You should read the following discussion and analysis of our Group's financial condition and results of operations together with our combined financial statements as at and for each of the three years ended 31 December 2007, 2008 and 2009 and the accompanying notes included in the accountants' report set out in Appendix I to this prospectus. The accountants' report has been prepared in accordance with HKFRSs. Potential investors should read the whole of the accountants' report set out in Appendix I to this prospectus and not rely merely on the information contained in this section. The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. For additional information regarding these risks and uncertainties, please refer to the section headed "Risk factors" in this prospectus.

OVERVIEW

Our Group is principally engaged in the insurance and MPF schemes brokerage business. We negotiate and arrange contracts of insurance and MPF schemes in Hong Kong as the agent of our customers, i.e. the policyholders, and advise on matters related to insurance. In pursuing the insurance brokerage business, CFS commenced business in 1993, for carrying on long term (including linked long term) and general insurance business, and to provide independent advisory services in connection with insurance products. In October 1998, our Group started our brokerage business through CFS. In December 1999, our Group commenced MPF schemes brokerage business to tap into the unexplored market of MPF which was launched in December 2000. CFS is a corporate member of PIBA and corporate intermediary of MPFA. We carry on our business under the Trademarks (, CONVOY, 康宏理財, 康宏 and) through a non-exclusive licence granted by CTL, a wholly-owned subsidiary of CFG.

ILAS or Investment-linked Assurance Scheme is the major contracts of insurance on which our Group provides advisory services and from which over 99% of our Group's revenue for the three years ended 31 December 2007, 2008 and 2009 was generated. As a supplement, our Group also acts as an independent broker for general and conventional insurance products and MPF schemes in the course of providing advisory services to the customers.

For the three years ended 31 December 2007, 2008 and 2009, we recorded revenue of approximately HK$636.1 million, HK$554.3 million and HK$455.6 million, respectively, and net profit after tax of approximately HK$101.4 million, HK$31.5 million and HK$38.1 million, respectively.

Our customers are policyholders whom the Consultants provide services to. Our Directors believe that the Listing will be definitely conducive to the further enhancement of our Group's image and our onward development in the insurance and MPF schemes brokerage market in the future.

BASIS OF PRESENTATION OF FINANCIAL INFORMATION

Our Group resulting from the Reorganisation is regarded as a continuing group. Accordingly, the combined statements of comprehensive income, combined statements of changes in equity and combined statements of cash flows of our Group for the Track Record Period have been prepared and included the financial information of the companies now comprising our Group as if the current group structure had been in existence throughout the Track Record Period. The combined statements of financial position of our Group as at 31 December 2007, 2008 and 2009 have been prepared to present the assets and liabilities of our Group as at those dates as if the current group structure had been in existence at those dates.

FACTORS AFFECTING OUR FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS

Our financial conditions and results of operations have been and will continue to be affected by a number of factors, including those discussed below.

Demand for long term and general insurance products and MPF schemes in Hong Kong

We provide independent advisory services on long term and general insurance products and MPF schemes to our customers/potential customers. Our results of operations are therefore directly affected by the demand for those products in Hong Kong. The demand for the insurance products and MPF schemes, in particular, ILAS, is generally dependent upon, among others, the performance of global securities market and the disposable income of the target customers. The larger the disposable income of the target customers, the more money those customers are willing to be applied to ILAS and therefore the higher demand for new ILAS. We believe that a key to our success is our ability to identify suitable insurance products and MPF schemes which meet the customers' needs.

Types of insurance products and MPF schemes arranged

Our operating results are affected by the types of insurance products and MPF schemes arranged. We offer a wide variety of insurance products to our customers, including ILAS, conventional and general insurance products and MPF schemes, which have different commission rate. As a significant portion of our Group's revenue is generated from the sale of ILAS, our revenue, in general, increases when more ILAS is arranged. Furthermore, the types of insurance products and MPF schemes being arranged also affect the commission expense payable to the Consultants.

Commission clawback

Our operating results are affected by the likeliness of clawback. Pursuant to the terms of the agreements entered into between our Group and the authorised insurers, the commission for Regular-savings ILAS paid by the authorised insurers to our Group is subject to the commission clawback by the authorised insurers on a pro-rata basis. The indemnified period is generally from 6 months to 24 months. If the actual amount of commission clawback is in excess of the estimated commission clawback and accordingly, this would have a direct and adverse effect on the performance of our Group.

CRITICAL ACCOUNTING POLICIES, ESTIMATES AND JUDGEMENTS

The preparation of our combined financial statements requires management to make judgments, estimates and assumptions that effect the carrying amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The following sets out certain critical accounting policies that our management considers to be critical in the portrayal of our financial position and results of operations:

Revenue recognition

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

(i) 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;

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

(iii) 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

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

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, our Group recognises such parts as individual assets with specific useful lives and depreciation.

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.

In determining the useful life and residual value of an item of property, plant and equipment, our 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 our Group with similar assets that are used in a similar way. Additional or reduction 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 each year during the Track Record Period based on changes in circumstances.

Income tax provisions

Determining income tax provisions involves judgement on the future tax treatment of certain transactions. Our 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.

Impairment of non-financial assets

Our Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each year during the Track Record Period. Definite life 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

Our Group assesses at the end of each year during the Track Record Period whether there is any objective evidence that a loan and receivable is impaired. To determine whether there is objective evidence of impairment, our 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.

Our Group maintains an allowance for estimated impairment of receivables arising from the inability of its debtors to make the required payments. Our 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, our Group would be required to revise the basis of making the allowance.

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

Our Group reviews the carrying amount of commission clawback at the end of each year during the Track Record Period and estimates the expected cash outflows related to commission clawback.

The estimation requires our 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 22 to the accountants' report set out in Appendix I to this prospectus.

SUMMARY OF COMBINED RESULTS OF OUR GROUP

The following is a summary of our Group's combined audited results for the Track Record Period which have been extracted from the accountants' report set out in Appendix I to this prospectus. The combined audited results were prepared on the assumption that the current structure of our Group had been in existence throughout the Track Record Period and in accordance with the basis set out in the accountants' report contained in Appendix I to this prospectus.

	Year ended 31 December		
	2007	2008	2009
	HK$'000	HK$'000	HK$'000
REVENUE	636,068	554,283	455,587
Other income and gains, net	2,734	207	208
Commission expenses	(362,850)	(322,915)	(253,538)
Staff costs	(51,517)	(63,569)	(44,909)
Depreciation	(14,733)	(16,484)	(16,735)
Commission clawback	(4,217)	(7,286)	(4,651)
Other expenses	(81,056)	(106,638)	(88,882)
PROFIT BEFORE TAX	124,429	37,598	47,080
Income tax expense	(23,035)	(6,088)	(8,966)
PROFIT FOR THE YEAR AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO THE OWNER OF OUR COMPANY	101,394	31,510	38,114
DIVIDEND PAID BY A SUBSIDIARY OF OUR COMPANY	100,000	7,500	72,000

PRINCIPAL INCOME STATEMENT COMPONENTS

Revenue

Our revenue is mainly derived from the one-off brokerage commission income and recurring fee income receivable from various Product Issuers for business referral and introduction of insurance products and MPF schemes to our customers. The following table sets out the amount of one-off brokerage commission income and recurring fee income for the Track Record Period:

	2007		2008		2009	
	HK$'000	Percentage of total	HK$'000	Percentage of total	HK$'000	Percentage of total
One-off brokerage commission income	625,615	98%	540,309	97%	439,582	96%
Recurring fee income	10,453	2%	13,974	3%	16,005	4%
Total	636,068		554,283		455,587	

During the Track Record Period, most of our Group's revenue was attributable to one-off brokerage commission income derived from sale of (i) investment-linked insurance products (comprising ILAS); (ii) conventional and general insurance products; and (iii) MPF schemes. There was no significant fluctuation in the one-off brokerage commission income and recurring fee income respectively as a percentage of total commission income of our Group during the Track Record Period.

The one-off brokerage commission income and recurring fee income receivable in respect of ILAS and conventional and general insurance products are normally settled within 45 days upon receiving the commission statements. The income derived from the MPF schemes includes upfront commission and recurring management fee which is receivable upon the execution of the MPF schemes and periodically as agreed with the MPF Providers with reference to the underlying asset value of the MPF schemes.

The following table sets out a breakdown of our revenue for the Track Record Period:

	Year ended 31 December					
	2007		2008		2009	
	HK$'000	%	HK$'000	%	HK$'000	%
ILAS	633,873	99.66	552,943	99.76	451,637	99.14
Other insurance products	1,743	0.27	410	0.07	3,391	0.74
MPF schemes	452	0.07	930	0.17	559	0.12
Total	636,068	100.00	554,283	100.00	455,587	100.00

There were 11,959, 10,867 and 9,156 customers purchasing new products through our Group in 2007, 2008 and 2009 respectively. A majority of our revenue is derived from the business referral and introduction of ILAS. Our operating results therefore are very dependent on the demand of ILAS in Hong Kong.

Other income and gains, net

Other income and gains, net comprises mainly bank interest income and dividend income from listed investment totalling approximately HK$2.3 million, HK$366,000 and HK$99,000 for the three years ended 31 December 2007, 2008 and 2009 respectively.

Commission expenses

We are obliged to pay commission expense to the Consultants who accomplished new business and produced brokerage commission income for our Group through the sale of various insurance products and MPF schemes in the course of provision of advisory services to customers. Our Group pays commission to the Consultants in accordance with (i) the terms and conditions stipulated in the contract for services entered into between the Consultants and CFS; (ii) the Consultants' respective grading; and (iii) the conditions set by our Group being satisfied, such as relevant commission income received from the Product Issuers and relevant documents having been filed with our Group. The payment of commission to the Consultants depends on the pattern of commission income and recurring fees received by our Group from the Product Issuers and varies with different types of products. For Regular-savings ILAS, commission to the Consultants is generally paid in equal monthly installments over the period of not more than 10 months, depending on tenor and/or size of premium; whereas for Lump-sum ILAS and other insurance products, commission to the Consultants is generally paid in a lump-sum, upon receipt of the relevant commission income or recurring fees from the Product Issuers. For MPF schemes, the commission to the Consultants is generally paid in a lump-sum or in equal monthly installments over the period of not more than 12 months, upon receipt of relevant income from the MPF Providers.

Commission expense represented approximately 57.0%, 58.3% and 55.7% of our revenue for the three years ended 31 December 2007, 2008 and 2009 respectively, which remained at a fairly stable level in the Track Record Period. During the year ended 31 December 2009, commission payable to the Consultants in respect of ILAS brokerage commission income ranged from 43.5% to 78.2% of the relevant amount received from the ILAS Issuers.

Staff costs

Our staff costs mainly represented salaries, allowances, bonuses, pension scheme contributions and other staff benefits to the staff and directors of our Group, excluding the commission payable to the Consultants. Our staff costs represented approximately 8.1%, 11.5% and 9.9% of our revenue for the three years ended 31 December 2007, 2008 and 2009 respectively.

Our Directors' remuneration of our Group was approximately HK$7.9 million, HK$6.6 million and HK$2.1 million for the years ended 31 December 2007, 2008 and 2009 respectively. The decrease in directors' remuneration in 2009 was mainly due to salary cut of directors of CFS given that the financial performance of CFS was adversely affected as a result of the global economic downturn in the fourth quarter of 2008. Regarding the future remuneration policy of our Group, it is our Group's remuneration objective to, in consultation with the remuneration committee of our Company, remunerate directors of our Group fairly but not excessively for their efforts, time and contributions made to our Group and the remuneration of directors of our Group 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 our Group's performance for the financial year concerned and the prevailing market conditions.

Commission clawback

Pursuant to the terms of the broker agreements entered into between our Group and the ILAS Issuers, the commission paid by the ILAS Issuers in relation to Regular-savings ILAS to our Group is subject to commission clawback by the ILAS Issuers on a pro-rata basis. Generally, our Group makes an estimation of the expected cash outflows related to commission clawback for the Regular-savings ILAS business being arranged in the indemnified period which is subject to commission clawback with reference to a model which is established and developed by our Group (and which in our Directors' opinion is objective and consistent) which is a function of the remaining number of the months of the indemnified period, and probability of occurrence of clawback with data accumulated from January 2000 of sales volume, pattern of time of termination, ratio of terminated business to sales volume, past experience of the levels of clawback, and our Directors' best estimates of the expenditure required to settle the obligations in relation to the Regular-savings ILAS. The commission clawback is then prudently assessed to account for probable commission clawback of the business being in the indemnified period at the end of that financial year. All commission clawback occurred in a financial year are immediately debited in our Group's revenue.

Pursuant to the contract for services entered into between each Consultants and CFS, the Consultants is required to bear part of the commission clawback based on a ratio of the Consultants' commission entitlement to our Group's brokerage commission income derived from the sale of Regular-savings ILAS. The commission clawback borne by the Consultants is calculated based on the commission paid by our Group to the Consultants on a same pro-rata basis as the commission clawback by the Product Issuers as mentioned above.

The amount of estimated commission clawback as at 31 December 2006, 2007 and 2008 were approximately HK$4.1 million, HK$5.1 million and HK$8.0 million, representing approximately

1.1%, 0.8% and 1.4% of the revenue of our Group for each of the three years ended 31 December 2008. These estimated sums were set aside at the end of each financial year to prepare for actual commission clawback which may occur subsequently within the indemnified period. The corresponding actual clawback occurred and borne by our Group in 2007, 2008 and 2009 which relates to revenue generated from the previous year, was approximately HK$3.3 million, HK$4.3 million and HK$6.7 million respectively.

As at 31 December 2009, our Group had estimated commission clawback of approximately HK$5.9 million to account for the probable commission clawback in relation to the business accomplished and indemnified by our Group in the years prior to 31 December 2009.

For the four months ended 30 April 2010, the actual commission clawback in relation to the business accomplished and indemnified by our Group for the years prior to 2010 amounted to approximately HK$3.1 million (the portion borne by our Group). Among the estimated commission clawback of approximately HK$5.9 million made by our Group as at 31 December 2009 for the probable commission clawback in 2010, approximately HK$3.0 million was made for the four months ended 30 April 2010, which approximately covered the actual clawback commission of HK$3.1 million for the four months ended 30 April 2010. Therefore, the estimated commission clawback as at 31 December 2009 should be sufficient to account for the relevant commission clawback related to the business accomplished and indemnified by our Group for the years prior to 2010.

The commission clawback for the four years ended 31 December 2006, 2007, 2008 and 2009 is summarised as below.

	Year ended 31 December			
	2006	**2007**	**2008**	**2009**
Estimated clawback for a particular year relates to revenue generated from previous years:				
Revenue from Regular-savings ILAS (HK$' million)	377.7	633.9	552.9	451.6
Estimated clawback at the end of financial year (HK$' million)	4.1	5.1	8.0	5.9
Estimated clawback-to-revenue ratio (%)	1.1%	0.8%	1.4%	1.3%
Actual clawback occurred in the next financial year:(1)				
Actual clawback borne by our Group in relation to the revenue from Regular-savings ILAS (HK$' million)	3.3	4.3	6.7	N/A
Actual clawback borne by Consultants in relation to the revenue from Regular-savings ILAS (HK$' million)(2)	4.6	6.5	9.1	N/A

Notes:

(1) The actual clawback for a particular year relates to revenue generated from previous years. Any difference between the estimated and actual commission clawback would be adjusted in the estimation of commission clawback recognised to the statement of comprehensive income in the next year. The amounts in the above table represent actual clawback occurred in 2007, 2008 and 2009, which relates to revenue generated on or before 31 December 2006, 31 December 2007 and 31 December 2008, respectively.

(2) The actual clawback borne by the Consultants is calculated on a similar basis as the clawback charged by the Product Issuers as mentioned above. The actual clawback borne by the Consultants would not be accounted for as our Group's expenses and would be offset against the commission expense payable to the Consultants. In the event that the contractual relationship between CFS and the Consultants has been terminated, the commission clawback would be accounted for as a receivable from the Consultants by our Group.

Our Directors believe that our Group has objectively estimated the extent and the possibility of occurrence of commission clawback and the amount of estimated commission clawback has been prudently, consistently and fairly reflected in the financial statements.

Other expenses

Other expenses mainly include rental expenses, marketing expenses, welfare and benefits to the Consultants and professional fees.

The table below sets forth our other expenses for the Track Record Period.

	Year ended 31 December		
	2007	2008	2009
	HK$'000	HK$'000	HK$'000
Rental expense	33,491	44,201	48,466
Marketing expenses	17,523	20,178	11,436
Welfare and benefits to the Consultants	4,011	4,939	3,231
Auditors' remuneration	690	615	260
Legal and professional fees	2,705	1,361	497
Office expenses	14,166	15,664	12,127
Office removal expenses	—	3,340	2,428
Travelling and entertainment expenses	2,046	3,686	840
Administrative service fees	—	1,090	1,412
Impairment of accounts receivable	—	161	—
Impairment/(reversal of impairment) of other receivables, net	1,834	1,430	(592)
Foreign exchange differences, net	(1)	5	67
Others	4,591	9,968	8,710
Total other expenses	81,056	106,638	88,882

Other expenses represented approximately 12.7%, 19.2% and 19.5% of our revenue for the three years ended 31 December 2007, 2008 and 2009, respectively. Our other expenses as a percentage of our revenue increased from 12.7% in 2007 to 19.2% in 2008, which was mainly due to the increase in rental expenses and office removal expenses in 2008. These expenses mainly represented rental for our new office at One Island East, 18 Westlands Road, Island East, Hong Kong and reinstatement cost on the old office at Pacific Place, Admiralty, Hong Kong upon the end of lease term. The ratio in 2009 maintained at a relatively stable level as in 2008.

Income tax expense

Tax represents amounts of income tax paid/payable by us, at the applicable tax rates in accordance with the relevant law and regulations in Hong Kong. We had no other tax payable in other jurisdictions during the Track Record Period. The applicable income tax rates for CFS were 17.5%, 16.5% and 16.5% for the three years ended 31 December 2007, 2008 and 2009, respectively.

Our effective income tax rates for the three years ended 31 December 2007, 2008 and 2009 were 18.5%, 16.2% and 19.0%, respectively.

MANAGEMENT DISCUSSION AND ANALYSIS OF OUR GROUP'S RESULTS OF OPERATIONS

Year ended 31 December 2008 compared to year ended 31 December 2007

Revenue

Our revenue for the year ended 31 December 2008 was approximately HK$554.3 million, representing a decrease of approximately 12.9% compared with that for the year ended 31 December 2007. The decrease was principally attributable to the decrease of approximately 9.1% in the number of customers purchasing new products through our Group in 2008, changes in consumer confidence and the drop in disposable income of individuals as a result of the global economic downturn outburst in the fourth quarter of 2008. As our Group's revenue is wholly derived from commission income, most of which is received in one-off lump-sum payment from the Product Issuers, the decrease in number of customers purchasing new products led to the decrease in revenue. Our revenue derived from ILAS decreased by approximately 12.8%, from approximately HK$633.9 million for the year ended 31 December 2007 to approximately HK$552.9 million for the year ended 31 December 2008. The proportion of the revenue derived from ILAS was stable and accounted for approximately 99.7% and 99.8% of our total revenue for the two years ended 31 December 2007 and 2008 respectively. Our revenue derived from other insurance products and MPF schemes was insignificant to the results of our Group and accounted for approximately 0.1% and 0.2% of our total revenue for the year ended 31 December 2008.

Commission expenses

The commission expenses was approximately HK$322.9 million for the year ended 31 December 2008, representing a decrease of approximately 11.0% from that for the year ended 31 December 2007. The decrease was in line with the decrease of our revenue for the year ended 31 December 2008. The ratios of commission expenses to revenue remained stable for the two years ended 31 December 2007 and 2008 at approximately 57.0% and 58.3% respectively.

Staff costs

The staff cost was approximately HK$63.6 million for the year ended 31 December 2008, representing an increase of approximately 23.4% from that for the year ended 31 December 2007. The number of supporting staff increased from 118 persons as at 31 December 2007 to 156 persons as at 31 December 2008. Such increase was in line with expansion of the Consultants from 959 persons as at 31 December 2007 to 1,127 persons as at 31 December 2008. Such increase was mainly due to the expansion in the number of Consultants before the global economic downturn and our Group did not implement any cost control measures thereafter in 2008.

Depreciation

Depreciation was approximately HK$16.5 million for the year ended 31 December 2008, representing an increase of approximately 11.9% from that for the year ended 31 December 2007. Such increase was in line with the increase in purchases of items of property, plant and equipment for the year ended 31 December 2008.

Commission clawback

Commission clawback was approximately HK$7.3 million for the year ended 31 December 2008, representing an increase of approximately 72.8% from that for the year ended 31 December 2007. Such increase was mainly due to the expectation of increase in the commission clawback as at 31 December 2008 following the global economic downturn outburst in the fourth quarter of 2008.

Other expenses

Other expenses were approximately HK$106.6 million for the year ended 31 December 2008, representing an increase of 31.6% compared with that for the year ended 31 December 2007. Such increase was mainly due to the expansion of office space, the Consultants and supporting staff in 2008.

Income tax expense

Income tax was approximately HK$6.1 million, representing an effective tax rate of approximately 16.2% for the year ended 31 December 2008, which is slightly lower than the effective tax rate of approximately 18.5% for the year ended 31 December 2007. The lower effective tax rate for the year ended 31 December 2008 as compared to the year ended 31 December 2007 was mainly due to the decrease in Hong Kong statutory tax rate from 17.5% in 2007 to 16.5% in 2008, and the inclusion of a tax credit of HK$263,000 in relation to the overprovision of tax in prior years in the 2008 tax provision whereas a tax charge of HK$920,000 in relation to the underprovision of tax in prior years was included in the 2007 tax provision.

Profit for the year and net profit margin

The profit for the year was approximately HK$31.5 million for the year ended 31 December 2008, representing a decrease of 68.9% compared with that for the year ended 31 December 2007. The net profit margin decreased from approximately 15.9% for the year ended 31 December 2007 to approximately 5.7% for the year ended 31 December 2008, primarily as a result of (i) the decrease in revenue of approximately HK$81.8 million due to the decrease of approximately 9.1% in the number of customers purchasing new products through our Group in 2008 given that most of our revenue was received in one-off lump-sum payment from the Product Issuers as a result of the global economic downturn in the fourth quarter of 2008; (ii) the increase in staff costs of approximately HK$12.1 million mainly due to the expansion in the number of Consultants before the global economic downturn and our Group did not implement any cost control measures thereafter in 2008; (iii) the increase in commission clawback of approximately HK$3.1 million mainly due to the expectation of increase in the commission clawback as at 31 December 2008 following the global economic downturn outburst in the fourth quarter of 2008; and (iv) the increase in other expenses of approximately HK$25.6 million mainly due to the expansion of office space, the Consultants and supporting staff.

Year ended 31 December 2009 compared to year ended 31 December 2008

Revenue

Our revenue for the year ended 31 December 2009 was approximately HK$455.6 million, representing a decrease of approximately 17.8% compared with that for the year ended 31 December 2008. The decrease was principally attributable to the decrease of approximately 15.7% in the number of customers purchasing new products through our Group in 2009, changes in consumer confidence and the drop in disposable income of individuals as a result of the global economic downturn outburst in 2008 and its aftermath in 2009. As our Group's revenue is wholly derived from commission income, most of which is received in one-off lump-sum payment from the Product Issuers, the decrease in number of customers purchasing new products led to the decrease in revenue. Our revenue derived from ILAS decreased by approximately 13.6%, from approximately HK$522.9 million for the year ended 31 December 2008 to approximately HK$451.6 million for the year ended 31 December 2009. The proportion of the revenue derived from ILAS remained stable and accounted for approximately 99.7% and 99.1% of our revenue for the two years ended 31 December 2008 and 2009 respectively. Our revenue derived from other insurance products and MPF schemes was insignificant to the results of our Group and accounted for approximately 0.7% and 0.1% of our total revenue for the year ended 31 December 2009.

Commission expenses

The commission expenses were approximately HK$253.5 million for the year ended 31 December 2009, representing a decrease of approximately 21.5% from that for the year ended 31 December 2008. The decrease was in line with the decrease of the revenue for the year ended 31 December 2009. The ratios of commission expenses to revenue remained stable for the two years ended 31 December 2008 and 2009 at approximately 58.3% and 55.7% respectively.

Staff costs

The staff cost was approximately HK$44.9 million for the year ended 31 December 2009, representing a decrease of approximately 29.3% from that for the year ended 31 December 2008. The number of supporting staff decreased from 156 persons as at 31 December 2008 to 119 persons as at 31 December 2009. Such decrease in staff costs was mainly due to salary cut of some senior management of our Group and Directors and the reduction of the number of supporting staff of our Group, given that the financial performance of CFS was adversely affected as a result of the global economic downturn in the fourth quarter of 2008.

Depreciation

Depreciation was approximately HK$16.7 million for the year ended 31 December 2009, which was comparable to the amount of approximately HK$16.5 million for the year ended 31 December 2008.

Commission clawback

Commission clawback was approximately HK$4.7 million for the year ended 31 December 2009, representing a decrease of approximately 36.2% from that for the year ended 31 December 2008. Such decrease was mainly due to the relatively high expectation on the commission clawback as at 31 December 2008 following the global economic downturn outburst in the fourth quarter of 2008.

Other expenses

The other expenses were approximately HK$88.9 million for the year ended 31 December 2009, representing a decrease of approximately 16.7% compared with that for the year ended 31 December 2008. Such decrease was mainly due to cost cutting in response to the global economic downturn as a result of the financial tsunami.

Income tax expense

Income tax was approximately HK$9.0 million, representing an effective tax rate of approximately 19.0% for the year ended 31 December 2009, which is higher than the effective tax rate of approximately 16.2% for the year ended 31 December 2008. The higher effective tax rate for the year ended 31 December 2009 as compared to 2008 was because of the larger non-deductible expenses incurred for 2009 and the inclusion of a tax charge of HK$175,000 in relation to the underprovision of tax in prior years in the 2009 tax provision whereas a tax credit of HK$263,000 in relation to the overprovision of tax in prior years was included in the 2008 tax provision.

Profit for the year and net profit margin

The profit for the year was approximately HK$38.1 million for the year ended 31 December 2009, representing an increase of 21.0% compared with that for the year ended 31 December 2008. The net profit margin increased from approximately 5.7% for the year ended 31 December 2008 to approximately 8.4% for the year ended 31 December 2009, primarily as a result of (i) the decrease in staff costs of approximately HK$18.7 million for the year ended 31 December 2009 mainly due to salary cut of some senior management of our Group and Directors and the reduction of the number of supporting staff of our Group, given that the financial performance of CFS was adversely affected as a result of the global economic downturn in the fourth quarter of 2008, and (ii) the decrease in other expenses of approximately HK$17.8 million for the year ended 31 December 2009 mainly due to cost cutting in response to the global economic downturn as a result of the financial tsunami.

LIQUIDITY AND CAPITAL RESOURCES

Our primary uses of cash are to satisfy our working capital needs and our capital expenditure needs. Since our establishment, our working capital needs and capital expenditure requirements have been financed through a combination of shareholders' equity and cash generated from operations.

The following table is a condensed summary of our combined statements of cash flows for the years indicated:

	Year ended 31 December		
	2007	2008	2009
	HK$'000	HK$'000	HK$'000
Net cash flows from/(used in) operating activities	78,006	(1,768)	157,326
Net cash flows used in investing activities	(17,914)	(22,829)	(8,700)
Net cash flows used in financing activities	(96,002)	(2,005)	(86,743)
Net increase/(decrease) in cash and cash equivalents	(35,910)	(26,602)	61,883
Cash and cash equivalents at beginning of year	84,384	48,474	21,872
Cash and cash equivalents at end of year	48,474	21,872	83,755

Cash flows from/(used in) operating activities

We derive our cash inflow from operations principally from the receipts for the brokerage commission and recurring fee income from the Product Issuers. Our cash outflow from operations is principally for payments for commission to the Consultants, staff costs, rental expenses, marketing expenses and other expenses.

For the year ended 31 December 2009, we recorded net cash flows from operating activities of approximately HK$157.3 million, which was primarily attributable to profit before tax of approximately HK$47.1 million, decrease in balances with related parties and increase in accounts payable. This was partially offset by the Hong Kong profits tax payment.

For the year ended 31 December 2008, we recorded net cash flows used in operating activities of approximately HK$1.8 million, which was primarily attributable to profit before tax of approximately HK$37.6 million and the decrease in accounts receivable. This was partially offset by the increase in balances with related parties, the decrease in accounts payable and the Hong Kong profits tax payment.

For the year ended 31 December 2007, we recorded net cash flows from operating activities of approximately HK$78.0 million, which was mainly attributable to profit before tax of approximately HK$124.4 million and the increase in accounts payable. This was partially offset by the increase in balances with related parties and increase in accounts receivable, prepayments, deposits and other receivables.

The change from net cash flows from operating activities for the year ended 31 December 2007 to net cash flows used in operating activities for the year ended 31 December 2008 was mainly due to the decrease in profit before tax for the year ended 31 December 2008, the decreases in accounts receivable and accounts payable as at 31 December 2008 as a result of the decrease in commission income received from the Product Issuers following the global economic downturn outburst in the last quarter of 2008, payment of Hong Kong profits tax in 2008 and transfer of excess funds to a fellow subsidiary. There was no payment of Hong Kong profits tax in 2007 since the Hong Kong profits tax of our Group for the fiscal year 2005/2006 was paid in December 2006 while the Hong Kong profits tax for the fiscal year 2006/2007 was paid in March 2008.

The change from net cash flows used in operating activities for the year ended 31 December 2008 to net cash flows from operating activities for the year ended 31 December 2009 was mainly due to the increases in accounts receivable and accounts payable as at 31 December 2009 and receipt in full of amounts due from related parties during 2009. The increase in accounts receivable and accounts payables was mainly due to the significant increase in revenue and commission expenses as a result of the strong performance by our Group in the last quarter of 2009.

Cash flows used in investing activities

We derive our cash inflow from investing activities primarily from interest income. Our cash outflow from investing activities is primarily for the purchase of computer equipment, leasehold improvements and motor vehicles.

For the year ended 31 December 2009, we recorded net cash flows used in investing activities of approximately HK$8.7 million, which was primarily due to the purchase of computer equipment, leasehold improvements and motor vehicles during such year.

For the year ended 31 December 2008, we recorded net cash flows used in investing activities of approximately HK$22.8 million, which was primarily due to the purchase of computer equipment, leasehold improvements and motor vehicles during such year.

For the year ended 31 December 2007, we recorded net cash flows used in investing activities of approximately HK$17.9 million, which was primarily due to the purchase of computer equipment, leasehold improvements and motor vehicles during such year.

The increase in net cash flows used in investing activities for the year ended 31 December 2008 was mainly due to the increase in capital expenditure on leasehold improvements of our offices at One Island East, 18 Westlands Road, Island East, Hong Kong in 2008 and reduction in interest received.

The decrease in net cash flows used in investing activities for the year ended 31 December 2009 was mainly due to the decrease in capital expenditure in 2009 as the leasehold improvements for our offices at One Island East, 18 Westlands Road, Island East, Hong Kong have been substantially completed in 2008.

Cash flows used in financing activities

We derive our cash inflow from financing activities principally from advance from a related party. Our cash outflow from financing activities is principally due to dividends paid and repayment to a related party.

For the year ended 31 December 2009, we recorded net cash flows used in financing activities of approximately HK$86.7 million, which was primarily due to dividend payment and repayment to a related party during such year.

For the year ended 31 December 2008, we recorded net cash flows used in financing activities of approximately HK$2.0 million, which was mainly due to repayment to a related party during such year.

For the year ended 31 December 2007, we recorded net cash flows used in financing activities of approximately HK$96.0 million, which was mainly due to divided payment during such year.

Financial resources

Prior to completion of the Share Offer, our Group's operations have been financed principally by Shareholders' fund and cash generated from our business operations. Our Directors believe that our Group will continue to fund our current working capital and capital expenditure requirements through cash flow from operations, the net proceeds from the Share Offer and our cash and bank deposits. Our Directors believe that on a long term basis, our Group's liquidity will be funded from business operations and, if necessary, additional equity financing or bank borrowing.

Foreign currency risk

Since most of the revenue and the payment of expenditure are either made in Hong Kong dollars or US dollars, our Directors consider that our Group is not exposed to significant foreign exchange risk.

INDEBTEDNESS

Borrowings

As at the close of business on 30 April 2010, being the latest practicable date for the purpose of ascertaining the information contained in this indebtedness statement prior to the printing of this prospectus, our Group did not have any outstanding borrowings.

Contingent liabilities

We did not have any outstanding loan capital issued and outstanding or agreed to be issued, term loans, bank overdrafts, other borrowings or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, finance leases or hire purchase commitments, guarantees or other material contingent liabilities as at 30 April 2010.

Our Directors confirm that, up to the Latest Practicable Date, there have been no material changes in our indebtedness, capital commitments and contingent liabilities of our Group from 30 April 2010.

CAPITAL EXPENDITURES

Our Group's capital expenditures have principally consisted of expenditures on computer equipment, leasehold improvements and office equipment. For the three years ended 31 December 2007, 2008 and 2009, we incurred capital expenditures in the amounts of approximately HK$20.4 million, HK$23.1 million and HK$8.7 million, respectively. The decrease in capital expenditure in 2009 as compared with 2007 and 2008 is mainly due to the leasehold improvements of our offices at One Island East, 18 Westlands Road, Island East, Hong Kong having been substantially completed in 2008. We have funded our historical capital expenditures through internally generated cash and cash equivalent balances. The following table sets out our Group's historical capital expenditures during the Track Record Period:

	Year ended 31 December		
Historical capital expenditures	**2007**	**2008**	**2009**
	HK$'000	**HK$'000**	**HK$'000**
Leasehold improvements	9,827	13,164	3,256
Furniture, fixtures and equipment	1,145	3,388	2,322
Computer equipment	7,328	5,008	2,346
Motor vehicles	2,078	1,560	793
Total	20,378	23,120	8,717

The capital expenditure for the three years ended 31 December 2007, 2008 and 2009 was primarily related to the purchases of computer equipment and leasehold improvements for our business operations.

COMMITMENTS

Our Group's contractual commitments are primarily related to the lease of our office premises, staff quarters and certain of our office equipment under operating lease arrangements.

Our Group's operating lease commitments amounted to HK$88.2 million in the aggregate as at 31 December 2009. The following table sets out the future minimum lease payments as at 31 December 2009 under non-cancellable operating leases falling due as follows:

	As at 31 December 2009
	HK$'000
Within one year	35,991
In the second to fifth years, inclusive	52,249
Total	88,240

NET CURRENT ASSETS

Details of our current assets and liabilities as at the end of each year during the Track Record Period and as at 30 April 2010 are as follows:

	As at 31 December			As at 30 April
	2007	2008	2009	2010
	HK$'000	HK$'000	HK$'000	HK$'000 (unaudited)
Current assets				
Accounts receivable	31,896	14,312	17,139	16,109
Prepayments, deposits and other receivables	19,647	14,578	20,815	24,242
Equity investment at fair value through profit or loss	288	129	238	228
Due from related parties	74,540	88,483	—	—
Cash and cash equivalents	48,474	21,872	83,755	85,542
Total current assets	174,845	139,374	121,947	126,121
Current liabilities				
Accounts payable	92,754	47,956	75,565	53,177
Other payables and accruals	18,998	17,938	19,583	14,573
Due to a related party	9,248	14,743	—	—
Tax payable	27,684	22,036	15,309	17,224
Commission clawback	5,050	7,993	5,913	5,281
Total current liabilities	153,734	110,666	116,370	90,255
Net current assets	21,111	28,708	5,577	35,866

The net current assets of our Group increased from approximately HK$21.1 million as at 31 December 2007 to approximately HK$28.7 million as at 31 December 2008, which was mainly due to the combined effect of decrease in accounts receivable, accounts payable and cash and cash equivalents balances and increase in amounts due from fellow subsidiaries in the financial year 2008.

The net current assets of our Group decreased from approximately HK$28.7 million as at 31 December 2008 to approximately HK$5.6 million as at 31 December 2009. Such decrease was mainly due to the settlement of amounts due from a related company, fellow subsidiaries and amount due to the immediate holding company in the financial year 2009.

As at 30 April 2010, the net current assets of our Group increased from approximately HK$5.6 million as at 31 December 2009 to approximately HK$35.9 million as at 30 April 2010. Such increase in the net current assets was mainly due to receipt of commission income during the period.

Accounts receivable

Our accounts receivable as at 31 December 2007, 2008 and 2009 were approximately HK$31.9 million, HK$14.3 million and HK$17.1 million respectively. Our accounts receivable was primarily related to the brokerage commission income receivable from the authorised insurers.

The following table sets out the aging analysis of our accounts receivable that is not considered as impaired as at the end of each year during the Track Record Period:

	As at 31 December		
	2007	2008	2009
	HK$'000	HK$'000	HK$'000
Age			
Neither past due nor impaired	31,730	12,097	17,139
Less than 1 month past due	—	2,215	—
Total accounts receivable	31,730	14,312	17,139

In general, the brokerage commission income receivable in respect of investment-linked insurance products and conventional and general insurance products is settled within 45 days upon receipt of commission statements. Up to the Latest Practicable Date, all of our accounts receivable as at 31 December 2009 were subsequently settled. For the year ended 31 December 2008, we have made provision for impairment on accounts receivable amounting to approximately HK$161,000. Such impairment was mainly related to the portion of commission clawback borne by the Consultants, who had terminated the contractual relationship with CFS prior to the occurrence of such events. There was no provision for impairment on accounts receivables for the two year ended 31 December 2007 and 2009.

The following table sets out our average accounts receivable turnover days for the Track Record Period:

	Year ended 31 December		
	2007	2008	2009
Average accounts receivable turnover days [(1)]	14	15	13

Note:

(1) Average accounts receivable turnover days for the three years ended 31 December 2007, 2008 and 2009 are computed by the average of the beginning and ending accounts receivable balances for the year, divided by the total revenue for the year and multiplied by 365.

Our average accounts receivable turnover days for the three years ended 31 December 2009 remained steady ranging from about 13 days to 15 days.

Prepayments, deposits and other receivables

Prepayments, deposits and other receivables primarily consist of advances to and commission clawback borne by the Consultants and rental deposits in the Track Record Period.

The following table sets out the details of our prepayments, deposits and other receivables at the end of each of the reporting dates.

	As at 31 December		
	2007	2008	2009
	HK$'000	HK$'000	HK$'000
Other receivables	6,713	10,334	20,329
Impairment	(3,385)	(4,815)	(4,223)
	3,328	5,519	16,106
Prepayments	1,165	1,363	851
Deposits	15,154	7,696	3,858
Total prepayments, deposits and other receivables	19,647	14,578	20,815

The increase in other receivables as at 31 December 2008 was mainly due to the increase in commission clawback borne by the Consultants in the last quarter of 2008 following the global economic downturn outburst and the loan of HK$2 million to the Independent Third Parties (the "**Loan**") for an acquisition of the entire interest in two general insurance intermediary companies. In consideration of the provision of such financial resources, CFS entered into the Call Option Deed with the Independent Third Parties and was granted call options to purchase shares of the two general insurance intermediary companies. Our Directors have confirmed that the Loan was fully settled in early 2010. The Call Option Deed was terminated with effect from 1 June 2010 for the reason that our Directors cannot be satisfied as to whether the management style of the said two general insurance intermediary companies could be compatible with that of our Group. The call options pursuant to the Call Option Deed have lapsed upon the termination of the Call Option Deed and up to the date of the said termination, such call options were not yet exercisable. Our Directors have further confirmed that as at the Latest Practicable Date, CFS (i) had not exercised the call options in part or in full; and (ii) had no intention to invest in the relevant general insurance intermediary companies or exercise the call options (whether in part or in full).

The increase in other receivables as at 31 December 2009 was mainly due to the increase in commission clawback borne by the Consultants following the global economic downturn outburst in last quarter of 2008 and the aftermath in 2009 and the short term loan facilities offered to the Consultants as financial assistance. Details of the loan facilities are set out under the paragraph headed "Relationship with Consultants" in the section headed "Business" of this prospectus.

The impairment of the other receivables mainly represented provision for portion of commission clawback borne by the Consultants who have terminated the contractual relationship with CFS.

The significant decrease in deposits as at 31 December 2008 was mainly due to the classification of rental deposit to long term deposit starting from 2008 as our Group paid the rental deposit for CFS's office at One Island East, 18 Westlands Road, Island East, Hong Kong in 2008 which our Group expects to be refunded only until the end of the tenancy agreement.

The further decrease in deposits as at 31 December 2009 was mainly due to the refund of rental deposit in respect of Lee Garden upon the end of tenancy agreement on 30 April 2009.

Accounts payable

Our accounts payable as at 31 December 2007, 2008 and 2009 was approximately HK$92.8 million, HK$48.0 million and HK$75.6 million respectively. Our accounts payable was primarily related to the brokerage commission expenses payable to the Consultants.

The following table sets out the aging analysis of our accounts payable as at the end of each year during the Track Record Period:

	As at 31 December		
	2007	2008	2009
	HK$'000	HK$'000	HK$'000
Age			
Within 1 month	36,187	13,850	25,483
1 to 2 months	29,267	8,808	15,857
2 to 3 months	12,340	8,552	18,265
Over 3 months	14,960	16,746	15,960
Total accounts payable	92,754	47,956	75,565

The accounts payable is non-interest bearing and is normally settled within 30 to 120 days. Up to the Latest Practicable Date, over 87% of our accounts payable as at 31 December 2009 was subsequently settled.

The following table sets out our average accounts payable turnover days for the Track Record Period:

	Year ended 31 December		
	2007	2008	2009
Average accounts payable turnover days(1)	73	80	89

Note:

(1) Average accounts payable turnover days for the three years ended 31 December 2007, 2008 and 2009 are computed by the average of the beginning and ending accounts payable balances for the year, divided by the commission expenses for the year and multiplied by 365.

Our average accounts payable turnover days increased from approximately 73 days for the year ended 31 December 2007 to about 89 days for the year ended 31 December 2009.

Other payables and accruals

Other payables and accruals primarily consist of accruals for effective rent, incentives for the Consultants and other expenses in the Track Record Period.

The following table sets out the details of our other payables and accruals as at the end of each year during the Track Record Period:

	As at 31 December		
	2007	2008	2009
	HK$'000	HK$'000	HK$'000
Other payables	8,224	8,642	4,513
Accruals	10,774	9,296	15,070
Total other payables and accruals	18,998	17,938	19,583

The decrease in other payables as at 31 December 2009 was mainly due to cost cutting in response to the global economic downturn.

The increase in accruals as at 31 December 2009 was mainly due to the increase in incentives for the Consultants. The incentives for the Consultants are typically ad-hoc discretionary program announced by the management of CFS in order to motivate the Consultants and stimulate growth in revenue. Since these incentive programs are discretionary in nature, they are not specified in the Consultants' contract for services. There had not been any delays nor any complaints received in respect of such incentive programs.

DISTRIBUTABLE RESERVES

Our Company was incorporated on 12 March 2010. As at 31 December 2009, our Company had no reserves available for distribution to our equity holders.

OUR DIVIDEND POLICY

During the year ended 31 December 2007, CFS declared a dividend in the sum of HK$100.0 million.

During the year ended 31 December 2008, CFS declared a dividend in the sum of HK$7.5 million.

During the year ended 31 December 2009, CFS declared a dividend in the sum of HK$72.0 million.

The above dividends were fully settled as at the Latest Practicable Date. Save for the above, we did not declare nor pay any dividends to the Shareholders or any of our subsidiaries during the Track Record Period.

The declaration, payment and amount of dividends are at the discretion of our Directors and will be dependent upon our Company's earnings, financial condition, cash requirements and availability, the provision of relevant law, and such other factors as our Directors may from time to time consider to be relevant. Our Directors currently have no intended dividend payout ratio for the year ending 31 December 2010.

Dividends may be paid only out of our distributable profits as permitted under the relevant laws. To the extent profits are distributed as dividends, such portion of profits will not be available to be reinvested in our operations. There can be no assurance that we will be able to declare or distribute any dividend in the amount set out in any plan of the Board or at all. The dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by us in the future.

PROPERTY INTERESTS AND PROPERTY VALUATION

As at the Latest Practicable Date, our Group leased six premises in Hong Kong respectively from four Independent Third Parties as our offices and staff quarters. The details of which are set out in Appendix III to this prospectus.

Grant Sherman Appraisal Limited, an independent property valuer, has valued our property interest as at 31 March 2010 and is of the opinion that the value of our property interests is of no commercial value. The full text of the letter, summary of values and valuation certificates with regard to such property interests are set out in Appendix III to this prospectus.

UNAUDITED PRO FORMA ADJUSTED COMBINED NET TANGIBLE ASSETS

The following unaudited pro forma adjusted combined net tangible assets prepared on the basis of the notes set out below to illustrate the effect of the Share Offer on our net tangible assets as at 31 December 2009 as if they had taken place on that date. The unaudited pro forma adjusted combined net tangible assets of our Group have been prepared for illustrative purpose only and, because of their hypothetical nature, they may not give a true picture of our net tangible assets had the Share Offer been completed as at 31 December 2009 or at any future date.

The unaudited pro forma adjusted combined net tangible assets are calculated based on our audited combined net tangible assets attributable to the owner of our Company as at 31 December 2009, as shown in the unaudited pro forma financial information, the text of which is set out in Appendix II to this prospectus, and is adjusted as described below.

	Audited combined net tangible assets of our Group as at 31 December 2009	Estimated net proceeds from the Share Offer	Unaudited pro forma adjusted combined net tangible assets	Unaudited pro forma adjusted combined net tangible assets per Share
	HK$'000	HK$'000 (Note 1)	HK$'000	(Note 2)
Based on the Offer Price of HK$1.00 per Share	45,948	85,000	130,948	HK32.7 cents
Based on the Offer Price of HK$1.20 per Share	45,948	105,000	150,948	HK37.7 cents

Notes:

(1) The estimated net proceeds from the Share Offer of 100,000,000 new Offer Shares are based on the Offer Price of HK$1.00 and HK$1.20 per Share, after deduction of the underwriting fees and other related expenses.

(2) The unaudited pro forma adjusted combined net tangible assets per Share is arrived at after the adjustment for the estimated net proceeds from the Share Offer payable to us as described in Note (1) above and on the basis that a total of 400,000,000 Shares were in issue (including Shares in issue as at the date of this prospectus and those Shares to be issued pursuant to the Share Offer).

QUANTITATIVE AND QUALITATIVE INFORMATION ABOUT MARKET RISKS

Interest rate risk

Our 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.

Credit risk

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

The credit risk of our Group's financial assets, which comprise accounts receivable, deposits and other receivables, amounts due from related companies and fellow subsidiaries and bank balances, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Further quantitative data in respect of our Group's exposure to credit risk arising from accounts receivable and other receivables are disclosed in note 31 to the accountants' report set out in Appendix I to this prospectus.

Liquidity risk

In the management of liquidity risk, our Group monitors and maintains level of cash and cash equivalents deemed adequate by management to finance our Group's operations and mitigate the effects of fluctuations in cash flows. Our Group also maintains a balance between continuity of funding and flexibility through the funding from a holding company.

WORKING CAPITAL

Our Directors believe that after taking into account the financial resources available to us, including internally generated funds and the estimated net proceeds from the Share Offer, we have sufficient working capital for our present working capital requirements for at least the next 12 months from the date of this prospectus.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, up to the Latest Practicable Date, there has been no material adverse change in the financial or trading position or prospects of us since 31 December 2009, being the date on which the latest financial information of our Group was reported in the accountants' report set out in Appendix I to this prospectus.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors confirm that, as at the Latest Practicable Date, there were no circumstances that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.