	203

There were no other emoluments payable to the independent non-executive directors during the year (2010: Nil).

(b) Executive directors

	Fees HK$'000	Salaries, allowances, and benefits in kind HK$'000	Discretionary bonuses HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
2011					
Mr. Wong Lee Man	**–**	**1,723**	**500**	**12**	**2,235**
Ms. Fong Sut Sam	**–**	**2,183**	**611**	**12**	**2,806**
Mr. Mak Kwong Yiu	**–**	**1,729**	**502**	**12**	**2,243**
	–	**5,635**	**1,613**	**36**	**7,284**
2010					
Mr. Wong Lee Man	–	1,244	213	10	1,467
Ms. Fong Sut Sam	–	1,521	418	11	1,950
Mr. Mak Kwong Yiu	–	1,310	392	98	1,800
	–	4,075	1,023	119	5,217

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2010: Nil).

8. Five Highest Paid Employees

The five highest paid employees during the year included three directors (2010: three), details of whose remuneration are disclosed in note 7 above. Details of the remuneration of the remaining two (2010: two) non-director, highest paid employees for the year are as follows:

	Group	
	2011 **HK$'000**	**2010** **HK$'000**
Salaries, allowances and bonuses	**3,332**	3,347
Pension scheme contributions	**24**	23
Equity-settled share-based payment	**58**	–
	3,414	3,370

The number of non-director, highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2011	**2010**
HK$1,000,001 to HK$1,500,000	**1**	–
HK$1,500,001 to HK$2,000,000	**–**	2
HK$2,000,001 to HK$2,500,000	**1**	–
	2	2

9. Income Tax

Hong Kong profits tax has been provided at the rate of 16.5% (2010: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable in Mainland China have been calculated at the rates of tax prevailing in Mainland China.

	2011 **HK$'000**	**2010** **HK$'000** **(Restated)**
Group:		
Current – Hong Kong		
Charge for the year	**16,133**	15,959
Underprovision in prior years	**–**	9
Current – Mainland China	**93**	68
Deferred (note 17)	**(1,170)**	(1,926)
Total tax charge for the year	**15,056**	14,110

9. Income Tax (continued)

A reconciliation of the tax expense applicable to profit before tax at the Hong Kong statutory rate for the jurisdictions in which the Group's major operating subsidiaries are domiciled to the tax expense at the Group's effective tax rate is as follows:

	Group			
	2011 HK$'000	%	2010 HK$'000 (Restated)	%
Profit before tax	**64,540**		78,745	
Tax at the Hong Kong statutory tax rate	**10,649**	**16.5**	12,993	16.5
Higher tax rate for specific provinces in Mainland China	**(553)**		(58)	
Lower tax rate in Macau	**33**		–	
Adjustments in respect of current tax of previous periods	**–**		9	
Income not subject to tax	**(303)**		(40)	
Expenses not deductible for tax	**3,465**		1,120	
Tax losses not recognised	**1,720**		–	
Others	**45**		86	
Tax charge at the Group's effective rate	**15,056**	**23.3**	14,110	17.9

10. Profit Attributable to Owners of the Company

The consolidated profit attributable to owners of the Company for the year ended 31 December 2011 includes a loss of HK$9,323,000, excluding the 2010 final dividend income from its subsidiary of HK$26,550,000 (2010: HK$5,751,000, excluding the 2009 final dividend income from its subsidiary of HK$32,900,000), which has been dealt with in the financial statements of the Company (note 28(b)).

11. Dividends

	2011 HK$'000	2010 HK$'000
Dividends paid during the year:		
2010 final dividend – HK2.0 cents per ordinary share	**8,000**	–
2011 interim dividend – HK2.0 cents (2010: HK6.8 cents) per ordinary share	**8,000**	27,200
	16,000	27,200
Proposed 2011 final – HK7.0 cents (2010: HK2.0 cents) per ordinary share	**28,000**	8,000

On 28 March 2012, the board of directors of the Company proposed a final dividend of HK7.0 cents per ordinary share totalling HK$28,000,000 for the year ended 31 December 2011, which is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

12. Earnings Per Share Attributable to Owners of the Company

The calculation of the basic earnings per share amounts is based on the profit for the year attributable to owners of the Company, and the weighted average number of ordinary shares of 400,000,000 (2010: 347,123,288) in issue during the year.

The calculation of the diluted earnings per share amounts is based on the profit for the year attributable to owners of the Company. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

The calculations of the basic and diluted earnings per share amounts are based on:

	2011 HK$'000	2010 HK$'000 (Restated)
Earnings		
Profit for the year attributable to owners of the Company used in the earnings per share calculation	**53,003**	64,635

	Number of shares 2011	2010
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**400,000,000**	347,123,288
Effect of dilution – weighted average number of ordinary shares:		
Warrants	**1,903,379**	–
Weighted average number of ordinary shares in issue during the year used in the diluted earnings per share calculation	**401,903,379**	347,123,288

13. Property, Plant and Equipment

Group

	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Computer equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
31 December 2011					
At 31 December 2010 and at 1 January 2011 (Restated):					
Cost	26,408	15,475	43,468	4,059	89,410
Accumulated depreciation	(17,156)	(10,963)	(34,537)	(3,033)	(65,689)
Net carrying amount (Restated)	9,252	4,512	8,931	1,026	23,721
At 1 January 2011, net of accumulated depreciation (Restated)	9,252	4,512	8,931	1,026	23,721
Additions	10,186	1,805	5,568	–	17,559
Acquisition of a subsidiary (note 29)	–	158	8	–	166
Depreciation provided during the year	(7,745)	(1,947)	(4,989)	(706)	(15,387)
Exchange realignment	–	3	12	–	15
At 31 December 2011, net of accumulated depreciation	11,693	4,531	9,530	320	26,074
At 31 December 2011:					
Cost	36,594	17,536	49,061	4,059	107,250
Accumulated depreciation	(24,901)	(13,005)	(39,531)	(3,739)	(81,176)
Net carrying amount	11,693	4,531	9,530	320	26,074

13. Property, Plant and Equipment (continued)

Group (continued)

	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Computer equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
31 December 2010					
At 1 January 2010:					
Cost (as previously stated)	26,069	14,950	36,727	4,431	82,177
Adjustments (note 2.4(b))	–	94	48	–	142
As restated	26,069	15,044	36,775	4,431	82,319
Accumulated depreciation (as previously stated)	9,927	8,876	29,023	2,420	50,246
Adjustments (note 2.4(b))	–	39	9	–	48
As restated	9,927	8,915	29,032	2,420	50,294
Net carrying amount (Restated)	16,142	6,129	7,743	2,011	32,025
At 1 January 2010, net of accumulated depreciation (Restated)	16,142	6,129	7,743	2,011	32,025
Additions	339	421	6,527	288	7,575
Disposals	–	–	–	(198)	(198)
Depreciation provided during the year	(7,229)	(2,049)	(5,503)	(1,075)	(15,856)
Adjustment (note 2.4(b))	–	11	164	–	175
At 31 December 2010, net of accumulated depreciation (Restated)	9,252	4,512	8,931	1,026	23,721
At 31 December 2010:					
Cost	26,408	15,475	43,468	4,059	89,410
Accumulated depreciation	(17,156)	(10,963)	(34,537)	(3,033)	(65,689)
Net carrying amount (Restated)	9,252	4,512	8,931	1,026	23,721

14. Goodwill

Group

	HK$'000
Acquisition of a subsidiary (note 29), cost and net carrying amount at 31 December 2011	5,381

Impairment testing of goodwill

Goodwill acquired through business combinations has been allocated to the cash-generating unit of provision of insurance and brokerage services operations for impairment testing.

The recoverable amount of the cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a ten-year period approved by senior management. The discount rate applied to cash flow projections is 14%.

Key assumptions were used in the value in use calculation of the cash-generating unit for 31 December 2011. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Budgeted commission rate – The basis used to determine the value assigned to the budgeted commission rate is the average commission rate charged to product issuers in the period immediately before the budget year.

Discount rates – The discount rates used are before tax and reflect specific risks relating to the relevant units.

Price inflation – The basis used to determine the value assigned to operating expenses price inflation is the price index in the period immediately before the budget year for Mainland China where the operating expenses are incurred.

The values assigned to the key assumptions are consistent with external information sources.

15. Investments in Subsidiaries

	Company	
	2011 HK$'000	2010 HK$'000
Unlisted shares, at cost	**66,435**	65,379

The amounts due from and to subsidiaries included in the Company's current assets and current liabilities of HK$109,649,000 (2010: HK$32,909,000) and HK$117,336,000 (2010: HK$24,961,000), respectively, are unsecured, interest-free and repayable on demand.

15. Investments in Subsidiaries (continued)

Particulars of the subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ paid-up share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Convoy China Limited	British Virgin Islands/ Hong Kong	HK$8	100	–	Investment holding
Convoy (BVI) Limited	British Virgin Islands/ Hong Kong	HK$10,000	100	–	Investment holding
Convoy Financial Holdings Limited	Hong Kong	HK$1	100	–	Management of business development
Prosper Ocean Investments Limited	British Virgin Islands/ Hong Kong	HK$8	100	–	Investment holding
Convoy Beijing Holdings Limited	Hong Kong	HK$1	100	–	Inactive
CFSH (Macau) Limited	Hong Kong	HK$100	100	–	Investment holding
Convoy Financial Services Limited	Hong Kong	HK$1,000,000	–	100	Provision of insurance and MPF schemes brokerage services
Convoy Insurance Brokers (Macau) Limited	Macau	MOP100,000*	–	100	Provision of insurance brokerage services
CCIA Holdings Limited	British Virgin Islands/ Hong Kong	HK$33,268	–	100	Investment holding

15. Investments in Subsidiaries (continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ paid-up share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
CIB Holdings Limited	Hong Kong	HK$1	–	100	Provision of referral services
Great Performer Limited	British Virgin Islands/ Hong Kong	HK$8	–	100	Inactive
Convoy China Insurance Agency Co., Limited	Hong Kong	HK$2	–	100	Investment holding
Convoy China Financial Services Holdings Limited	Hong Kong	HK$10	–	100	Investment holding
康宏財富投資管理(北京)有限公司**	People's Republic of China ("PRC")/ Mainland China	RMB 10,000,000	–	100	Provision of investment advisory and corporate marketing services
深圳盛海信息咨詢有限公司**	PRC/Mainland China	RMB500,000	–	100	Provision of administrative services
深圳康宏保險經紀有限公司***	PRC/Mainland China	RMB 20,000,000	–	80	Provision of insurance brokerage services

* MOP10,000 share capital are held in trust by two directors of the subsidiary.

** Registered as wholly-foreign-owned enterprises under PRC law.

*** Registered as a domestic enterprise under PRC law.

16. Loans and Other Receivables

Group

	2011 HK$'000
Loans receivable	**14,185**
Other receivables	**7,122**
	21,307

During the year, the Group has been in negotiation with certain independent third parties to acquire certain companies established in the PRC (the "Target Companies") which are primarily engaged in provision of insurance brokerage services in Mainland China. Up to the date of approval of these financial statements, these contemplated acquisitions are in the final stage of negotiation and/or under the approval process of the relevant PRC authorities for change of legal ownership. In the opinion of the Directors, these acquisitions will be completed before the end of 2012.

As at 31 December 2011, the Group made advances of approximately HK$14,185,000 in aggregate to the Target Companies and approximately HK$7,122,000 to beneficial shareholders (the "Beneficial Shareholders") of a Target Company for the purpose of their working capital. Except for the advances of HK$7,122,000 receivable from the Beneficial Shareholders which are secured by the entire equity interest in that Target Company and can be used to settle the purchase consideration thereof, the balances are unsecured, interest-free and have no fixed terms of repayment. In the opinion of the Directors, the advances are not expected to be repaid within one year.

17. Deferred Tax

The movements in deferred tax liabilities and assets during the year are as follows:

Group

	Depreciation in excess of related depreciation allowance/ (depreciation allowance in excess of related depreciation) HK$'000	Commission clawback HK$'000	Provision for other receivables HK$'000	Total HK$'000
Deferred tax assets/(liabilities) at 1 January 2010	(835)	976	542	683
Deferred tax credited to the statement of comprehensive income during the year (note 9)	1,144	33	749	1,926
Deferred tax assets at 31 December 2010 and at 1 January 2011	309	1,009	1,291	2,609
Deferred tax credited to the statement of comprehensive income during the year (note 9)	1,071	78	21	1,170
Deferred tax assets at 31 December 2011	1,380	1,087	1,312	3,779

For presentation purposes, the deferred tax assets and liabilities that relate to the same taxable entity and the same taxation authority have been offset in the consolidated statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2011 HK$'000	2010 HK$'000
Net deferred tax assets recognised in the consolidated statement of financial position	**3,779**	2,609

The Group has estimated tax losses arising in Mainland China of HK$6,880,000 (2010: Nil) that will expire in five years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these losses as it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

18. Accounts Receivable

Group

	2011 HK$'000	2010 HK$'000
Accounts receivable	**53,349**	56,261

Accounts receivable represent brokerage commission receivables which are generally settled within 45 days upon the execution of the insurance policies and/or receipt of statements from product issuers.

The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its accounts receivable balances. Accounts receivable are non-interest-bearing.

Accounts receivable as at the end of the reporting period, based on the date of recognition of revenue and net of provisions, are aged within one month and neither past due nor impaired.

The Group's accounts receivables relate to a number of reputable product issuers for whom there has been no recent history of default.

19. Prepayments, Deposits and Other Receivables

	Group		Company	
	2011 HK$'000	2010 HK$'000 (Restated)	2011 HK$'000	2010 HK$'000
Other receivables	**18,109**	13,394	**–**	–
Impairment	**(9,734)**	(9,267)	**–**	–
	8,375	4,127	**–**	–
Prepayments	**5,757**	3,558	**180**	183
Deposits	**689**	1,874	**–**	–
	14,821	9,559	**180**	183

As at 31 December 2011, all other receivables are non-interest-bearing. As at 31 December 2010, apart from other receivables of HK$8,000 which bore interest at rates ranging from 2% to 8% per annum, the remaining balances were non-interest-bearing.

19. Prepayments, Deposits and Other Receivables (continued)

The movements in the provision for impairment of other receivables are as follows:

	Group	
	2011	**2010**
	HK$'000	**HK$'000**
At 1 January	**9,267**	4,223
Impairment losses recognised (note 6)	**881**	7,531
Impairment losses reversed (note 6)	**(414)**	(2,487)
At 31 December	**9,734**	9,267

Included in the above provision for impairment of other receivables is a provision for individually impaired other receivables of HK$9,734,000 (2010: HK$9,267,000) with a carrying amount before provision of HK$11,588,000 (2010: HK$10,421,000). This provision was determined after taking into account the aged of the respective receivable balances, the creditworthiness of the debtors, their repayment history and their historical write-off experience. Only a portion of the receivables is expected to be recovered. The Group does not hold any collateral or other credit enhancements over these balances.

The aged analysis of other receivables that are not considered to be impaired is as follows:

	Group	
	2011	**2010**
	HK$'000	**HK$'000**
Neither past due nor impaired	**3,046**	–
Less than 1 month past due	**865**	485
1 month to 2 months past due	**362**	725
2 months to 3 months past due	**301**	261
Over 3 months past due	**1,947**	1,502
	6,521	2,973

Receivables that were neither past due nor impaired relate to a large number of debtors for whom there has been no recent history of default.

Receivables that were past due but not impaired relate to a number of independent debtors that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances, except for other receivables amounting to HK$146,000 as at 31 December 2010 which were secured by personal guarantees and was fully settled during the year.

20. Equity Investment at Fair Value Through Profit or Loss

	Group	
	2011 HK$'000	2010 HK$'000
Listed equity investment, at fair value:		
Hong Kong	**183**	230

The above equity investment at 31 December 2011 and 2010 was classified as held for trading and was, upon initial recognition, designated by the Group as financial assets as at fair value through profit or loss.

21. Restricted Cash

At 31 December 2011, the Group had approximately HK$394,000 of cash which was restricted as to use. The restricted cash balance was placed in an escrow account in relation to a contemplated acquisition of one of the Target Companies, as further detailed in note 16 to the financial statements. All of the restricted cash is expected to be released within one year from 31 December 2011 and is accordingly classified as a current asset.

22. Cash and Cash Equivalents

	Group		Company	
	2011 HK$'000	2010 HK$'000 (Restated)	2011 HK$'000	2010 HK$'000
Cash and bank balances	**120,696**	127,169	**20,027**	202
Time deposits	**98,552**	100,046	**98,552**	100,046
Cash and cash equivalents	**219,248**	227,215	**118,579**	100,248

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$29,508,000 (2010: HK$363,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and one month depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and time deposits are deposited with creditworthy banks with no recent history of default.

23. Accounts Payable

Accounts payable represent commission payables for the provision of insurance and MPF schemes brokerage services which are generally settled within 30 days to 120 days upon receipt of payments from product issuers by the Group.

An aged analysis of accounts payable as at the end of each reporting period is as follows:

	Group	
	2011 HK$'000	2010 HK$'000
Within 1 month	**45,231**	50,272
1 to 2 months	**22,791**	23,040
2 to 3 months	**9,765**	12,604
Over 3 months	**20,642**	13,779
	98,429	99,695

Accounts payable are non-interest-bearing. Included in the accounts payable were commission payables to the spouse, a brother and a cousin of a director of the Group's operating subsidiary who are consultants of the Group, totalling HK$1,553,000 (2010: HK$1,724,000), which are payable on similar terms to other consultants of the Group.

24. Other Payables and Accruals

	Group		Company	
	2011 HK$'000	2010 HK$'000 (Restated)	2011 HK$'000	2010 HK$'000
Other payables	**8,453**	13,344	**–**	–
Accruals	**21,708**	18,717	**1,765**	413
	30,161	32,061	**1,765**	413

Other payables are non-interest-bearing and have an average term of three months.

25. Commission Clawback

The Group is entitled to receive investment brokerage commission income from various product issuers for business referral and introduction. The commission is calculated based on pre-determined percentages of the regular contributions by the Group's customers to these product issuers. Pursuant to the terms of the agreements entered into between the Group and these product issuers, the commission paid by the product issuers to the Group is subject to a commission clawback by the product issuers on a pro-rata basis over an indemnified period. The indemnified period is generally from 6 months to 24 months. In the event that a customer terminates the regular contribution within the indemnified period, the product issuers will clawback the relevant commission. The amount of the commission clawback represents expected cash outflows which are estimated with reference to the sales volume, past experience of the levels of clawback, and the directors' best estimates of the expenditure required to settle the obligations. The estimation basis is reviewed on an ongoing basis and revised by the directors where appropriate.

26. Share Capital

Shares

	2011 HK$'000	2010 HK$'000
Authorised:		
1,000,000,000 ordinary shares of HK$0.10 each	**100,000**	100,000
Issued and fully paid:		
400,000,000 ordinary shares of HK$0.10 each	**40,000**	40,000

During the year ended 31 December 2010, the movements in share capital of the Company were as follows:

(i) Upon incorporation on 12 March 2010, the authorised share capital of the Company was HK$100,000,000 divided into 1,000,000,000 shares of HK$0.1 each. One ordinary share of HK$0.1 was allotted and issued nil paid as the subscriber's share, which was transferred on the same day to CFG, the immediate holding company of the Company;

(ii) In connection with the reorganisation of group of companies now comprising our Group in preparing for the listing completed on 21 June 2010 (the "Reorganisation") and pursuant to a resolution passed in a meeting of the directors of the Company on 21 June 2010, the Company acquired 10,000 ordinary shares of HK$0.1 each in the entire share capital of Convoy (BVI) Limited, the direct holding company of an operating subsidiary of the Group prior to the completion of the Reorganisation, by issuing and allotting 299,999,999 ordinary shares of the Company of HK$0.1 each, credited as full paid at par to CFG; and

(iii) In connection with a placing and a public offer of the Company (collectively the "Share Offer"), an aggregate of 100,000,000 new ordinary shares of the Company of HK$0.1 each were issued at a price of HK$1.2 per share for a total cash consideration, before share issue costs, of HK$120,000,000. Further details of the Share Offer are also set out in the listing prospectus of the Company or in an announcement of the Company dated 29 June 2010.

A summary of the transactions during the prior year with reference to the above movements in the Company's issued share capital is as follows:

	Notes	Number of shares in issue	Issued capital HK$'000	Share premium account HK$'000	Total HK$'000
Issue of a new share upon incorporation	(i)	1	–	–	–
Issue of new shares pursuant to the Reorganisation	(ii)	299,999,999	30,000	35,379	65,379
Issue of new shares in connection with the Share Offer	(iii)	100,000,000	10,000	110,000	120,000
Share issue expenses		–	–	(11,983)	(11,983)
At 31 December 2010 and 31 December 2011		400,000,000	40,000	133,396	173,396

26. Share Capital (continued)

Warrants

On 16 February 2011, the Company entered into a warrant placing agreement in connection with the warrant placing, pursuant to which the placing agents conditionally agreed to place, on a best effort basis, up to 50,000,000 warrants conferring rights to subscribe for 50,000,000 warrants shares at the exercise price of HK$1.60 per warrant to HK$2.0 per warrant to not less than six warrant placees who, and their respective ultimate beneficial owners are, independent third parties. The warrants are to be placed at a warrant placing price of HK$0.02 each. Further details of the placing are contained in the Company's announcement dated 16 February 2011.

During the year, no warrants were exercised. The proceeds from warrants placing of HK$965,000, net of warrant placing expense of HK$35,000, were recorded as a component of shareholders' equity in warrant reserve.

Subsequent to the end of the reporting period, no warrants were exercised and all the warrants expired on 23 February 2012.

27. Share Award Scheme

On 25 January 2011, the Company adopted a share award scheme (the "Award Scheme") under which shares of the Company (the "Awarded Shares") may be awarded to selected participants, including employees, consultants and business associates of the Group (the "Selected Participants") in accordance with the provisions of the Award Scheme and an irrevocable trust (the "Trust") was also established by the Company for the purpose of the Award Scheme. The Award Scheme became effective on the adoption date and, unless otherwise terminated or amended, will remain in force for 10 years from that date. Further details of the Award Scheme are also set out in an announcement of the Company dated 25 January 2011.

The aggregate number of Awarded Shares currently permitted to be awarded under the Award Scheme throughout the duration of the Award Scheme is limited to 10% of the issued share capital of the Company as at 25 January 2011, i.e., 40,000,000 shares.

Pursuant to the rules governing the operation of the Award Scheme (the ''Scheme Rules''), the board of directors of the Company (the "Board") shall select the Selected Participants and determine the number of Awarded Shares to be awarded. The Board shall cause to pay the trustee of the Trust (the ''Trustee'') the purchase price and the related expenses from the Company's resources for the shares of the Company to be purchased by the Trustee. The Trustee is an independent third party appointed by the Board for the administration of the Award Scheme. The Trustee shall purchase from the market such number of shares of the Company awarded as specified by the Board and shall hold such shares until they are vested in accordance with the Scheme Rules.

When a Selected Participant has satisfied all vesting conditions, which might include service and/or performance conditions, specified by the Board at the time of making the award and become entitled to the shares of the Company forming the subject of the award, the Trustee shall transfer the relevant vested Awarded Shares to that employee at no cost.

The Trustee shall not exercise the voting rights in respect of any shares of the Company held under the Trust, including, inter alia, the Awarded Shares and further shares of the Company acquired out of the income derived therefrom.

27. Share Award Scheme (continued)

The fair value of the Awarded Shares awarded was based on the market value of the Shares on the grant date.

During the year ended 31 December 2011, the Trustee acquired under the Award Scheme 1,790,000 ordinary shares of the Company through purchases on the open market at a total cost (including related transaction costs) of HK$3,500,000 which was credited to shares held for share award scheme account of the Company as an equity component of the Company.

On 1 August 2011, 1,790,000 Awarded Shares were awarded, fully vested at the grant date, to certain employees and consultants of the Group, which were transferred to the employees and consultants at nil consideration. The fair value of the Awarded Shares awarded was based on the market value of the Company's shares at the grant date and the Group recognised an equity-settled share-based payment expense of HK$3,705,000 for the year ended 31 December 2011 (2010: Nil) with a corresponding debit to the shares held for share award scheme account of the Company with the same amount (2010: Nil).

No Awarded Shares were outstanding as at 31 December 2011.

28. Reserves

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 53 of the financial statements.

Capital reserve

The Group's capital reserve represents (i) the issued paid-up capital of a subsidiary of the Company; and (ii) the excess of the nominal value of the shares of a subsidiary acquired pursuant to the Reorganisation, over the investment cost of the Company's shares issued in exchange therefor.

Merger reserve

Merger reserve represents the difference in the fair value of the consideration paid to CFG for the acquisition of the POI Group and the share capital of the subsidiaries under acquisition, as disclosed in note 2.4 to the financial statements.

Reserve funds

Pursuant to the relevant laws and regulations applicable to Mainland China, the Group's subsidiaries established in Mainland China are required to transfer part of their net profit after tax to the reserve funds, which are non-distributable and restricted as to use.

Other reserves

Other reserves represents (i) the gain on deemed disposal of interests in subsidiaries amounting to approximately HK$65,000; and (ii) the waiver of an amount due to CFG payable by the POI Group of approximately HK$515,000.

28. Reserves (continued)

(b) Company

	Notes	Share premium HK$'000	Shares held for share award scheme HK$'000	Warrant reserve HK$'000	Retained profits/ (accumulated loss) HK$'000	Total equity HK$'000
Profit for the year and total comprehensive income for the year		–	–	–	27,149	27,149
Shares issued for acquisition of subsidiaries		35,379	–	–	–	35,379
2010 interim dividend	11	–	–	–	(27,200)	(27,200)
Issue of new shares in connection with the Share Offer	26(iii)	110,000	–	–	–	110,000
Share issue expenses		(11,983)	–	–	–	(11,983)
At 31 December 2010 and 1 January 2011		133,396	–	–	(51)	133,345
Profit for the year and total comprehensive income for the year		–	–	–	17,227	17,227
Share purchased for share award scheme	27	–	(3,500)	–	–	(3,500)
Equity-settled share-based payment	27	–	3,705	–	–	3,705
Transfer from shares held for share award scheme		–	(205)	–	205	–
2010 final dividend	11	–	–	–	(8,000)	(8,000)
2011 interim dividend	11	–	–	–	(8,000)	(8,000)
Net proceeds from issue of warrants	26	–	–	965	–	965
At 31 December 2011		133,396	–	965	1,381	135,742

29. Business Combination

On 15 September 2011, the Group acquired an 80% interest in 深圳康宏保險經紀有限公司 from 首華証券諮詢(深圳) 有限公司 ("首華証券"), an independent third party. 深圳康宏保險經紀有限公司 is an enterprise established in the PRC which holds an insurance licence (經營保險經紀業許可證) issued by the 中國保險監督管理委員會 that permits it to provide nationwide insurance brokerage services in Mainland China. The acquisition was made as part of the Group's strategy to expand its market share in the insurance agency industry in Mainland China. The purchase consideration for the acquisition was in the form of cash, with RMB3,149,000 (equivalent to approximately HK$3,729,000) paid at the acquisition date. The Group has elected to measure the non-controlling interest in 深圳康宏保險經紀有限公司 at the non-controlling interests' proportionate share of 深圳康宏保險經紀有限公司's identifiable net liabilities.

The fair values of the identifiable assets and liabilities of 深圳康宏保險經紀有限公司 as at the date of acquisition which approximated the corresponding carrying amounts immediately before the acquisition were as follows:

	Notes	Fair value recognised on acquisition HK$'000
Property, plant and equipment	13	166
Cash and bank balances		51
Prepayments, deposits and other receivables		468
Tax payable		(27)
Other payables and accruals		(2,723)
Total identifiable net liabilities at fair value		(2,065)
Non-controlling interest		413
Goodwill on acquisition	14	5,381
Satisfied by cash		3,729

The fair value of other receivables as at the date of acquisition amounted to HK$72,000. The gross contractual amounts of other receivables were HK$280,000 of which other receivables of HK$208,000 are expected to be uncollectible.

An analysis of the cash flows in respect of the acquisition of 深圳康宏保險經紀有限公司 is as follows:

	HK$'000
Cash consideration	3,729
Cash and bank balances acquired	(51)
Net outflow of cash and cash equivalents included in cash flows from investing activities	3,678

Since the acquisition, 深圳康宏保險經紀有限公司 contributed HK$37,000 to the Group's revenue and a loss of HK$1,320,000 to the consolidated profit for the year ended 31 December 2011.

Had the acquisition taken place at the beginning of the year, the revenue of the Group and the profit of the Group for the year would have been HK$652,965,000 and HK$46,250,000, respectively.

30. Contingent Liabilities

At the end of each reporting period, neither the Group nor the Company had any significant contingent liabilities.

31. Operating Lease Commitments

The Group leases its office properties, staff quarters, and certain equipment under operating lease arrangements. Leases for properties, staff quarters, and equipment are negotiated for terms ranging from one to four years.

At 31 December 2011, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2011	**2010**
	HK$'000	**HK$'000**
		(Restated)
Within one year	**49,059**	43,799
In the second to fifth years, inclusive	**43,440**	75,143
	92,499	118,942

32. Commitments

In addition to the operating lease commitments detailed in note 31 above, the Group had the following commitments at the end of the reporting period:

	2011	**2010**
	HK$'000	**HK$'000**
Capital commitment:		
Contracted, but not provided for:		
Property, plant and equipment	**–**	3,284
Other:		
Contracted, but not provided for:		
Acquisitions of subsidiaries	**190,086**	–

33. Related and Connected Party Transactions

(a) In addition to the transactions and balances detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year:

	Notes	2011 HK$'000	2010 HK$'000 (Restated)
Commission expenses to:			
Spouse of a director of the Group's operating subsidiary	(i)	**1,393**	2,034
Brother of a director of the Group's operating subsidiary	(i)	**870**	1,281
Cousin of a director of the Group's operating subsidiary	(i)	**3,268**	2,578
Administrative service fee charged to a fellow subsidiary	(ii)	**392**	1,989

Notes:

(i) The commission expenses were paid to the related parties who are also the Group's consultants and were determined based on the volume of brokerage transactions executed by them for the accounts of the Group. The commissions offered are substantially in line with those offered to other consultants of the Group.

(ii) The administrative service fee was charged to Convoy Collateral Limited, a fellow subsidiary of the Company, based on terms agreed between the two parties.

(b) Other transactions with related parties:

During the year, the Group acquired the POI Group from CFG at a consideration of HK$1,056,000, which was determined with reference to the consolidated net asset value of the POI Group as at 31 January 2011. Further details of the transaction are included in note 2.4 to the financial statements.

(c) Outstanding balances with related parties:

The balances with a fellow subsidiary and the immediate holding company are unsecured, interest-free and repayable on demand.

During the year, an amount of approximately HK$515,000 payable by the POI Group was waived by CFG pursuant to a resolution of the directors of CFG dated 31 January 2011. The amount waived was credited to the other reserve of the Group.

(d) Compensation of key management personnel of the Group:

	2011 HK$'000	2010 HK$'000
Salaries, allowances, bonuses and benefits in kind	**7,658**	5,301
Pension scheme contributions	**36**	119
Total compensation paid to key management personnel	**7,694**	5,420

Further details of directors' emoluments are included in note 7 to the financial statements.

The related party transactions in respect of item (a)(i) above also constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules.

The related party transaction in respect of item (b) above also constitute a connected transaction as defined in Chapter 14A of the Listing Rules.

34. Financial Instruments by Category

The carrying amounts of the categories of financial instruments as at the end of the reporting period are as follows:

Group

Financial assets

	Financial assets at fair value through profit or loss – held for trading		Loans and receivables		Total	
	2011 HK$'000	2010 HK$'000	2011 HK$'000	2010 HK$'000 (Restated)	2011 HK$'000	2010 HK$'000 (Restated)
Loans and other receivables	–	–	21,307	–	21,307	–
Rental deposits	–	–	13,516	13,143	13,516	13,143
Accounts receivable	–	–	53,349	56,261	53,349	56,261
Financial assets included in prepayments, deposits and other receivables	–	–	8,895	4,731	8,895	4,731
Equity investment at fair value through profit or loss	183	230	–	–	183	230
Due from a fellow subsidiary	–	–	643	–	643	–
Restricted cash	–	–	394	–	394	–
Cash and cash equivalents	–	–	219,248	227,215	219,248	227,215
	183	230	317,352	301,350	317,535	301,580

Financial liabilities

	Financial liabilities at amortised cost	
	2011 HK$'000	2010 HK$'000 (Restated)
Accounts payable	98,429	99,695
Financial liabilities included in other payables and accruals	29,910	31,830
Due to the immediate holding company	–	155
Commission clawback	6,588	6,115
	134,927	137,795

34. Financial Instruments by Category (continued)

Company

Financial assets

	Loans and receivables	
	2011	2010
	HK$'000	HK$'000
Due from subsidiaries	**109,649**	32,909
Cash and cash equivalents	**118,579**	100,248
	228,228	133,157

Financial liabilities

	Financial liabilities at amortised cost	
	2011	2010
	HK$'000	HK$'000
Due to subsidiaries	**117,336**	24,961
Accruals	**1,765**	413
	119,101	25,374

35. Fair Value and Fair Value Hierarchy

At the end of the reporting period, the carrying amounts of the Group's and Company's financial assets and financial liabilities approximate to their fair values.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of accounts receivable, financial assets included in prepayments, deposits and other receivables, balances with subsidiaries, a fellow subsidiary and the immediate holding company, restricted cash, cash and cash equivalents, accounts payable, financial liabilities included in other payables and accruals and commission clawback approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the loans and other receivables and rental deposits have been calculated by discounting the expected future cash flows using rates currently available for instruments on similar terms, credit risk and remaining maturities.

The fair value of the listed equity investment is based on quoted market prices.

35. Fair Value and Fair Value Hierarchy (continued)

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair values of financial instruments:

Level 1: fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: fair values measured based on valuation techniques for which any inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs)

Asset measured at fair value:

Group

	Level 1	
	2011 HK$'000	2010 HK$'000
Equity investment at fair value through profit or loss (note 20)	**183**	230

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 (2010: Nil).

The Group did not have any financial liabilities measured at fair value as at the end of each reporting period.

The Company did not have any financial instruments measured at fair value as the end of each reporting period.

36. Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise cash and cash equivalents. The main purpose of these financial instruments is to finance the Group's operations. The Group has various other financial assets and liabilities such as loans receivable, accounts receivable, deposits and other receivables, restricted cash, accounts and other payables and accruals, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risks, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group is exposed to interest rate risk through the impact of rate changes on interest-bearing financial assets. Cash at banks earns interest at floating rates based on daily bank deposit rates.

36. Financial Risk Management Objectives and Policies (continued)

Foreign currency risk

The Group mainly operates in Hong Kong and Mainland China with most of the Group's monetary assets, liabilities and transactions principally denominated in Hong Kong dollars and Renminbi, respectively. Majority of the commission revenue and expenditure incurred by the operating units of the Group was denominated in the units' functional currency and as a result, the Group does not anticipate significant transactional currency exposures. The Group has not used any derivative to hedge its exposure to foreign currency risk.

Credit risk

The Group conducts business only with recognised and creditworthy third parties. 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 financial assets, which comprise loans receivable, accounts receivable, deposits and other receivables, restricted cash and cash and cash equivalents, 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 had certain concentrations of credit risk as 61% (2010: 50%) and 92% (2010: 97%) of the Group's accounts receivable were due from the Group's largest product issuer and the five largest product issuers, respectively.

Further quantitative data in respect of the Group's exposure to credit risk arising from accounts receivable and other receivables are disclosed in notes 18 and 19 to the financial statements.

Liquidity risk

In order to manage liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

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

Group

		2011		
	On demand HK$'000	Less than 3 months HK$'000	3 to less than 12 months HK$'000	Total HK$'000
Accounts payable	–	69,990	28,439	98,429
Financial liabilities included in other payables and accruals	–	29,910	–	29,910
Commission clawback	6,588	–	–	6,588
	6,588	99,900	28,439	134,927

36. Financial Risk Management Objectives and Policies (continued)

Liquidity risk (continued)

Group (continued)

	2010			
	On demand HK$'000	Less than 3 months HK$'000	3 to less than 12 months HK$'000	Total HK$'000 (Restated)
Accounts payable	–	99,695	–	99,695
Financial liabilities included in other payables and accruals	–	31,830	–	31,830
Due to the immediate holding company	155	–	–	155
Commission clawback	6,115	–	–	6,115
	6,270	131,525	–	137,795

Company

	2011		
	On demand HK$'000	Less than 3 months HK$'000	Total HK$'000
Due to subsidiaries	**117,336**	**–**	**117,336**
Accruals	**–**	**1,765**	**1,765**
	117,336	**1,765**	**119,101**

	2010		
	On demand HK$'000	Less than 3 months HK$'000	Total HK$'000
Due to subsidiaries	24,961	–	24,961
Accruals	–	413	413
	24,961	413	25,374

36. Financial Risk Management Objectives and Policies (continued)

Capital management

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

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements except for a subsidiary registered under the Insurance Companies Ordinance of Hong Kong which is subject to the relevant minimum capital requirement. During the year, that subsidiary complied with the externally imposed capital requirement at all times by maintaining both minimum paid-up share capital and minimum net assets of HK$100,000. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2011 and 31 December 2010.

Capital of the Group comprises all components of shareholders' equity.

37. Events after the Reporting Period

Subsequent to the end of the reporting period, the Company has decided not to proceed with the proposed listing of Taiwan depositary receipts on the Taiwan Stock Exchange in light of the current uncertain market conditions.

38. Comparative Amounts

As further explained in note 2.4 to the financial statements, due to the adoption of merger accounting for business combination involving entities under common control during the current year, the presentation of certain items in the financial statements have been revised. Accordingly, certain prior year adjustments have been made, certain comparative amounts have been reclassified and restated to conform with the current year's presentation, and a third statement of financial position as at 1 January 2010 has been presented.

39. Approval of the Financial Statements

The financial statements were approved and authorised for issue by the board of directors on 28 March 2012.

A summary of the results for the last five years and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the respective published audited financial statements and the Prospectus of the Company dated 29 June 2010, and restated/reclassified as appropriate, is set out below. The amounts for each year in the five year financial summary have been adjusted for the effects of the acquisition of subsidiaries under common control, as detailed in note 2.4 to the financial statements.

Results

	Year ended 31 December				
	2011	2010	2009	2008	2007
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
		(Restated)	(Restated)	(Restated)	(Restated)
REVENUE	**652,875**	572,481	455,942	554,283	636,069
Other income and gains, net	**2,186**	2,816	209	214	2,815
Commission expenses	**(390,608)**	(330,146)	(253,538)	(322,915)	(362,928)
Staff costs	**(60,369)**	(49,743)	(46,067)	(64,323)	(51,696)
Depreciation	**(15,387)**	(15,856)	(16,761)	(16,500)	(14,739)
Commission clawback	**(6,332)**	(6,035)	(4,651)	(7,286)	(4,217)
Other expenses	**(117,825)**	(94,772)	(87,879)	(105,765)	(80,836)
PROFIT BEFORE TAX	**64,540**	78,745	47,255	37,708	124,468
Income tax expense	**(15,056)**	(14,110)	(9,002)	(6,116)	(23,040)
PROFIT FOR THE YEAR	**49,484**	64,635	38,253	31,592	101,428
OTHER COMPREHENSIVE INCOME					
Exchange differences on translation of foreign operations	**78**	16	–	–	–
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**49,562**	64,651	38,253	31,592	101,428

Assets and Liabilities

	As at 31 December				
	2011	2010	2009	2008	2007
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
		(Restated)	(Restated)	(Restated)	(Restated)
TOTAL ASSETS	**364,451**	337,064	163,011	175,962	200,613
TOTAL LIABILITIES	**(135,395)**	(145,343)	(116,758)	(95,966)	(144,746)
NON-CONTROLLING INTERESTS	**(254)**	–	–	–	–

Definitions

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

"Articles"	means the articles of association of the Company
"Board" or "Board of Directors"	means the board of Directors of the Company as at the date of this annual report
"CFG"	means Convoy Financial Group Limited (康宏金融集團有限公司), a company incorporated in the British Virgin Islands with limited liability
"CFS"	means Convoy Financial Services Limited (康宏理財服務有限公司) (formerly known as Wardley Shipping Limited (和利船務有限公司), Equitable Insurance Management Limited (公正保險管理有限公司), Convoy Insurance Brokers Limited (康威保險經紀行有限公司) and Convoy NPL Financial Services Limited (康宏理財服務有限公司), a company incorporated in Hong Kong with limited liability on 12 March 1992, an indirect wholly-owned subsidiary of our Company and a registered member of PIBA and corporate intermediary of MPFA
"Company" or "our Company"	means Convoy Financial Services Holdings Limited (康宏理財控股有限公司), a company incorporated in the Cayman Islands on 12 March 2010 with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 1019)
"Consultant(s)"	means individual(s) registered with PIBA as technical representative(s) and accredited to CFS, and engaged by CFS to provide services to customers and potential customers in negotiating contracts of insurance and, in some cases, MPF schemes
"Director(s)"	means the director(s) of our Company
"ECA"	means the Employee Choice Arrangement of MPF
"Group", "Our Group", "we", "us" or "Convoy"	means the Company and its subsidiaries
"HK$" or "HK dollars"	means Hong Kong dollars, the lawful currency of Hong Kong
"HK cents"	means Hong Kong cents, the lawful currency of Hong Kong
"Hong Kong"	means Hong Kong Special Administrative Region of PRC
"IFPHK"	means Institute of Financial Planners of Hong Kong
"ILAS"	means the acronym for Investment-linked Assurance Scheme, an insurance policy of the "linked long term" class as defined in First Schedule, Part 2 of the ICO
"Insurance Companies Ordinance" or "ICO"	means the Insurance Companies Ordinance (Chapter 41 of the Laws of Hong Kong), as amended and supplemented from time to time

"IPP"	means IPP FINANCIAL SERVICES HOLDINGS LTD, a company incorporated in Singapore with limited liability
"Listing"	means the listing of our Shares on the Main Board
"Listing Date"	means 13 July 2010
"Listing Rules"	means the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
"Macau"	means Macau Special Administrative Region of PRC
"Main Board"	means the main board of the Stock Exchange
"MPF"	means Mandatory Provident Fund
"MPFA"	means Mandatory Provident Fund Schemes Authority
"OCI"	means the Office of the Commissioner of Insurance of the Government of Hong Kong
"Renminbi" or "RMB"	means Renminbi, the lawful currency of the PRC
"Reorganisation"	means the reorganisation of group of companies now comprising our Group in preparing for the Listing completed on 21 June 2010, details of which are set forth under the paragraph headed "History and development" in the section headed "Corporate history, development and Reorganisation" and under the paragraph headed "Corporate Reorganisation" in Appendix V to the Prospectus
"PIBA"	means Professional Insurance Brokers Association, a body of insurance brokers which is approved by the IA under the Insurance Companies Ordinance
"PRC"	means the People's Republic of China
"Prosper Ocean"	means Prosper Ocean Investments Limited, a company incorporated in the British Virgin Islands with limited liability
"Proposed TDR Listing"	means the proposed listing of TDRs on the Taiwan Stock Exchange
"Prospectus"	means the prospectus issued by the Company dated 29 June 2010
"SFC"	means the Securities and Futures Commission of Hong Kong
"Share(s)"	means ordinary share(s) with a nominal value of HK$0.10 each in the share capital of our Company
"Singapore"	means the Republic of Singapore

Definitions

"Stock Exchange"	means The Stock Exchange of Hong Kong Limited
"S$"	means Singapore dollars, the lawful currency of Singapore
"Taiwan Central Bank"	means the Central Bank of Republic of China (Taiwan)
"Taiwan Securities and Futures Bureau"	means Securities and Futures Bureau, Financial Supervisory Commission, Executive Yuan, Republic of China (Taiwan)
"Taiwan Stock Exchange"	means Taiwan Stock Exchange Corporation
"TDR"	means the Taiwan depositary receipts proposed to be issued by a depositary bank in Taiwan pursuant to the TDR Issue
"TDR Issue"	means the proposed issue of 40,000,000 units of TDR, subject to the approval by the Taiwan Central Bank, the Taiwan Stock Exchange and the Taiwan Securities and the Futures Bureau and the adjustment (if any) by the Board
"%"	means per cent.

the English translation of the Chinese names or words in this annual report, where indicated, are included for information purpose only, and should not be regarded as the official English translation of such Chinese names or words.