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CASH FINANCIAL SERVICES GROUP LIMITED

(Incorporated in Bermuda with limited liability)
(Stock code: 510)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2009

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

The audited consolidated results of CASH Financial Services Group Limited ("Company" or "CFSG") and its subsidiaries ("Group") for the year ended 31 December 2009 together with the comparative figures for the last corresponding year are as follows:

	Notes	**2009 HK$'000**	2008 HK$'000
Revenue	(2)	**705,480**	324,651
Other operating income		**7,120**	4,437
Cost of sales for retailing business		**(272,542)**	-
Salaries, commission and related benefits		**(201,594)**	(151,110)
Depreciation		**(34,619)**	(15,655)
Finance costs		**(13,960)**	(20,134)
Other operating and administrative expenses		**(243,491)**	(100,649)
Excess of interest in the net fair value of the identifiable assets of subsidiaries over cost of acquisition		**25,433**	-
Change in fair value of derivative financial instruments		**3,067**	8,734
Change in fair value of investment properties		**24,290**	823
Impairment losses recognised on goodwill		**(2,719)**	-
Fair value gain/(loss) on financial assets at fair value through profit or loss		**16,316**	(172,117)
Deficit on property revaluation		**(600)**	-
Loss on redemption of convertible notes		**(24,812)**	-
Share of result of associates		**5,247**	39,096
Loss before income tax		**(7,384)**	(81,924)
Income tax expense	(4)	**(13,848)**	(4,294)
Loss for the year		**(21,232)**	(86,218)

	2009 HK$'000	2008 HK$'000
Other comprehensive income, including reclassification adjustments		
Exchange differences arising on translation of foreign operations	**(17)**	79
Share of translation reserve of associate	**-**	6,810
Other comprehensive income for the year, including reclassification adjustments and net of tax	**(17)**	6,889
Total comprehensive income for the year	**(21,249)**	(79,329)
Loss for the year attributable to:		
Owners of the Company	**(22,675)**	(99,595)
Minority interests	**1,443**	13,377
	(21,232)	(86,218)
Total comprehensive income attributable to:		
Owners of the Company	**(22,692)**	(95,090)
Minority interests	**1,443**	15,761
	(21,249)	(79,329)

	Note	2009	2008 (restated)
Loss per share for loss attributable to the owners of the Company during the year	(5)		
- Basic		**(4.1) HK cents**	(23.8) HK cents
- Diluted		**N/A**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	At 31 December 2009 HK$'000	2008 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**159,475**	108,164
Prepaid lease payments		**15,134**	-
Investment properties		**87,561**	-
Goodwill		**2,661**	4,933
Other intangible assets		**321,059**	11,062
Other assets		**11,040**	132,718
Other long-term deposits		**21,555**	-
Loans receivable		**4,950**	192
Interests in associates		**116,931**	111,684
Loan to an associate		**10,296**	10,296
Deferred tax assets		**2,000**	-
		752,662	379,049
Current assets			
Inventories		**43,454**	-
Amounts receivable on disposal of subsidiaries		**-**	171,498
Accounts receivable	(6)	**505,305**	304,042
Loans receivable		**15,663**	13,629
Prepayments, deposits and other receivables		**34,003**	25,594
Amount due from an associate		**-**	260
Amounts due from fellow subsidiaries		**-**	341
Investments held for trading		**37,214**	79,155
Tax recoverable		**9,381**	1,230
Bank deposits subject to conditions		**87,739**	35,180
Bank balances - trust and segregated accounts		**765,112**	542,079
Bank balances (general accounts) and cash		**253,243**	175,201
		1,751,114	1,348,209
Current liabilities			
Accounts payable	(7)	**1,157,955**	689,175
Accrued liabilities and other payables		**58,976**	46,482
Derivative financial liabilities		**-**	3,067
Amounts due to fellow subsidiaries		**800**	-
Obligations under finance leases			
- portion due within one year		**135**	127
Bank borrowings - amount due within one year		**367,033**	195,253
Loan from a minority shareholder		**27,437**	27,437
Current tax liabilities		**6,337**	20,172
		1,618,673	981,713
Net current assets		**132,441**	366,496
Total assets less current liabilities		**885,103**	745,545

	At 31 December 2009 HK$'000	2008 HK$'000
Non-current liabilities		
Borrowings - amount due after one year	**55,377**	36,833
Deferred tax liabilities	**59,730**	2,342
Obligations under finance leases		
- portion due after one year	**180**	315
	115,287	39,490
Net assets	**769,816**	706,055
EQUITY		
Share capital	**61,711**	41,140
Reserves	**690,353**	648,153
Equity attributable to the Company's owners	**752,064**	689,293
Minority interests	**17,752**	16,762
Total equity	**769,816**	706,055

Notes:

(1) Adoption of new and amended Hong Kong Financial Reporting Standards

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

The accounting policies have been consistently applied to all the years presented unless otherwise stated. The adoption of new and amended HKFRSs and the impacts on the Group's financial statements, if any, are disclosed as below.

In the current year, the Group has applied, for the first time, the following new standards, amendments and interpretations ("new HKFRSs") issued by the HKICPA, which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 January 2009.

HKAS 1 (Revised 2007)	Presentation of Financial Statements
HKAS 23 (Revised 2007)	Borrowing Costs
HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKAS 32 & HKAS 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 2 (Amendments)	Share-based Payment - Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Financial Instruments: Disclosure - Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC) - Int 9 & HKAS 39 (Amendments)	Reassessment of Embedded Derivatives and Financial Instruments: Recognition and Measurement - Embedded Derivatives
HK(IFRIC) - Int 13	Customer Loyalty Programmes
HK(IFRIC) - Int 15	Agreements for the Construction of Real Estate
HK(IFRIC) - Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC) - Int 18	Transfer of Assets from Customers
Various	Annual Improvements to HKFRSs 2008

Other than as noted below, the adoption of the new HKFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented.

<u>HKAS 1 (Revised 2007) Presentation of Financial Statements</u>

The adoption of HKAS 1 (Revised 2007) makes certain changes to the format and titles of primary financial statements and to the presentation of some items within these statements. It also gives rise to additional disclosures. The measurement and recognition of the Group's assets, liabilities, income and expenses are unchanged. However, some items that were recognised directly in equity are now recognised in other comprehensive income. HKAS 1 affects the presentation of owner changes in equity and introduces a "Statements of comprehensive Income". Comparatives have been restated to conform with the revised standard. The Group has applied changes to its accounting polices on presentation of financial statements and segment reporting retrospectively. However, the changes to the comparatives have not affected the consolidated statement of financial position at 1 January 2008 and accordingly the third statement of financial position as at 1 January 2008 is not presented.

<u>HKFRS 7 (Amendments) Financial Instruments: Disclosure - Improving Disclosures about Financial Instruments</u>

The amendments require additional disclosures for financial instruments which are measured at fair value in the statement of financial position. These fair value measurements are categorised into a three-level fair value hierarchy, which reflects the extent of observable market data used in making the measurements. In addition, the maturity analysis for derivative financial liabilities is disclosed separately and should show remaining contractual maturities for those derivatives where this information is essential for an understanding of the timing of the cash flows. The Group has taken advantage of the transitional provisions in the amendments and has not provided comparative information in respect of the new requirements.

<u>HKAS 8 Operating Segments</u>

The adoption of HKFRS 8 has not affected the identified and reportable operating segments for the Group. However, reported segment information is now based on internal management reporting information that is regularly reviewed by the chief operating decision maker. In the previous annual financial statements, segments were identified by reference to the dominant source and nature of the Group's risks and returns. Comparatives have been restated on a basis consistent with the new standard.

Annual improvements to HKFRSs 2008

In October 2008, the HKICPA issued its first annual improvements to HKFRSs which set out amendments to a number of HKFRSs. There are separate transitional provisions for each standard. These amendments did not have any impact of the current year results and financial position.

At the date of authorisation of these financial statements, certain new and amended HKFRSs have been published but are not yet effective, and have not been adopted early by the Group.

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

HKFRS 3 Business combinations (Revised 2008)

The standard is applicable in reporting periods beginning on or after 1 July 2009 and will be applied prospectively. The new standard still requires the use of the purchase method (now renamed the acquisition method) but introduces material changes to the recognition and measurement of consideration transferred and the acquiree's identifiable assets and liabilities, and the measurement of non-controlling interests (previously known as minority interest) in the acquiree. The new standard is expected to have a significant effect on business combinations occurring in reporting periods beginning on or after 1 July 2009.

HKFRS 9 Financial instruments

The standard is effective for accounting periods beginning on or after 1 January 2013 and addresses the classification and measurement of financial assets. The new standard reduces the number of measurement categories of financial assets and all financial assets will be measured at either amortised cost or fair value based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. Fair value gains and losses will be recognised in profit or loss except for those on certain equity investments which will be presented in other comprehensive income. The directors are currently assessing the possible impact of the new standard on the Group's results and financial position in the first year of application.

HKAS 27 Consolidated and separate financial statements (Revised 2008)

The revised standard is effective for accounting periods beginning on or after 1 July 2009 and introduces changes to the accounting requirements for the loss of control of a subsidiary and for changes in the Group's interest in subsidiaries. Total comprehensive income must be attributed to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. The directors do not expect the standard to have a material effect on the Group's financial statements.

Annual improvements 2009

The HKICPA has issued improvements to Hong Kong Financial Reporting Standards 2009. Most of the amendments become effective for annual periods beginning on or after 1 January 2010. The Group expects the amendment to HKAS 17 Leases to be relevant to the Group's accounting policies. Prior to the amendment, HKAS 17 generally required a lease of land to be classified as an operating lease. The amendment requires a lease of land to be classified as an operating or finance lease in accordance with the general principles in HKAS 17. The Group will need to reassess the classification of its unexpired leases of land at 1 January 2010 on the basis of information existing at the inception of those leases in accordance with the transitional provisions for the amendment. The amendment will apply retrospectively except where the necessary information is not available. In that situation, the leases will be assessed on the date when the amendment is adopted. The directors are currently assessing the possible impact of the amendment on the Group's results and financial position in the first year of application.

(2) Revenue

Revenue from the Group's principal activities recognised during the year is as follow:

	2009	2008
	HK$'000	HK$'000
Fees and commission income	**223,486**	278,464
Interest income	**25,492**	46,187
Sales of furniture and household goods and electrical appliances, net of discounts and returns	**456,502**	-
	705,480	324,651

(3) Segment information

The executive directors have identified the Group's two services lines as operating segments.

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

2009	**Financial services**	**Retailing**	**Total**
	HK$'000	**HK$'000**	**HK$'000**
Reportable segment revenue			
From external customers	**248,978**	**456,502**	**705,480**
Reportable segment profit	**8,402**	**3,686**	**12,088**

Other information for the year ended 31 December 2009

2009	**Financial services**	**Retailing**	**Total**
	HK$'000	**HK$'000**	**HK$'000**
Interest income	**25,492**	**117**	**25,609**
Amortisation of prepaid lease payments	**-**	**(207)**	**(207)**
Allowance for inventory obsolescence and written-off of inventory	**-**	**(1,569)**	**(1,569)**
Depreciation	**(9,412)**	**(7,696)**	**(17,108)**
Finance cost	**(7,398)**	**(2,160)**	**(9,558)**
Loss on disposal of property, plant and equipments	**(555)**	**(223)**	**(778)**
Impairment loss on other receivables	**(176)**	**(94)**	**(270)**
Impairment of goodwill	**(2,719)**	**-**	**(2,719)**
Bad debt on accounts receivables and loan receivable recovered	**(136)**	**-**	**(136)**
Reportable segment assets	**1,544,187**	**629,476**	**2,173,663**
Additions to non-current segment assets during the year	**9,594**	**392,038**	**401,632**
Reportable segment liabilities	**(1,283,587)**	**(331,034)**	**(1,614,621)**

2008	Financial services HK$'000	Retailing HK$'000	Total HK$'000
Reportable segment revenue			
From external customers	324,651	-	324,651
Reportable segment profit	62,321	-	62,321

Other information for the year ended 31 December 2008

2008	Financial services HK$'000	Retailing HK$'000	Total HK$'000
Interest income	46,187	-	46,187
Depreciation	(5,904)	-	(5,904)
Finance cost	(15,144)	-	(15,144)
Allowance for bad and doubtful debts	(900)	-	(900)
Reportable segment assets	1,234,314	-	1,234,314
Additions to non-current segment assets during the year	71,921	-	71,921
Reportable segment liabilities	(909,542)	-	(909,542)

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

	2009 HK$'000	2008 HK$'000
Reportable segment revenues	**705,480**	324,651
Other revenue	**-**	-
Group revenues	**705,480**	324,651
Reportable segment profit	**12,088**	62,321
Other operating income	**-**	5,260
Share of result of associates	**5,247**	39,096
Unallocated corporate expenses	**(61,447)**	(25,218)
Net gain/(loss) on financial assets at fair value through profit or loss	**16,316**	(172,117)
Change in fair value of derivative financial instruments	**3,067**	8,734
Change in fair value of investment properties	**24,290**	-
Excess of interest in the net fair value of the identifiable assets of subsidiaries over cost of acquisition	**25,433**	-
Loss on redemption of convertible notes	**(24,812)**	-
Share-based compensation	**(7,566)**	-
Loss before income tax	**(7,384)**	(81,924)
Reportable segment assets	**2,173,663**	1,234,314
Interests in associates	**116,931**	111,684
Investment properties	**87,561**	-
Unallocated corporate assets	**125,621**	381,260
Group assets	**2,503,776**	1,727,258
Reportable segment liabilities	**(1,614,621)**	(909,542)
Deferred tax liabilities	**(6,072)**	-
Other corporate liabilities	**(113,267)**	(111,661)
Group liabilities	**(1,733,960)**	(1,021,203)

Geographical segments

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

The Group's segment revenue from external customers cannot be allocated based on geographic location of its customers. The following table provides an analysis of the Group's revenue by geographical market based on location of operations. The Group's revenue from external customers and its non-current assets are divided into the following geographical areas:

	Revenue from external customers		**Non-current assets**	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong (Place of domicile)	**705,480**	324,651	**464,445**	252,587
PRC	**-**	-	**288,217**	126,462
Total	**705,480**	324,651	**752,662**	379,049

(4) Income tax expense

Hong Kong profits tax has been provided at the rate of 16.5% (2008: 16.5%) on the estimated assessable profit for the year. Tax on profits assessable elsewhere have been calculated at the applicable rates of tax prevailing in the jurisdiction in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	2009	2008
	HK$'000	HK$'000
Current tax:		
- Hong Kong		
Current year	**(6,682)**	(2,154)
(Under)/Overprovision in prior years	**(1,094)**	202
	(7,776)	(1,952)
Deferred tax		
Current year	**(6,072)**	(2,342)
Total income tax expense	**(13,848)**	(4,294)

(5) Loss per share

On 17 April 2009, the Company issued 205,702,702 shares of HK$0.10 each by way of rights issue ("Rights Issue"). The comparative figure of the basic loss per share has been restated for the effect of the Rights Issue.

The calculation of basic loss per share is based on the loss attributable to the owners of the Company of HK$22,675,000 (2008: HK$99,595,000) and the weighted average number of ordinary shares of 558,668,447 (2008: 418,095,968 as restated) in issue during the year.

For the years ended 31 December 2009 and 2008, diluted loss per share was not presented because the respective impact of exercise of outstanding share options and convertible notes were anti-dilutive.

(6) Accounts receivable

	2009 **HK$'000**	2008 HK$'000
Accounts receivable arising from the business of dealing in securities:		
Clearing houses, brokers and dealers	**27,842**	72,199
Cash clients	**68,060**	36,425
Margin clients	**272,209**	97,185
Accounts receivable arising from the business of dealing in futures and options:		
Clients	**180**	65
Clearing houses, brokers and dealers	**134,570**	94,719
Commission receivable from brokerage of mutual funds and insurance-linked investment products	**1,794**	2,349
Accounts receivable arising from the business of provision of corporate finance services	**650**	1,100
	505,305	304,042

The settlement terms of accounts receivable arising from the business of dealing in securities are two days after trade date, and accounts receivable arising from the business of dealing in futures and options are one day after trade date. Trade receivables to margin and cash clients arising from the business of dealing in securities are repayable on demand subsequent to settlement date. No aged analysis is disclosed as in the opinion of directors, the aged analysis does not give additional value in view of the nature of broking business.

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

	2009 **HK$'000**	2008 HK$'000
0 - 30 days	**1,362**	2,034
31 - 60 days	**353**	458
61 - 90 days	**141**	323
Over 90 days	**588**	634
	2,444	3,449

(7) Accounts payable

	2009 **HK$'000**	2008 HK$'000
Accounts payable arising from the business of dealing in securities :		
Clearing houses	**30,076**	-
Cash clients	**548,749**	400,345
Margin clients	**212,654**	120,928
Accounts payable to clients arising from the business of dealing in futures and options	**228,823**	167,545
Accounts payable to clients arising from the business of dealing in leveraged foreign exchange contracts	**863**	357
Trade creditors arising from retailing business	**136,790**	-
	1,157,955	689,175

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

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

The accounts payable amounting to HK$765,112,000 (2008: HK$542,079,000) were payable to clients and other institutions in respect of the trust and segregated bank balances received and held for clients and other institutions in the course of the conduct of regulated activities. However, the Group does not have a currently enforceable right to offset these payables with the deposits placed.

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

The following is an aged analysis of trade creditors arising from retailing business at balance sheet date:

	2009 **HK$'000**	2008 HK$'000
0 - 30 days	**70,548**	-
31 - 60 days	**38,562**	-
61 - 90 days	**10,983**	-
Over 90 days	**16,697**	-
	136,790	-

(8) Dividends

(a) Dividends payable to owners of the Company attributable to the year:

	2009 **HK$'000**	2008 HK$'000
Interim dividend of HK$0.10 per ordinary share in 2008	**-**	41,227

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

	2009 **HK$'000**	2008 HK$'000
Final dividend in respect of the previous financial year, approved and paid during the year, of HK$0.03 per ordinary share in 2007	**-**	62,339

(9) Financial risk management and fair value measurements

The Group's major financial instruments include equity investments, loans receivable, other receivables, other payables, bank balances and deposits, bank borrowings, accounts receivable and accounts payable. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

<u>Categories of financial assets and liabilities</u>

The carrying amounts presented in the statements of financial position relate to the following categories of financial assets and financial liabilities:

	2009 **HK$'000**	2008 HK$'000
Financial assets		
Financial assets at fair value through profit or loss		
- investments held-for-trading	**37,214**	79,155
Loans and receivables (including cash and cash equivalents)	**1,649,662**	1,316,747
	1,686,876	1,395,902
Financial liabilities		
Financial liabilities measured at amortised cost	**1,637,889**	965,877
Financial liabilities at fair value through profit or loss		
- Derivative financial liabilities	**-**	3,067
	1,637,889	968,944

Market risk

Foreign currency risk

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

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

Interest rate risk

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

The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank borrowings, loans receivable, loans to margin clients and bank balances. The Group currently does not have a cash flow interest rate hedging policy. However, management is closely monitoring its exposure arising from margin financing and other lending activities undertaken by allowing an appropriate margin on the interest received and paid by the Group. A 100 (2008: 100) basis point change is used when reporting cash flow interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

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

The sensitivity analysis is prepared assuming the financial instruments outstanding at the reporting date were outstanding for the whole year. As at 31 December 2009, if the interest rate of bank borrowings, loans receivable, loans to margin clients and bank balances had been 100 basis point higher/lower, the Group's loss would decrease/increase by HK$9,792,000 (2008: HK$1,509,000). This is mainly attributable to the bank interest expenses under finance costs or interest income under revenue.

Equity price risk

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

Equity price sensitivity

The sensitivity analysis below have been determined based on the exposure to equity price risks at the reporting date. The analysis is prepared assuming the financial instruments outstanding at the reporting date were outstanding for the whole year. A 30 percent (2008: 30 percent) change is used when reporting equity price risk internally to key management personnel and represents management's assessment of the reasonably possible change in equity price.

As at 31 December 2009, if the market bid prices of the Group's listed equity investments had been 30 percent higher/lower, the Group's loss would decrease/increase by HK$8,615,000 (2008: HK$23,747,000). This is mainly attributable to the changes in fair values of the listed investments held for trading.

In management's opinion, the sensitivity analysis is unrepresentative of the inherent equity price risk as the year end exposure does not reflect the exposure during the year. An unexpected decrease in market bid price may result in the Group suffering significant loss due to the leverage feature.

Credit risk

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

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

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

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

Liquidity risk

As part of ordinary broking activities, the Group is exposed to liquidity risk arising from timing difference between settlement with clearing houses or brokers and customers. To address the risk, treasury team works closely with the settlement division on monitoring the liquidity gap. In addition, for contingency purposes, clean loan facilities are put in place.

DIVIDEND

The Board does not recommend the payment of any final dividend for the year ended 31 December 2009 (2008: Nil).

REVIEW AND OUTLOOK

Financial Review

The Group recorded revenue of HK$705.5 million for the year ended 31 December 2009 as compared to HK$324.7 million for the previous year. The increase in revenue was due to the consolidation of revenue of CASH Retail Management (HK) Limited (together with its subsidiaries "Retail Group") subsequent to the completion of acquisition of the Retail Group in the second half of the year. Overall, the net loss of the Group was reduced from HK$86.2 million last year to HK$21.2 million for the year ended 31 December 2009.

Financial Services – CFSG

The Group recorded revenue of HK$249.0 million for its financial services business for the year ended 31 December 2009 as compared to the revenue of HK$324.7 million for the previous year. The significant decrease was attributable to the reduction in the commission income generated from the Group's brokerage and wealth management businesses and interest income from its margin financing services, reflecting the harsh operating environment being faced by its financial services business, particularly in the first quarter of the year when the already bearish investment sentiment brought about by the financial crisis had been further clouded by the banks' concerted actions to tighten, if not suspend, all sorts of credit lines in both local and global markets. This was the result of the fears that more financial and commercial giants had severe financial difficulties and would suffer the same fate of Lehman Brothers as the financial tsunami spread from the US to the rest of the world. Even though the investment sentiment in the local stock market had gradually improved since the second quarter of 2009 with the Hang Sang Index closing up 7,485 points to 21,872 at the end of the current year, however most of the local investors had been extremely cautious about their investments in the stock market after having suffered substantial financial losses in the worst financial crisis in half a century. Whilst the jittery local investors had yet to fully recover their confidence in the stock investments, the Group's brokerage and wealth management businesses had been affected by the poor sentiment in the first quarter of 2009 but shown improvements in turnover from second to third quarters following the sharp rebound in the stock market during the April to September period when the optimistic sentiment began to take hold in the city after the governments all over the world began to pursue the quantitative easing monetary policies and economical stimulus measures to restore the financial orders and to pull their countries out of recession. The Group's brokerage incomes were affected by the sluggish sentiment at the end of the last quarter when the trading volume in the stock market started to drop substantially after reaching its recent peaks in the third quarter of the year as many retail investors considered the valuation of the market being high after huge gains in the previous quarter or were affected by the diverse results for subscribing IPO shares in the last quarter of 2009 and saw the prices of several of these new shares fall below their respective IPO prices soon after their new listings on the stock market. These factors largely accounted for the less satisfactory results for its financial services business for the year ended 31 December 2009.

Retail Management – Retail Group

The Retail Group which became a wholly-owned subsidiary of the Group in the second half of 2009 is principally engaged in the operation of the retail business in Hong Kong, including retailing of furniture and household items through the chain stores under the brand name of "Pricerite". In the first half of the current year, the Retail Group's retail business had been hit hard by the weak consumer spending during a global downturn that had seen people suffer pay cuts and lay-offs. At the height of the financial crisis with the domestic economy going into a recession which would be much worse than that caused by the Asian financial crisis, the Board had decisively consolidated its retail outlets by closing down 5 underperforming shops in the first quarter of the year. The closure of the 5 shops together with the poor consumer sentiment across the city amid the economic downturn had resulted in a significant drop in the turnover of the Retail Group in the first half of the year. As Hong Kong's economy had gradually returned to stability in the middle of the second quarter of the year, the Retail Group had since then seen the sales begin to pick up and 3 new stores were opened in the second half of the year in order to recoup some loss in sales due to the closure of the 5 shops in early days of 2009 when the Group had encountered the most difficult business environments in recent years. For the six-months period ended 31 December 2009 during which the Retail Group became the wholly-owned subsidiary of the Group, though in adverse business environment, it still recorded a breakeven result.

Liquidity and Financial Resources

The Group's total equity amounted to HK$769.8 million on 31 December 2009 as compared to HK$706.1 million at the end of the previous year. The change was the combined result of the reduction in retained earnings due to the reported loss for the year and the effect of the completion of 2-for-1 rights issue in April 2009 raising approximately HK$92.6 million capital during the year.

As at 31 December 2009, the Group had total bank borrowings of approximately HK$422.4 million, comprising bank loans of HK$350.9 million and overdrafts of HK$71.5 million.

Among the above bank borrowings, HK$154.1 million were collateralised by its margin clients' securities pledged to the Group. Other bank loans totally of HK$156.4 million were secured by the investment properties, property in Hong Kong and pledged deposits respectively. The remaining bank borrowings were unsecured.

As at 31 December 2009, our cash and bank balances including the trust and segregated accounts totalled HK$1,106.1 million as compared to HK$752.5 million at the end of the previous year. The increase in the cash balances was mainly due to: (1) the increase in deposits by our broking clients whose confidence in the stock market had been recovered near the end of the current year; (2) the cash raised from the aforesaid rights issue and (3) the merge of CFSG's and the Retail Group's bank balances.

Total deposits of HK$9.7 million were pledged as securities for a standby letter of credit facility and bank guarantees granted by banks to the Group. In addition, pursuant to a letter of undertaking provided by the Group to a bank, the Group undertakes to maintain deposits of not less than HK$15.0 million with the bank as a pre-condition for an overdraft facility of HK$15.0 million granted by this bank. Accordingly, a bank deposit of approximately HK$17.1 million was held for this purpose.

After the incorporation of the financial positions of the Retail Group, the liquidity ratio on 31 December 2009 changed to 1.1 times, as compared to 1.4 times on 31 December 2008. The gearing ratio on 31 December 2009, which represents the ratio of interest bearing borrowings of the Group divided by the total equity, also increased to 54.9% from 32.9% at the last year-end. However, both the liquidity ratio and gearing ratio were still maintained at healthy level. On the other hand, we have no material contingent liabilities at the year-end.

Foreign Exchange Risks

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

Material Acquisitions and Disposals

In February 2009, the Group completed the acquisition of the remaining 30% equity interest in a non-wholly-owned subsidiary from minority shareholders at a consideration of HK$1,400,000 in cash. In the second half of the year, the Company completed the acquisition of 100% equity interests in the Retail Group from its holding company at the aggregate consideration of HK$310,340,000, which was settled as to HK$60 million by cash deposit and the remaining balance by the issue of convertible notes in the principal amount of HK$250,340,000 by the Company. The convertible notes had been fully repaid as at the end of the year.

Save as aforesaid, the Group did not make any material acquisitions or disposals during the year.

Capital Commitment

As at 31 December 2009, the Group does not have any material outstanding capital commitment.

Material Investments

As at 31 December 2009, the Group was holding a portfolio of listed investments and unlisted investment funds with market values of approximately HK$37.2 million and net gain on listed investments and unlisted investment funds totally of HK$19.4 million was recorded for the year.

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

Industry Review

2009 was a year of recovery for the global equity markets. Following the sub-prime storm in 2007 and the financial tsunami in 2008, global stock markets hit bottom in early March and staged a spectacular comeback, thanks largely to central banks' coordinated efforts to inject liquidity and Western governments' aggressive plan to stabilise financial systems and stimulate the economy. Meanwhile, hard-hit economies including Japan, Hong Kong, Singapore, and the US were showing signs of economic recovery, albeit in various strengths. Led by China, global emerging markets came out on top, generating twice the returns of the developed markets. Equity markets outperformed other asset classes to record a 35% gain on a total return basis, ranked the 5th best year returns for MSCI World since 1970.

In the Mainland, the Central Government promptly implemented the 4 trillion yuan fiscal stimulus plan to boost economic growth. It also introduced a series of emergency measures to stimulate domestic demand, including restoration plans for 10 major industries, subsidised home appliance scheme in rural areas, preferential housing mortgage, etc. All these initiatives helped drive up the stock and property markets. In addition, attractive market valuations and earnings upgrades helped improve investment sentiment and increase investors' appetite towards stocks. The Shanghai Composite index ended the year at 3,277, an increase of 80% since the beginning of the year.

Thanks to the strong recovery of China and abundant influx of funds chasing the China stocks, the Hang Seng index rebounded strongly with a 52% gain to conclude the year at 21,872. In terms of market capitalisation, the index rose HK$7.6 trillion since the beginning of this year and ended the year with an increase of 74% to HK$17.9 trillion. The average daily turnover was at HK$63 trillion, 14% lower compared to the previous year.

On fund-raising, after falling two quarters in a row at year start, the activities quickly picked up in the second half and ended the year with HK$630 billion new funds raised, breaking the record set in 2007 by 11%. With 73 new IPOs raising HK$186 billion in 2009, the HKEX ranked top in the world and led the second-placed Shanghai Stock Exchange by a wide margin of HK$77 billion.

Business Review

The Group recorded revenue of HK$249.0 million for its financial services business for the year ended 31 December 2009 as compared to the revenue of HK$324.7 million for the previous year. The significant decrease was attributable to the reduction in the commission income generated from the Group's brokerage and wealth management businesses and interest income from its margin financing services, reflecting the harsh operating environment facing its financial services business.

Securities Broking

The effect of the financial tsunami in late 2008 extended to the first quarter of 2009 and set a slow ground for the year. Though there was a strong recovery since May, the overall trading volume of the Hong Kong market decreased. When we saw the slowdown in trading activities, we modified our portfolio to a more balanced business mix to smooth out the impact of the reduced market turnover. As such, the net margin on securities broking business increased by more than 40% compared to the previous year despite the fact that turnover in the second half of the year continued to experience a backward slide. The IPO activities nearly halted in the first few months leaving the balance of the year to catch up. Interest income for margin financing fell two years in a row. As a result, the overall operating income from securities broking was lower than the previous year.

Even though market sentiment was sluggish for good part of the year, we increased the number of frontline sales agents by nearly 20% as we believed slow market was a good time to beef up the sales force.

To improve the speed of the agents' quotation access, we developed a proprietary system to draw quotes directly from the HKEX. This system will be further enhanced to include multiple windows with simultaneous order placing capability. The agents can preset the desired order prices to shorten the order entry process. This will improve execution speed and overall efficiency.

With an increasing number of online orders coming from clients who reside in the Mainland, we have employed a dedicated trunk line to ensure that the transmission speed is fast and stable. To better service the growing Mainland segment, we have customised the PRC web interface for a local look and feel.

Wealth Management

The business unit successfully transformed itself from a financial planning focused entity into a comprehensive wealth management service provider by re-engineering its operations in late 2008 and re-branding to CASH Wealth Management Limited in June to reflect the new positioning. The objective was to smooth out revenue volatility by increasing income diversity and cohering resources from the Group. With an aim to equip the frontline sales force with multiple tools that cater to clients' every investment needs, the business has enhanced its service platform to include MPF, General Insurance, assets management and securities broking. The repositioning makes it ready to become a fully-fledged financial service company to provide total wealth management solutions. The new model, with added service scope, has also helped attract new talents from both within and outside the industry with added service scope. The mix of new talents also sparked new ideas and working chemistry within the team.

Business wise, the unit continued to recover from the financial tsunami in the second half of the year with a significant increase in revenue. Turnover was picking up as a result of the sizing up of teams, increase in marketing activities, and return of investors' confidence.

Asset Management

As an important driver of our strategy of product and income diversification, the asset management business doubled its assets under management during the year under review while the general market improved by only 52%. The increase was due partly to the recovery of the stock market and investors' confidence, and mostly to our persistent efforts to achieve higher risk-adjusted return for clients. The result reinforces our belief in the benefits derived from this business model: a growing opportunity to increase the base income with considerable incentive revenues earned when we achieve superior returns for our clients.

Leveraging on the Group's cross-selling synergy, over the year the division participated in a number of joint seminars and trade exhibitions in both Hong Kong and the PRC to promote the corporate brand and services. The seminars' participants were drawn passionately to the speakers and had shown overwhelming interest in buying stocks.

While continuing to increase the assets under management, the division launched Thematic Investment Plan Service (TIPS) to attract different interest groups in the first quarter of 2010. This theme-based investment plans are discretionarily managed and designed to meet the knowledgeable investors' appetite with theme selections. Clients may choose from 4 different themes such as PRC financial, PRC domestic demand, new energy and environmental protection concept etc. The benefit of the TIPS platform is for the knowledge investors to jointly participate in the investment selection process while leaving the final stock selections decision to professional portfolio managers. The TIPS product is structured in a way that is appealing to cross-selling.

In addition, we plan to tap various portfolio management expertise from the industry. The programme aims at developing a management portfolio with diverse trading strategies, which at the end cater the diverse needs of investors in wealth accumulation and protection.

Investment Banking

2009 was a record year for the value of funds raised in Hong Kong. After a sluggish start at the beginning, the corporate finance activities picked up steadily following the quantitative easing adopted by various governments. Both primary and secondary fund raising and M&A activities have become vigorous following the year's largest rights issue of HSBC shares. With a total HK$630 billion of funds raised, Hong Kong broke its record set in 2007 and ranked 4th on the list behind NYSE Euronext, London and Australian. On IPOs, Hong Kong listed 73 companies and raised HK$186 billion to finish the year as world number one.

During 2009, the investment banking group maintained its strategy to focus on financial advisory and corporate transactions and took a proactive approach to placing and fund raising for existing and new clients. The strategy was effective in generating steady income.

In light of the steaming IPOs and the secondary market activities locally, the corporate finance business will continue to seek fund raising and IPO opportunities in addition to financial advisory services for M&As and corporate transactions.

China Development

One of the Group's key strategies since 2008 is to focus on the positioning of our footing for business development in China. With that, the Group dedicated more resources to China in the second half of 2009 with a view to enhancing the driving force of the development. In so doing, the Mainland head office in Shanghai together with other offices in Beijing, Chongqing, and Shenzhen actively participated in investment seminars organised by the local partners and media to provide educational information on wealth management and investment. These joint events were effective in promoting our brand to prospects and raising our brand awareness. The offices in China also serve as the local contacting points for business associates and partners for the Group.

In addition to brand marketing and positioning for future development, the set up in China also functions as a back and support office. It has taken up nearly one third of the operational work for the Group allowing the staff in Hong Kong to focus on client servicing and administrative tasks. The original cost saving consideration of the project has now elevated to a need-based strategy as the Hong Kong market becomes more China focused and an increasing number of companies and market information are now drawn from the local sources. The local offices function more effectively in terms of data gathering and produce more market-based research.

During the year under review, the operations in China successfully qualified for the agency license to promote insurance and investment products in Shanghai. The license has expanded our business scope and increased our marketing capability in the area.

On the corporate and institutional front, we made special effort to visit potential partners and seek collaborative opportunities. We successfully secured some institutional clients to use our securities trading platform when their QDII quotas are granted.

New Business

Despite the fact that the world economy had yet fully recovered from the unprecedented financial crisis, the quick rebound of the Hong Kong stock market since May proved that Hong Kong is one of the most resilient stock markets in the world. In terms of market composition, more than 58% of the listed companies on the HKEX are Mainland enterprises. These companies contributed to more than 70% of the daily market turnover. The listings of these large PRC corporations have resulted in the proliferation of the derivative products, including warrants and options contracts. The daily turnover of these products amounted to nearly one fifth of the market turnover in Hong Kong. Undoubtedly, investors are now offered a suite of product selections more comprehensively than ever, which allow them to create different trading strategies and remain active in the market regardless of the market directions. To capture these market opportunities, the Group formed a new business division to identify investment opportunities in the dynamic market with a view to developing strategies and products catering for the versatile investment needs of the sophisticated Hong Kong market.

In recent years, there has been a strong demand for immigration advice to people interested in obtaining the Hong Kong resident status. Since the introduction of the Capital Investment Entrant Scheme in October 2003 under which a prospective immigrant undertakes to make a qualified investment of at least HK$6.5 million for 7 years, applications to the Scheme have been experiencing a rising trend.

The investment in financial assets under the Scheme generates attractive revenue and the recurring fee income throughout the investment period. In response to the appealing business opportunity, the Group set up a division to provide immigration advisory service in the last quarter of 2009.

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

Platform Development

In 2008, we introduced the world's first 3D AI Broker, a real-time and humanoid system that enhances online communications. The AI 3D Broker system earned us several prestigious awards, including Certificate of Merits from both the Hong Kong Productivity Council and the Hong Kong General Chamber of Commerce. The system offers order confirmations, up-to-date trading status and many other useful surfing features.

To improve the trading experience in Hong Kong equities and international commodities, we have added an application-based dealing tool with advanced functionalities and features that support sophisticated order executions and complex chartings. The application allows multiple windows viewing and customisation. More importantly, the tool runs terminal-to-terminal providing a secure yet fast data transmission.

The commodities trading platform has also been enhanced to provide better trading experience to clients. In particular, more than ten new functions have been added to simplify and speed up order placing.

As an ongoing effort to improve service experience, we introduced a new company website with the advanced web 2.0 technology in the third quarter. The key feature of the site enables users to customise their homepages and select favourite market news and information to view. It also serves as an interactive channel for communication with our service and research teams.

In December, we launched CASH SNS, the world's first most comprehensive financial community website. The site includes a wide array of features such as financial news, entertainment and educational games, news and video sharing, meeting friends, financial blogs and etc. New investors may polish their trading skills on the simulated trading platform. All in all, it is a web space where investors meet friends that share the same investment interests and exchange stock tips and trading ideas.

Retail Management – Pricerite

CFSG is committed to diversifying its business and broadening the source of revenues, so as to mitigate volatility of the financial market and to increase shareholder returns. In 2009, the Group completed its acquisition of Pricerite Stores Limited - the leading home furnishing specialist in Hong Kong, to complement the cyclical impact of the financial industry.

Pricerite, along with most Hong Kong retailers, experienced a turbulent year in 2009. The global financial crisis hit the economy at the end of 2008, impacting on our retail business during the first quarter of 2009, especially Chinese New Year, the peak sales season for the year. Sales performance was characterised by a fundamental change in consumer spending patterns that adversely affected store traffic and sales, particularly durable and big-ticket items such as large furniture series.

At the end of 2008, we initiated precautionary measures to adapt our cost structure and retail strategies to the change in the economic conditions following the global financial crisis, including consolidation of our retail network, improvement in operating efficiencies and reallocation of product mix. These measures were successful in bringing the business round, achieving a healthy inventory and financial position, and securing our market leading position.

Faced with a change in customer buying preferences, we focused product development on easy-to-assemble small furniture items and functional necessities, such as modular storage systems and storage cabinets. By expanding the product range of such categories, we offered affordable choices to customers and helped them to better utilise their space, offsetting the effect of a sales drop in large furniture items.

Business started to stabilise and pick up in the second quarter with the economy showing signs of bottoming out and a strong rebound in the local property market. To seize this market opportunity, we expanded our furniture selection and launched a wider series of products focusing on newness, simplicity and exceptional value. At the same time, our unwavering commitment to value and outstanding services continued to gain recognition from customers as evidenced by the continuous growth in Pricerite membership. Numbers exceeded 200,000 by the end of the year.

As both the local economic conditions and our business showed increasingly positive signs of recovery, we resumed our growth strategy in the second half of the year. We accelerated our market expansion plan by opening three new stores in prime locations and launching a comprehensive branding campaign to promote our new brand image, products, personalised service and cosier shopping environment.

In 2010, we will put greater emphasis on communicating Pricerite's core values of outstanding quality, exceptional service, comfortable shopping environment and social responsibility. As such, we have revamped our corporate logo to better reflect our operating philosophies, such as service from the heart, customers always come first, and our "Green" commitment.

Outlook

Historical low interest rate is expected to continue into the first half 2010, helping the world economy recover despite the mixed signs of US recovery. Major governments' policies will go from relaxed to appropriately-relaxed or neutral and may even tightening if the economy stabilises. The commodities market with the help of low interest rates, the weak US dollar, and the robust demand in emerging economies, will likely continue to be strong in 2010.

After achieving its GDP target of 8% in 2009, the Mainland government proved to the world China's economic resilience. Continued favourable policies and the strong recovery trend in the Mainland will likely bring the 2010 GDP growth rate to surpass 10% as most expected. In Hong Kong the GDP is expected to end its negative territory to show a growth of 4 - 5% as the economy benefits from the robust growth in the Mainland and improved corporate earnings. The local unemployment rate will continue to improve in the coming months as corporate hiring resumes.

Corporate Strategy

The Group is cautiously optimistic about the economic outlook for 2010. An improved earnings outlook against a backdrop of low interest rates supports the recovery of the stock market. The Group believes the economy will continue to recover and emerge from the financial meltdown with a stronger business base and more rational corporate behaviour. That said, high government deficits, gradual withdrawal of monetary easing, and central banks' tentative plan to raise rates to contain inflation are challenges and factors ahead that could affect the global and local market confidence.

Having successfully executed the "Back on Track" strategy in the second half of 2009 to expand the market share in challenging times by taking a more aggressive business approach, the Group has allocated additional resources to strengthen brand awareness in preparation for the market upswing. Now it is ready to refocus on "profitability and growth" in 2010.

The Board believes the 21st century is the century of China. China is a growth engine and offers a once-in-a-lifetime window of opportunities to the world. China's development in the next 10 years will bring profound impact to the world. More importantly, the Group has built a strong platform that positions it favorably as it aims to accelerate the pace of growth.

2010 will be a year where we focus on enhancing our profit and expanding our growth. With the PRC market as our future expansion focus, we aim to equip our platform with multi-faceted and diversified capabilities in preparation for the eventual opening up of the financial markets in the Mainland. In the meantime, we will continue to cooperate with Mainland securities and brokerage firms for referral opportunities.

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

Service excellence remains a company culture. By exercising our philosophy in “Five Core Values”, we believe we will be able to elevate our service level, exceed clients’ expectation and ultimately become one of the most respectable financial service companies in China.

To lead the pack with technology leading attributes that provide convenient service will continue to be an objective for platform development. We will keep on investing in infrastructure that is key to our positioning as a boundary-less service provider.

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

EMPLOYEE INFORMATION

At 31 December 2009, the Group had 1,166 employees. Our employees were remunerated according to their performance, working experience and market conditions. The total amount of remuneration cost of employees of the Group for the year under review was approximately HK$139.5 million.

Benefits

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

Training

The Group has implemented various training policies and organised a number of training programs aimed specifically at improving the skills of its employees and generally to increase the competitiveness, productivity and efficiency of the Group including training in areas such as product knowledge, customer service, selling techniques, team building, communication, presentation, coaching, quality management and also professional regulatory training programs as required by regulatory bodies. The Group also arranges for relevant staff, who are licensed persons under the SFO, to attend the requisite training courses to fulfill/comply with the continuous professional training as prescribed in the SFO. The Group conducts an initial staff orientation for new employees in order to familiarise them with the Group’s history and strategy, corporate culture, quality management measures, rules and regulations. This orientation is designed to integrate the employees into the Group and, the directors believe, help improve productivity of new employees at an early stage.

CORPORATE GOVERNANCE

The Board has adopted a set of corporate governance principles ("Principles") which aligns with the requirements set out in the Code on Corporate Governance Practices ("CG Code") and the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") contained in the Rules Governing the Listing of Securities on the Stock Exchange. The Board had also in writing made specific enquiry to each executive director ("ED(s)") and independent non-executive director ("INED(s)") in respect of the due compliance of the rules and principles relevant to the Model Code. During the financial year ended 31 December 2009 and up to the date of this announcement ("CG Period"), the Principles had been duly complied with except for the deviations summarised as follows:

CG Code		Deviation and reason
A.2.1	The roles of Chairman and chief executive officer ("CEO") should be separate and should not be performed by the same individual	The defined roles and responsibilities of the CEO shall be placed with a CEO other than the Chairman or if no CEO is appointed, shall be shared and jointly saddled by all EDs. During the period from 1 January 2009 to 4 January 2009, the Company had not maintained a CEO as the roles and responsibilities of the CEO was shared and jointly saddled by all EDs. However, since the appointment of Mr Chan Chi Ming Benson as the CEO on 5 January 2009, the CG Code A.2.1 had been fully complied.

Save for the above, the Company has been in compliance with the CG Code and the Model Code throughout the CG Period.

REVIEW OF RESULTS

The Group's audited consolidated results for the year ended 31 December 2009 have been reviewed by the Audit Committee of the Company.

PURCHASE, REDEMPTION OR SALE OF THE COMPANY'S SECURITIES

During the year ended 31 December 2009, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

SCOPE OF WORK OF GRANT THORNTON

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2009 as set out in the preliminary announcement have been agreed by the Group's auditors, Grant Thornton, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Grant Thornton in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Grant Thornton on the preliminary announcement.

On behalf of the Board
Bankee P Kwan
Chairman

Hong Kong, 31 March 2010

As at the date hereof, the directors of the Company are:-

Executive directors:

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

Independent non-executive directors:

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