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信達國際控股有限公司
CINDA INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

Stock Code: 111

ANNUAL REPORT 2010

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Corporate Information

Registered office	Clarendon House 2 Church Street Hamilton, HM 11 Bermuda
Head office and principal place of business	45th Floor, COSCO Tower 183 Queen's Road Central Hong Kong
Authorised representatives	Gong Zhijian Lau Mun Chung
Company secretary	Lau Mun Chung
Legal advisers to the company	*On Hong Kong Law* Tung & Co. 19th Floor 8 Wyndham Street Central Hong Kong *On Bermuda Law* Conyers Dill & Pearman Suite 2901 One Exchange Square 8 Connaught Place Central Hong Kong
Bermuda principal share registrar and transfer office	Butterfield Fulcrum Group (Bermuda) Limited Rosebank Centre 11 Bermudiana Road Pembroke HM 08 Bermuda
Hong Kong branch share registrar and transfer office	Tricor Secretaries Limited 26/F., Tesbury Centre 28 Queen's Road East Hong Kong
Auditors	KPMG *Certified Public Accountants* 8th Floor, Prince's Building 10 Chater Road Central Hong Kong

Chairman's Statement

The global economy has gradually shown positive signs of recovery from a trough in 2009. However, given the lack of significant momentum of growth in the economy, the economic environment remained uncertain. The European sovereign debt crisis triggered another crash crisis of the global stock markets. It was the second time that the U.S. Federal Reserve Board has put forward quantitative measures to deal with the prevailing difficult situation. Emerging economies, particularly developing economies in Asia, demonstrated strong economic growth. Driven by the favourable turnaround in China's economy and the implementation of quantitative easing monetary policy by various countries, international capital continued to flow into Hong Kong. This was conducive to the development of Hong Kong's economy and financial business.

By keeping ahead of the highly complicated economic landscape, Cinda International has actively captured business opportunities, thereby fostering stable business development. Corporate finance has become the fastest-growing business. The Group has taken part in several IPO projects and additional placings of shares. In addition, the Group achieved breakthroughs in sizeable listing projects by acting as major sponsors and bookrunners for listing projects, as well as major participants for placings of shares. Notable success was attained in issuance and underwriting business. Corporate finance business has become the main source of income for the Group in 2010 financial year. We will continue to expand corporate finance business in the coming year, while actively promoting the development of securities and futures brokerage business and asset management business, and introduce professionals with extensive experience in asset management from the market. Asset management business will become one of the focused priorities for the business development of the Group this year.

In addition, China Cinda Asset Management Corporation, the Group's parent company, completed restructuring in June 2010, by then it was formally established as a joint stock company with limited liability and renamed as China Cinda Asset Management Co., Ltd ("China Cinda"). China Cinda, based on its development for more than a decade, has grown into a large financial group that is mainly engaged in professional asset management and comprehensive financial services, covering non-performing asset management, insurance, securities, trust, leasing and banking sectors. Its comprehensive strength has been greatly enhanced. The Group will timely introduce strategic investors, and carry out public offerings and listings of shares when opportunities arise, thereby moving a great step towards the direction of comprehensive and internationalized development.

Looking ahead to 2011, the global financial markets will still be full of uncertainties. Either natural disasters or international political and military conflicts will impose serious impacts on the international economic conditions and Hong Kong's financial market. The negative impacts of the control policies launched by various countries to revitalize the economy from the financial crisis have gradually revealed. A number of originally scheduled listings of new shares in Hong Kong were canceled or postponed in the first quarter of 2011. These heightened uncertainties will bring new challenges to the business operations of the Group.

To leap across the many challenges and volatility in the market environment as well as the economic and financial situation, the Group will timely and actively keep abreast of the prevailing condition . We are confident that with the efforts of the management, the Group will lead all its staff to continue to expand corporate finance, brokerage, and asset management business; at the same time, with the support from China Cinda, the parent company, the Group is well-positioned to provide domestic and foreign customers with more diversified, more professional quality financial services. We will also make unwaveringly commitment to building Cinda International into a well-known brand, and generating better returns on investment for our shareholders. On behalf of the board of directors, I would like to take this opportunity to express my most heartfelt appreciation to the management and all employees, investors, the government, the community, and business partners for their enduring support to the Group

Chen Xiaozhou
Chairman

Hong Kong, 29th March 2011

Management Discussion and Analysis

OVERALL PERFORMANCE

The year 2010 was a year of fluctuation in the investment market. The Hang Seng Index closed at 23,035 points, compared to 21,860 points at the beginning of the year, with an increase of 5.4% recorded. However, the year's highest level was 24,989 points and the lowest was an astonishing 18,972 points. This range of 6,017 points works out to over 32% of the year's low. The initial public offering market was heated in the third quarter of the year. However, the global investment sentiment declined in the last two months of the year because of the fear of an interest rate rebound and the debt crisis in Europe. Certain IPOs were pulled out in the last month of the year.

The Group's performance in 2010 marked a great advancement. The focus on expanding the three major business areas has brought the Group considerable improvements in its results. During the year, the Group suspended its leveraged foreign exchange and investment advisory businesses, which were not profitable. Resources were redirected to other more profitable business areas. Though the Group's turnover was HK$101.3 million (2009: HK$96.6 million), representing an increase of 4.9%, net income after deducting commission expenses was HK$79.5 million (2009: HK$59.5 million), which represents an increase of 33.6%.

A boom in the property market and the human resources market started from the middle of the year and drove up the cost of operations a great deal. Both rental and staff costs increased from the second half of the year. The Group has, however, exercised tight control over the operating costs. As a result the operating expenses excluding commission were HK$87.8 million (2009: HK$80.7 million), which represented a moderate 8.8% increase. Incorporating the results of the associated company, the Group managed to record a profit of HK$11.4 million (2009: loss of HK$19 million).

CORPORATE FINANCE

This segment recorded significant growth in business. The Group participated in the offer of a major "H" share and acted as a joint bookrunner, making it the first time our corporate finance division has played such an important role in an international share offering. In addition, the Group was the sole sponsor of another IPO which is dual-listed in both Hong Kong and Singapore. These two experiences created a solid base for the Group to elevate its position in the market. In addition, the Group's business of providing advisory services and acting as compliance advisors continued to provide a steady income. Turnover increased to HK$46.7 million (2009: HK$24.3 million), representing a growth of 92%. Earnings before interest and tax recorded a great leap from HK$0.9 million in 2009 to HK$4.6 million, which is an increase of more than five times.

SECURITIES BROKING

Competition in the broking market was extremely keen. We saw cut-throat prices in commission and interest in the retail market. Competitors in the market spent huge amounts on advertising, but charging much reduced commission and interest. The cost of marketing and compliance increased in line with inflation and the tightening of regulations. In addition, the Group had to spend a large amount of money on computerised trading and settlement systems to maintain its broking ability in the market. During the year, the Group upgraded its system to cater for clients' needs. As a result, the opportunity for broking and business dealings decreased. However, the underwriting of new issues provided this segment with significant income. As a result, turnover increased to HK$50.2 million (2009: HK$40.1 million), with the EBIT amounting to HK$7.5 million (2009: loss of HK$1.8 million).

Management Discussion and Analysis

ASSET MANAGEMENT

Though the business is yet to resume during the year, the Group has explored a number of opportunities for building its asset management team through collaboration with capable partners. This division will be the main focus in the year to come. In 2010, the only expenses to be incurred were those of maintaining the licence, and hence an insignificant turnover with a loss of HK$1.1 million was recorded (2009: loss of HK$0.2 million). The associated company's engagement in Pre-IPO investment and investment in distressed assets contributed considerable income to the Group. It is expected that upon the maturity of certain investments, the associated company will continue to contribute considerably.

COMMODITIES AND FUTURES BROKING

The requirements of information technology equipment in the commodities and futures broking business are becoming demanding. To keep up with our competitors in the market, we upgraded our trading system in the last quarter of the year. The effects have not been seen yet. However, we saw competitive reductions in commission charges, not only on products traded locally but also on those traded in major markets. Income further dropped to HK$3.8 million (2009: HK$4.6 million). Loss remained at a similar level to that of 2009 at HK$3.1 million (2009: loss of HK$3 million).

FINANCIAL PLANNING AND INSURANCE BROKING

This segment concentrated on developing business in the broking of insurance products after its stint in the investment advisory business. However, the business environment remained difficult, as demand for these products was still sluggish. Turnover was HK$9.9 million (2009: HK$13.3 million). EBIT recorded a loss of HK$1.4 million (2009: loss of HK$1.2 million).

FINANCIAL RESOURCES

The Group has always maintained strong liquidity. The Group did not have borrowings and its current ratio was 4.3 times. All the Group's companies licensed by the Securities and Futures Commission met the financial resources requirement throughout the year. With regards to their bank balance, only a deposit of HK$12 million (2009: HK$12 million) was pledged with a bank to secure banking facilities. Idle funds were either placed in deposits with financial institutions or utilised to invest in financial assets with liquidity. The current position ensures that the Group's liquidity risk is at a low level.

FLUCTUATION IN FOREIGN EXCHANGE

After the cessation of its foreign exchange business, the Group's business and its assets and liabilities are all denominated in either Hong Kong dollars or US dollars, with very few deposits in foreign currencies. Hence exposure to fluctuation of foreign exchange is minimal.

REMUNERATION AND HUMAN RESOURCES DEVELOPMENT

The Group strove to maintain competent staff and to develop those with potential. Various fringe benefits including medical subsidies, education allowances, life insurance, and free continuing professional training and recreational courses were offered to staff of different levels. All staff are remunerated with a basic salary and a mandatory provident fund contribution, with a bonus awarded according to their performance. Account executives are remunerated with an attractive commission package.

Management Discussion and Analysis

CONTINGENT LIABILITIES

Other than the corporate guarantees given to financial institutions to secure banking facilities for certain wholly-owned subsidiaries, the Group has not entered into any guarantees or surety agreements. At the end of the reporting period, these facilities had not been utilised. The Directors considered that it was unlikely that any material claim would arise. Outstanding litigation cases are considered on a case by case basis. Should any case involve economic outflow, provision will be made accordingly.

LOOKING FORWARD

The year ahead is full of uncertainty. The political realm has seen riots in the Middle East and Africa. There is concern that this chaos will spread to Asia, causing an economic downturn. The overheated property market in both Hong Kong and the PRC created a wealth effect, which led to inflation. On one hand, the Hong Kong dollar is pegged against the US dollar and it is difficult to curb inflation through monetary policy. On the other hand, there are worries that the interest rate of the US dollar is bottoming up. If the market interest rate bounces back, the bubbles in the property market may burst, which will cause the economy to slow down.

As mentioned in the interim report, our controlling shareholder, China Cinda Asset Management Co., Ltd ("China Cinda"), has completed its transformation into a joint stock limited company. China Cinda has a strong network and business coverage in the Mainland, and by acting as its arm in the international arena, the Group could benefit from this collaboration with China Cinda and its members.

We have achieved a relatively satisfactory improvement in the year under review. Our focus will remain on the three main business areas – asset management, corporate finance and brokerage. In the year to come, we will endeavour to expand our business in asset management. We have recruited a team of experienced asset management professionals to collaborate with us. Initially, we expect to set up an equity fund and a bond fund. We are confident that with our mix of professionals and our connection to our controlling shareholder, business will pick up quickly. In the medium term, the asset management business can contribute considerably. On the corporate finance business front, the dynamic cooperation of our counterparts in the Mainland has created many business opportunities for the Group. Simultaneously, the Group will actively strengthen its efforts in market exploration. On the brokerage business front, the ruthless competition with our peers in the market will continue in the foreseeable future. As a result we will increase our efficiency through technology improvement, just as others in the market will do.

To sum up, the future will be difficult and challenging. The Board is determined to improve returns to our stakeholders. With effort and the support of our controlling shareholder, we are optimistic that we will realise our mission of developing into a sizable financial institution.

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Chen Xiaozhou, aged 48, was appointed as an executive director and the Chairman of the Company on 2nd December 2008. Mr. Chen is currently the Chairman of Well Kent International Holdings Company Limited (a substantial shareholder of the Company within the meaning of Part XV of the SFO), the Chairman and non-executive director of Silver Grant International Industries Limited (stock code: 171) (a substantial shareholder of the Company within the meaning of Part XV of the SFO) whose shares are listed on The Stock Exchange of Hong Kong (the "Stock Exchange"), a non-executive director of China National Materials Company Limited (stock code: 1893), the H-shares of which are listed on the Stock Exchange and a director of Sino-Rock Investment Management Company Limited (an associated company of the Company).

Mr. Chen obtained a Master Degree in Economics from the Research Institute of the People's Bank of China in 1988 and obtained a Master Degree in Commerce from the University of New South Wales, Australia in 2003. Mr. Chen has over 20 years of experience in the banking and finance industry.

Mr. Gao Guanjiang, aged 58, was appointed as an executive director and the Deputy Chairman of the Company on 2nd December 2008 and 18th January 2009 respectively. He is also the Chairman of the Nomination Committee of the Company. Mr. Gao is currently Assistant Chief Executive of China Cinda Asset Management Co., Ltd (a substantial shareholder of the Company within the meaning of Part XV of the SFO) and the Chairman of Cinda Securities Co., Ltd.

Mr. Gao graduated from the University of Wuhan with a Ph. D in Economics. Mr. Gao has over 20 years of experience in commercial banking, investment banking, business administration and securities and finance.

Mr. Gu Jianguo, aged 48, was appointed as an executive director of the Company on 2nd December 2008. Mr. Gu is currently a director and General Manager of Well Kent International Holdings Company Limited (a substantial shareholder of the Company within the meaning of Part XV of the SFO) and an executive director of Silver Grant International Industries Limited (stock code: 171) (a substantial shareholder of the Company within the meaning of Part XV of the SFO) whose shares are listed on the Stock Exchange.

Mr. Gu obtained a Master Degree in 1991 and a Ph. D Degree in 1994. He has over 20 years of experience in commercial and investment banking, business management, and financial accounting and management.

Mr. Zhao Hongwei, aged 44, was appointed as an executive director and the Managing Director of the Company on 2nd December 2008 and 18th January 2009 respectively. He is also a director of certain subsidiaries of the Company.

Mr. Zhao obtained a Bachelor Degree in Science from Beijing Normal University, a Master Degree in Economics from Renmin University of China, a Ph. D Degree in Economics from the Chinese Academy of Social Sciences in 1989, 1993 and 1996 respectively. He has over 14 years of experience in investment banking, business administration and securities and finance.

Mr. Gong Zhijian, aged 44, was appointed as an executive director of the Company on 2nd December 2008. He is the Deputy General Manager of the Group and a director of certain subsidiaries of the Company. Mr. Gong has worked and held management positions in China Construction Bank Corporation (Xiamen Branch), the Accounts Department of China Construction Bank Corporation (Head Office), China Construction Bank Corporation (Shenzhen Branch) and Well Kent International Holdings Company Limited (a substantial shareholder of the Company within the meaning of Part XV of the SFO).

Mr. Gong graduated from Lujiang University and Zhongnan University of Economics and Law in 1987 and 2004 respectively. He has over 17 years of experience in commercial banking, investment banking, corporate finance and accounting management.

Biographical Details of Directors and Senior Management

Mr. Lau Mun Chung, aged 46, was appointed as an executive director of the Company on 3rd March 2007. He is the Deputy General Manager of the Group, a director and a secretary of certain subsidiaries of the Company and the Company Secretary of the Company. Mr. Lau graduated from the University of Hong Kong with a Bachelor Degree in Social Science. Mr. Lau is a fellow member of the Association of Chartered Certified Accountants, an associate member of the Hong Kong Institute of Certified Public Accountants and a graduate of The Hong Kong Institute of Chartered Secretaries. Prior to joining the Group in 1999, Mr. Lau had already gained extensive experience in accounting, finance and taxation.

NON-EXECUTIVE DIRECTOR

Mr. Chow Kwok Wai, aged 44, was appointed as a non-executive director of the Company on 2nd December 2008. He is the Chairman of the Remuneration Committee of the Company. Mr. Chow is an executive director, a Deputy General Manager and the Qualified Accountant of Silver Grant International Industries Limited (stock code: 171) (a substantial shareholder of the Company within the meaning of Part XV of the SFO) whose shares are listed on the Stock Exchange. Mr. Chow has worked in Price Waterhouse, which is now known as PricewaterhouseCoopers, and accumulated valuable audit experience there. Mr. Chow received his Bachelor Degree in Social Sciences from the University of Hong Kong in 1990. He is a Fellow Member of the Association of Chartered Certified Accountants, a Fellow CPA of the Hong Kong Institute of Certified Public Accountants and a Fellow Member of The Taxation Institute of Hong Kong ("TIHK"). Mr. Chow is also a registered Certified Tax Adviser of the TIHK effective from 7 September 2010. Mr. Chow has over 20 years of experience in accounting, financial management and corporate finance. He is also an independent non-executive director of Lijun International Pharmaceutical (Holding) Co., Ltd. (stock code: 2005) whose shares are listed on the Stock Exchange, and an independent non-executive director of Youyuan International Holdings Limited (stock code: 2268) whose shares are also listed on the Stock Exchange.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wang Tongsan, aged 62, was appointed as an independent non-executive director of the Company on 2nd December 2008. He is a member of the Audit Committee and the Nomination Committee of the Company. Mr. Wang is currently a member of the Chinese Academy of Social Sciences, the Dean at the Institute of Quantitative and Technical Economics, Chinese Academy of Social Sciences, and also the Chairman of the Chinese Association of Quantitative Economics. Mr. Wang obtained his Master degree and Doctorate degree in Economics from the Chinese Academy of Social Sciences in 1985 and 1990 respectively. Mr. Wang has involved in the drafting of the State's reports and documents.

Mr. Chen Gongmeng, aged 46, was appointed as an independent non-executive director of the Company on 2nd December 2008. He is a member of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company. Mr. Chen is currently the President of China Venture Capital Research Institute of the Hong Kong Polytechnic University and Professor of Finance at the School of Economics and Management of the Shanghai Jiaotong University. He received his MBA degree and Ph D. in Finance from the University of Texas at Dallas in the USA in 1991 and 1995 respectively. Mr. Chen has over 13 years of teaching experience as a professor teaching various subjects including Financial Management, International Finance, Advanced Financial Management, Chinese Communication and Corporate Finance as well as supervising research students. During his teaching career, he developed and implemented numerous academic and professional programs.

Biographical Details of Directors and Senior Management

Mr. Hung Muk Ming, aged 46, was appointed as an independent non-executive director of the Company on 2nd December 2008. He is the Chairman of the Audit Committee and a member of the Remuneration Committee of the Company. Mr. Hung is a Certified Public Accountant (Practising) and is a Fellow CPA of the Hong Kong Institute of Certified Public Accountants. He is also a fellow member of the Association of Chartered Certified Accountants, a fellow of the Hong Kong Institute of Directors, an associate of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators. He is a Certified Tax Adviser and a member of The Taxation Institute of Hong Kong. Mr. Hung received his Bachelor Degree in Social Sciences from the University of Hong Kong in 1990, and a Master Degree in Corporate Governance from the Hong Kong Polytechnic University in 2008. From 23rd December 2004 till now, Mr. Hung is an independent non-executive director of Silver Grant International Industries Limited (stock code: 171) (a substantial shareholder of the Company within the meaning of Part XV of the SFO) whose shares are listed on the Stock Exchange. He has over 20 years of experience in the accounting and audit sector.

SENIOR MANAGEMENT

Ms. Lau Yuk Ping, aged 45, is the Deputy General Manager of the Group responsible for overseeing the divisions of compliance and internal audit function, human resources and administration of the Group. Prior to joining the Group in August 1999, Ms. Lau worked in the compliance division of the Stock Exchange. Ms. Lau holds a Bachelor Degree in Business from Monash University, Australia and is a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants. She has over 18 years of experience in regulatory and compliance matters.

Mr. Li Shui Yan, aged 41, is a director of Cinda International Capital Limited and is responsible for overseeing the Group's corporate finance division. Prior to joining the Group in February 2001, Mr. Li worked for a corporate finance division of a securities firm for over five years. Mr. Li holds a Bachelor Degree in Business Administration from Taiwan Chengchi University. He has over 15 years of experience in corporate finance with emphasis in structuring PRC deals and projects including but not limited to initial public offerings, mergers and acquisitions and other financial advisory services.

Corporate Governance Report

The Group aims to maintain a high standard of corporate governance through the adoption of the Code Provisions of the Code on Corporate Governance Practices as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules").

Throughout the financial year 2010, the Group fully complied with the Code Provisions. The board of directors (the "Director(s)") of the Company (the "Board") continues to monitor and review the Group's corporate governance practices to ensure compliance.

BOARD OF DIRECTORS

The Board assumed overall responsibility for leading and supervising the Group. The Board laid down the direction of business for the Group and decided on important issues. The implementation of policies lay down by the Board rests with the Executive Management Committee ("EMC"), which at the time comprised certain executive directors and members from the senior management.

Composition

Currently, the Board comprises six executive Directors, one non-executive Director and three independent non-executive Directors. The names and biographical particulars of all Directors are disclosed in the section "Biographical Details of Directors and Senior Management".

Chairman and Chief Executive Officer

Mr. Chen Xiaozhou serves as the Chairman of the Board. The Chairman is primarily responsible for leading the Board and ensuring that it functions effectively and smoothly. Directors are encouraged to participate actively in all board and committee meetings.

Mr. Zhao Hongwei is the Managing Director of the Company who is responsible for the overall operation of the Group and performs the role of Chief Executive Officer. The roles of the Chairman and the Chief Executive Officer are separate and performed by different individuals.

Non-Executive Directors

Non-executive Directors provide the Group with diversified expertise and experience. Their views and participation in board and committee meetings bring independent judgement and advice on issues relating to the Group's strategies, performance, conflicts of interest and management process, to ensure that the interests of all shareholders are taken into account.

The current non-executive Director and the three independent non-executive Directors of the Company are appointed for a term of two years and are subject to rotation in accordance with the provisions in the bye-laws of the Company. The Board had received annual written confirmation from all the independent non-executive Directors for the year 2010 and is satisfied that all independent non-executive Directors were acting independently throughout the year. No independent non-executive Director has served the Company for more than nine years.

Independent non-executive Directors are identified as such in all corporate communications containing the names of the Directors.

Corporate Governance Report

Board Meetings

The Board meets regularly and board meetings are held at least four times a year, and at other times as necessary. All Directors have access to relevant and timely information, and they can ask for further information or retain independent professional advisors if necessary. They also have access to the advice and services of the Company Secretary, who is responsible for providing Directors with board papers and related materials, and ensuring that board procedures are followed. Where queries are raised by Directors, steps would be taken to respond as promptly and as fully as possible.

The attendance record of the board meetings held during the financial year 2010 is set out below:

Name of Director	Number of meetings attended	Attendance rate
Executive Directors		
Mr. Chen Xiaozhou *(Chairman)*	6/6	100%
Mr. Gao Guanjiang *(Deputy Chairman)*	5/6	83%
Mr. Gu Jianguo	6/6	100%
Mr. Zhao Hongwei *(Managing Director)*	6/6	100%
Mr. Gong Zhijian	6/6	100%
Mr. Lau Mun Chung	6/6	100%
Non-executive Director		
Mr. Chow Kwok Wai	6/6	100%
Independent Non-executive Directors		
Mr. Wang Tongsan	6/6	100%
Mr. Chen Gongmeng	6/6	100%
Mr. Hung Muk Ming	6/6	100%

Notice of at least 14 days is given of a regular board meeting to give all Directors an opportunity to attend. For all other board meetings, reasonable notice will be given. Minutes of the board meetings are prepared and circulated to all the Directors in reasonable time.

Rotation of Directors

The bye-laws of the Company provide that every Director, including the Chairman and/or the Managing Director of the Company, shall retire by rotation at least once every three years. Directors appointed by the Board during the year shall hold office only until the following annual general meeting, at which time they shall retire and be eligible for re-election by the members.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules as its code of conduct for Directors dealing in its shares. All Directors confirmed that they had complied with the required standards at all times throughout the financial year 2010.

Corporate Governance Report

DIRECTORS' REMUNERATION

The Remuneration Committee comprises three members, two of whom are independent non-executive Directors, namely Mr. Chen Gongmeng and Mr. Hung Muk Ming. Mr. Chow Kwok Wai, a non-executive Director, is the chairman of the Remuneration Committee.

A written terms of reference was adopted by the Remuneration Committee at its inception and is updated when necessary. The Remuneration Committee is responsible for devising the remuneration policy for the Group and determining the specific package of executive Directors. The Remuneration Committee also approves the terms of all executive Directors' service contracts. Recommendations on the remuneration of non-executive Directors (including independent non-executive Directors) are submitted to the Board for consideration. Full minutes and related materials of the meetings are kept by a designated secretary.

Each executive Director is entitled to a director's fee determined by the Remuneration Committee. Certain executive Directors have entered into service contracts with the Company and are entitled to a fixed monthly salary determined in accordance with the Director's qualification, experience and the prevailing market conditions together with a discretionary bonus decided on with reference to the Group's financial performance, the individual's performance during the year and the market conditions. Non-executive Directors are entitled to a director's fee decided by the Board. The Board confirms that no Directors or their associates (as defined in the Listing Rules) are involved in determining their own remuneration.

The Remuneration Committee held one meeting in the financial year 2010. The following is the attendance record:

Name of Committee Members	**Number of meetings attended**	**Attendance rate**
Mr. Chow Kwok Wai *(Chairman)*	1/1	100%
Mr. Chen Gongmeng	1/1	100%
Mr. Hung Muk Ming	1/1	100%

NOMINATION OF DIRECTORS

The Nomination Committee comprises three members including two independent non-executive Directors and one executive Director. It is chaired by the executive Director, Mr. Gao Guanjiang. The other members are Mr. Wang Tongsan and Mr. Chen Gongmeng.

A written terms of reference was adopted by the Nomination Committee at its inception and is updated when necessary. The Nomination Committee is responsible for reviewing the structure, size and composition of the Board. In addition, it identifies and proposes suitable candidates to the Board for appointment as directors.

The Nomination Committee had not held any meeting in the financial year 2010.

AUDITORS' REMUNERATION

The Group has appointed KPMG as the Group's external auditors who offer both audit and non-audit services to the Group. In the financial year 2010, the audit fees paid to KPMG and other external auditors totalled HK$1.4 million. For non-audit services, the fees amounted to HK$0.4 million for a review of the interim financial report.

Corporate Governance Report

AUDIT COMMITTEE

The Audit Committee comprises three members, all of whom are independent non-executive Directors. The Committee is chaired by Mr. Hung Muk Ming who possesses appropriate professional qualifications in accounting and financial management. The other members are Mr. Wang Tongsan and Mr. Chen Gongmeng.

The major roles and functions of the Audit Committee include evaluating the effectiveness of the Group's internal control system, reviewing the financial reporting process, reviewing the interim and annual financial statements before they are approved by the Board, endorsing the annual audit plans proposed by the auditors, reviewing and approving connected transactions, and monitoring the appointment and remuneration of the auditors.

The Audit Committee held three meetings during 2010. Representatives from the executive Directors and the head of compliance and internal audit ("CAIA") are answerable in the Audit Committee meetings. After each Audit Committee meeting, a private session between the auditors and the independent non-executive Directors is held immediately. The following is the attendance record of the meetings held by the Audit Committee for the year:

Name of Committee Members	**Number of meetings attended**	**Attendance rate**
Mr. Hung Muk Ming *(Chairman)*	3/3	100%
Mr. Wang Tongsan	3/3	100%
Mr. Chen Gongmeng	3/3	100%

A summary of the work performed by the Audit Committee during the financial year 2010 is listed below:

(1) reviewed and approved the remuneration and the terms of engagement of the external auditor;

(2) reviewed and commented on each of the half-year and annual financial statements of the Group and the independent auditors' report before their submission to the Board;

(3) reviewed the results of the Group's financial controls, internal control and risk management systems;

(4) reviewed the results of the audit on the connected or continuing connected transactions; and

(5) reviewed the findings and the recommendations of the Group's internal auditor on the Group's operations and the regulatory review carried out by the regulators.

The work and findings of the Audit Committee have been reported to the Board. During the year, no issue brought to the attention of management and the Board was of sufficient importance to require disclosure in the annual report.

ACCOUNTABILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledged their responsibilities for the preparation of financial statements for the Company which gives a true and fair view of the state of affairs of the Company as at 31st December 2010, and its profit and the cash flows for the year ended. The financial statements are prepared on the assumption of going concern and are in accordance with the statutory requirements and applicable accounting and financial reporting standards. The Directors also ensure that the publication of the financial statements of the Group is done in a timely manner.

The statements of the Directors and the auditor of the Company regarding their respective responsibilities on the financial statements of the Company are set out in the Independent Auditor's Report on pages 21 to 22 of this annual report.

Corporate Governance Report

INTERNAL CONTROL

The Group strives to maintain a sound and effective internal control system to safeguard the assets of the Group and its clients. To achieve this end, a proper segregation of duties and responsibilities is in place. The Directors have assessed the effectiveness of the internal control system during the year with the assistance of the head of the CAIA. The CAIA assesses the internal control procedures to validate its effectiveness and regularly reports its findings to the Audit Committee. In addition, to ensure full compliance with related rules and regulations promulgated by the Securities and Futures Commission, the CAIA performs regular compliance and internal control testing. Exceptional results are brought to the management's attention. Disciplinary actions are in place to deal with any non-compliance cases that are identified.

The Group acknowledges that the strengthening of the internal control system is an ongoing process and will continue to design and implement appropriate measures to meet the changing business environment of the Group.

OTHER CORPORATE GOVERNANCE PRACTICE

There are three management committees, each charged with specific duties of leading and controlling the daily operation and management of the Group. Chaired by the Managing Director of the Group, the Executive Management Committee (the "EMC") is responsible for setting up and implementing Group policy, exercising control over operational activities, reviewing and approving budgets, and making decisions on all major issues. Other members of the EMC include certain executive Directors and members from the senior management of the Group.

The Risk Management Committee (the "RMC") and the Marketing Management Committee (the "MMC") are accountable to the EMC. The RMC is responsible for dealing with all risk management issues of the Group and reviewing clients' complaints, whilst the MMC is responsible for formulating marketing policies.

COMMUNICATION WITH SHAREHOLDERS

The Company is committed to ensuring that the Group complies with disclosure obligations under the Listing Rules and other applicable laws and regulations, and that all shareholders and potential investors have an equal opportunity to receive and obtain externally available information issued by the Company. Information regularly provided to the shareholders includes annual and interim reports, circulars and announcements in accordance with the Listing Rules.

The Company welcomes the attendance of shareholders at general meetings to express their views. All the Directors are encouraged to attend the general meetings to have personal communication with shareholders. The external auditors are also required to be present to assist the Directors in addressing any relevant queries by shareholders.

For both institutional and retail investors, the Company's website, www.cinda.com.hk, provides up-to-date information about the Group. All key information such as announcements, annual and interim reports can be downloaded from this website.

CORPORATE SOCIAL RESPONSIBILITY

The Group is committed to actively contributing to the community and fostering a caring culture in society. To achieve this, the Group has organised various social services activities and encourages staff to participate in voluntary work. The Company has been awarded the Caring Company award for five consecutive years in recognition of its contribution to community service. Furthermore, the Company was awarded the 2010 Hong Kong Awards for Environmental Excellence under the sector of Financial, Insurance and Accounting Institutions (Merit). As a corporate citizen, the Group will continue to uphold its corporate social responsibility.

Report of the Directors

The Directors submitted their report together with the audited financial statements of the Company and the Group for the year ended 31st December 2010.

PRINCIPAL ACTIVITIES AND SEGMENTAL ANALYSIS OF OPERATION

The principal activity of the Company is investment holdings. The activities of the subsidiaries are set out in Note 16 to the financial statements. An analysis of the Group's performance for the year by business segments is set out in Note 5 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated income statement on page 23.

No interim dividend has been declared for the year (2009: Nil). The Directors do not recommend the payment of a final dividend in respect of the year ended 31st December 2010 (2009: Nil).

SHARE CAPITAL

Details of movements in the Company's share capital during the year are set out in Note 23 to the financial statements.

RESERVES

Movements in the reserves of the Group and of the Company during the year are set out in page 27 and Note 24 respectively to the financial statements.

Distributable reserves of the Company as at 31st December 2010 calculated under the Company Act 1981 of Bermuda (as amended) amounted to HK$64,476,000 (2009: HK$71,363,000). Details are set out in Note 24 to the financial statements.

DONATIONS

The Group had not made any charitable donations during the year (2009: HK$3,000).

FIXED ASSETS

Movements in fixed assets of the Group during the year are set out in Note 15 to the financial statements.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the last five years is set out on page 84.

DIRECTORS

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

Chairman

Mr. Chen Xiaozhou

Deputy Chairman

Mr. Gao Guanjiang

Executive Directors

Mr. Gu Jianguo
Mr. Zhao Hongwei *(Managing Director)*
Mr. Gong Zhijian
Mr. Lau Mun Chung

Report of the Directors

Non-executive Directors

Mr. Chow Kwok Wai

Independent Non-executive Directors

Mr. Wang Tongsan
Mr. Chen Gongmeng
Mr. Hung Muk Ming

In accordance with bye-law 87 of the Company, Mr. Zhao Hongwei, Mr. Wang Tongsan and Mr. Chen Gongmeng shall retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

DIRECTORS' SERVICE CONTRACT

None of the Directors proposed for re-election has entered into any service contract which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

DIRECTORS' INTERESTS IN CONTRACTS

No contract of significance to which the Company, or any of its holding companies, subsidiaries or fellow subsidiaries was a party, or in which a director of the Company had a material interest, subsisted at the end of the year or at any time during the year.

CONTINUING CONNECTED TRANSACTIONS

The following connection transactions are subject to the disclosure requirement under Chapter 14A of the Listing Rules:

(I) Agreements related to Information Technology

Pursuant to the Software Licence Agreement dated 27th November 2008, Ringus Solution Enterprise Limited ("Ringus") agreed to grant a non-exclusive licence to Cinda International FX Limited, a wholly-owned subsidiary of the Company, to use certain computer software programs for its business operation purposes at its principal place of business and other branch offices in Hong Kong at a monthly licence fee of HK$80,000. Pursuant to the Supplementary Agreement For Software Licence Agreement dated 26th November 2009 (the "Supplementary Agreement"), the term date of the Software Licence Agreement has been extended to 26th November 2010 but is determinable by giving one month's written notice to Ringus. The Software Licence Agreement and the Supplementary Agreement were terminated on 30th April 2010.

By virtue of Chapter 14A of the Listing Rules, the transactions comprised connected transactions as a then director of two subsidiaries of the Company was interested in Ringus.

(II) Master Agreement

Pursuant to an agreement dated 9th July 2009 and entered into between the Company, Well Kent International Investment Company Limited and Well Kent International Holdings Company Limited (collectively the "Connected Clients") (the "Master Agreement") and in relation to the provision by the Group of certain financial services to the Connected Clients and vice versa, the Group has agreed to (i) provide brokerage services for securities, futures and option trading, placing and underwriting and sub-underwriting services and asset management services to the Connected Clients; (ii) provide corporate financial advisory services to the Connected Clients; and (iii) pay commission and a fee to the Connected Clients for their acting as sub-underwriters for the securities underwritten by the Group.

Report of the Directors

All the above-mentioned continuing connected transactions were determined after arm's length negotiations between the parties thereto and will be no less favourable than terms offered to or by other independent third parties. The Directors, including the independent non-executive Directors, are of the view that the terms of these agreements are fair and reasonable so far as the shareholders are concerned and that the agreements are entered into on normal commercial terms and in the interest of the Company and its shareholders as a whole.

The Directors have asked the auditors of the Company to perform certain agreed audit procedures on the continuing connected transactions and have received a letter from the auditors as required under Rule 14A.38 of the Listing Rules.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31st December 2010, the Directors of the Company who held office and their respective associates did not hold any interest or short position in the shares and underlying shares or debentures of the Company, its holding company, subsidiaries and other associated corporations (within the meaning of the Securities and Futures Ordinance ("SFO") as recorded in the register of directors' interests and short positions required to be kept under section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules.

INFORMATION ON SHARE OPTIONS

The share option scheme currently in force was adopted in the 2006 annual general meeting of the Company held on 29th May 2006. No option has been granted in the year ended 31st December 2010 and as at 31st December 2010, there were no outstanding share options granted under the scheme.

The following is a summary of the purpose and terms of the share option scheme:

1 Purpose of the Scheme	(a) Provide incentives or rewards to participants for their contribution to the Group. (b) Recruit and retain high-calibre employees and attract human resources that are valuable to the Group.
2 Participants of the Scheme	(a) Employees including executive Directors of the Group and its invested entities. (b) Other persons who have made contributions to the Group as determined by the Board.
3 Total number of shares available for issue under the Scheme and percentage of issued share capital that it represents as at 31st December 2010	41,413,000 shares, equivalent to approximately 7.75% of the issued share capital of the Company as at 31st December 2010.
4 Maximum entitlement of each participant under the Scheme	No options may be granted to any participant, which if exercised in full would result in the total number of shares issued and to be issued upon exercise of the options already granted or to be granted to such participant under the Scheme or any other schemes of the Company (including exercised, cancelled and outstanding share options) in the 12-month period up to and including the date of such new grant exceeding 1% of the issued share capital as at the date of such new grant. Any grant of further options above this limit shall be subject to the approval of the shareholders of the Company in a general meeting.
5 Period within which the securities must be taken up under an option	The Directors may determine the period but this shall not end on a date later than ten years from the date of grant.
6 Minimum period for which an option must be held before it can be exercised	There is no such requirement, but the Directors can determine the period of holding.

Report of the Directors

7 Amount payable on application or acceptance of the option and the periods within which payments or calls must be made or loans made for such purposes must be repaid	Within 28 days from the date of the offer letter, the grantee must accept the offer in writing and remit in favour of the Company HK$10 per option, irrespective of the number of shares covered by the option.
8 Basis of determining the exercise price	The exercise price is determined by the Directors and it must be no less than the highest of: (a) the closing price of the Company's shares in the Stock Exchange's daily quotations sheet on the date of the grant of the relevant options (b) an amount equivalent to the average closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant of the relevant options (c) the nominal value of the Company's shares.
9 Remaining life of the scheme	The Scheme shall end on 29th May 2016.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE EQUITY OR DEBT SECURITIES

As at 31st December 2010, so far as was known by the Directors and the chief executives of the Company, the following are details of the persons (other than Directors or chief executives of the Company) who had, or were deemed to have, interests or short positions in the shares or underlying shares of the Company which need to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Long position

Name of substantial shareholder	Capacity	Number of shares or underlying shares held	Approximate percentage of the Company's issued share capital
Sinoday Limited	Beneficial owner	304,721,500 *(Note 1)*	57.03%
Well Kent International Holdings Company Limited ("WKIH")	Beneficial owner	27,575,000 *(Note 1)*	5.16%
Well Kent International Investment Company Limited ("WKII")	Interest through a controlled corporation	332,296,500 *(Note 1)*	62.19%
China Cinda Asset Management Co., Ltd (formerly known as China Cinda Asset Management Corporation) ("China Cinda")	Interest through a controlled corporation	332,296,500 *(Note 1)*	62.19%
Silver Grant International Securities Investment Limited ("Silver Grant")	Beneficial owner	40,022,000 *(Note 2)*	7.49%
Silver Grant Securities Investment (BVI) Limited ("Silver Grant BVI")	Interest through a controlled corporation	40,022,000 *(Note 2)*	7.49%
Silver Grant International Industries Limited ("Silver Grant International")	Interest through a controlled corporation	40,022,000 *(Note 2)*	7.49%
CCB International Asset Management Limited ("CCBIAM")	Investment manager	50,676,000 *(Note 3)*	9.48%

Report of the Directors

Name of substantial shareholder	Capacity	Number of shares or underlying shares held	Approximate percentage of the Company's issued share capital
CCB International Assets Management (Cayman) Limited	Interest held by a controlled corporation	50,676,000 *(Note 3)*	9.48%
CCB International (Holdings) Limited	Beneficial owner	50,676,000 *(Note 3)*	9.48%
CCB Financial Holdings Limited	Interest held by a controlled corporation	50,676,000 *(Note 3)*	9.48%
CCB International Group Holdings Limited	Interest held by a controlled corporation	50,676,000 *(Note 3)*	9.48%
China Construction Bank Corporation	Interest held by a controlled corporation	50,676,000 *(Note 3)*	9.48%
Central Huijin Investment Limited (formerly known as Central SAFE Investment Limited)	Interest held by a controlled corporation	50,676,000 *(Note 3)*	9.48%
Atlantis Investment Management Limited ("Atlantis")	Investment manager	38,028,000 *(Note 4)*	7.12%
Liu Yang	Investment manager	38,028,000 *(Note 4)*	7.12%

Notes:

(1) These shares were held by Sinoday Limited and WKIH as to 304,721,500 shares and 27,575,000 shares respectively. The issued share capital of Sinoday Limited and WKIH were wholly owned by WKII, a wholly-owned subsidiary of China Cinda. By virtue of the provisions of the SFO, WKII and China Cinda were deemed to be interested in all the shares in which Sinoday Limited and WKIH were interested.

(2) These shares were held by Silver Grant. The issued share capital of Silver Grant was wholly owned by Silver Grant BVI, which was a wholly-owned subsidiary of Silver Grant International. By virtue of the provisions of the SFO, Silver Grant BVI and Silver Grant International were deemed to be interested in all the shares in which Silver Grant was interested.

(3) These shares were held by CCBIAM in the capacity of an investment manager for the beneficial owner, CCB International (Holdings) Limited. CCBIAM is a wholly-owned subsidiary of CCB International Assets Management (Cayman) Limited which in turn is a wholly-owned subsidiary of CCB International (Holdings) Limited. CCB International (Holdings) Limited is a wholly-owned subsidiary of CCB Financial Holdings Limited which in turn is wholly owned by CCB International Group Holdings Limited. CCB International Group Holdings Limited is a wholly-owned subsidiary of China Construction Bank Corporation which in turn 57.09% of its interest is owned by Central Huijin Investment Limited (formerly known as Central SAFE Investment Limited). Accordingly, CCB International Assets Management (Cayman) Limited, CCB Financial Holdings Limited, CCB International Group Holdings Limited, China Construction Bank Corporation and Central Huijin Investment Limited were deemed to be interested in 50,676,000 ordinary shares in the Company by virtue of the provisions of the SFO.

(4) These shares were held by Atlantis in the capacity of an investment manager. Liu Yang was interested in Atlantis and Atlantis Investment Management (Hong Kong) Limited as to 40% and 90% respectively in the capacity of an investment manager. By virtue of the provisions of the SFO, Liu Yang is deemed to be interested in all the shares in which Atlantis was interested.

PRE-EMPTIVE RIGHTS

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

Report of the Directors

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

MAJOR CUSTOMERS AND SUPPLIERS

The percentages of turnover for the year attributable to the Group's major customers are as follows:

— the largest customer	15%
— the five largest customers combined	38%

Except that the ultimate controlling shareholder of the Company is interested in approximately 19.04% through an interest in a controlled corporation in one of the top five customers (not the largest customer), at no time during the year have the Directors, their associates or any shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had any interest in these major customers.

As the Group is engaged in the provision of financial services, the Directors are of the opinion that giving information on counterparties would be of limited or no value.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company has not redeemed any of its shares during the year ended 31st December 2010. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year ended 31st December 2010.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that was publicly available to the Company and within the knowledge of the Directors of the Company as at the date of this annual report, the Company has maintained the prescribed public float under the Listing Rules.

AUDITORS

The financial statements have been audited by KPMG who retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of KPMG as auditors of the Company is to be proposed at the forthcoming annual general meeting.

By order of the Board

Chen Xiaozhou
Chairman

Hong Kong, 29th March 2011

Independent Auditor's Report

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
CINDA INTERNATIONAL HOLDINGS LIMITED
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Cinda International Holdings Limited (the "Company") and its subsidiaries (together "the Group") set out on pages 23 to 83, which comprise the consolidated and Company statements of financial position as at 31st December 2010, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Independent Auditor's Report

OPINION

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

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

29th March 2011

Consolidated Income Statement

For the year ended 31st December 2010

	Note	2010 HK$'000	2009 HK$'000 (restated)
Continuing operations			
Turnover	5	**98,413**	82,112
Other revenue	5	**861**	891
Other net income	5	**4,545**	1,325
		103,819	84,328
Staff costs	6	**44,418**	38,002
Commission expenses		**20,550**	28,251
Operating leases for land and buildings		**10,773**	7,395
Other operating expenses	7	**22,957**	20,039
Total operating expenses		**98,698**	93,687
Operating gain/(loss)		**5,121**	(9,359)
Finance costs	8	**(187)**	(280)
		4,934	(9,639)
Share of profits of associates	17	**15,070**	612
Profit/(loss) before taxation		**20,004**	(9,027)
Income tax	9	**(533)**	—
Profit/(loss) for the year from continuing operations		**19,471**	(9,027)
Discontinued operations			
Loss for the year from discontinued operations	10	**(8,056)**	(9,995)
Profit/(loss) for the year		**11,415**	(19,022)
Attributable to:			
Equity holders of the Company		**11,415**	(19,022)
Earnings/(loss) per share			
Basic and diluted			
— From continuing and discontinued operations	13	**HK2.13 cents**	(HK4.17 cents)
— From continuing operations	13	**HK3.64 cents**	(HK1.98 cents)
— From discontinued operations	13	**(HK1.51 cents)**	(HK2.19 cents)

The notes on pages 29 to 83 form part of these financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31st December 2010

	2010 HK$'000	2009 HK$'000 (restated)
Profit/(loss) for the year	**11,415**	(19,022)
Other comprehensive income for the year:		
Share of associate's investment revaluation reserve:		
— Change in fair value	**11,297**	—
— Transfer to profit or loss on disposal	**(100)**	(449)
Net movement in investment revaluation reserve	**11,197**	(449)
Share of associate's exchange reserve:		
— Exchange differences on translation of the financial statements of operations in the People's Republic of China	**3,009**	21
	14,206	(428)
Total comprehensive income for the year	**25,621**	(19,450)
Total comprehensive income attributable to:		
Equity holders of the Company	**25,621**	(19,450)

The notes on pages 29 to 83 form part of these financial statements.

Consolidated Statement of Financial Position

As at 31st December 2010

	Note	2010 HK$'000	2009 HK$'000 (restated)
Non-current assets			
Intangible assets	*14*	**1,439**	1,319
Fixed assets	*15*	**5,270**	5,610
Interests in associates	*17*	**152,158**	125,874
Other assets	*18*	**8,171**	4,166
		167,038	136,969
Current assets			
Financial assets at fair value through profit or loss	*20*	**23,935**	2,491
Trade and other receivables	*21*	**139,353**	230,076
Bank balances and cash	*22*	**223,311**	160,181
		386,599	392,748
Current liabilities			
Trade and other payables	*25*	**89,055**	88,297
Taxation payable	*19*	**533**	—
		89,588	88,297
Net current assets		**297,011**	304,451
Total assets less current liabilities		**464,049**	441,420
NET ASSETS		**464,049**	441,420
Capital and reserves			
Share capital	*23*	**53,434**	53,434
Other reserves	*24*	**372,266**	358,060
Retained earnings	*24*	**38,349**	29,926
TOTAL EQUITY		**464,049**	441,420

Approved and authorised for issue by the Board of Directors on 29th March 2011.

Zhao Hongwei
Director

Lau Mun Chung
Director

The notes on pages 29 to 83 form part of these financial statements.

Statement of Financial Position

As at 31st December 2010

	Note	2010 HK$'000	2009 HK$'000 (restated)
Non-current assets			
Intangible assets	*14*	**120**	—
Investment in subsidiaries	*16*	**292,323**	299,598
		292,443	299,598
Current assets			
Financial assets at fair value through profit or loss	*20*	**23,056**	1,058
Other receivables	*21*	**400**	231
Amounts due from subsidiaries	*16(a)*	**176,326**	163,357
Bank balances and cash	*22*	**48,013**	4,369
		247,795	169,015
Current liabilities			
Other payables	*25*	**289**	528
Amounts due to subsidiaries	*16(a)*	**106,130**	27,379
		106,419	27,907
Net current assets		**141,376**	141,108
Total assets less current liabilities		**433,819**	440,706
NET ASSETS		**433,819**	440,706
Capital and reserves			
Share capital	*23*	**53,434**	53,434
Other reserves	*24*	**391,400**	391,400
Accumulated loss	*24*	**(11,015)**	(4,128)
TOTAL EQUITY		**433,819**	440,706

Approved and authorised for issue by the Board of Directors on 29th March 2011.

Zhao Hongwei	**Lau Mun Chung**
Director	Director

The notes on pages 29 to 83 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31st December 2010

		Attributable to equity holders of the Company						
		Share capital	**Share premium**	**Capital reserve** 24(a)	**Investment revaluation reserve** 24(c)	**Exchange reserve** 24(d)	**Retained earnings**	**Total**
	Note	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Balance at 1st January 2009		42,230	112,301	23,903	—	—	48,948	227,382
Profit for the year, as previously reported		—	—	—	—	—	4,412	4,412
Prior year adjustment	*3(b)*	—	—	—	—	—	(23,434)	(23,434)
Profit for the year, as restated		—	—	—	—	—	(19,022)	(19,022)
Other comprehensive income, as previously reported		—	—	—	(23,883)	21	—	(23,862)
Prior year adjustment	*3(b)*	—	—	—	23,434	—	—	23,434
Other comprehensive income, as restated		—	—	—	(449)	21	—	(428)
Total comprehensive income for the year, as restated		—	—	—	(449)	21	(19,022)	(19,450)
Notional capital contribution arising on acquisition of an associate	*17*	—	—	18,676	—	—	—	18,676
Shares issued	*23,24*	11,204	203,608	—	—	—	—	214,812
Balance at 31st December 2009, as restated		53,434	315,909	42,579	(449)	21	29,926	441,420
Balance at 1st January 2010, as restated		53,434	315,909	42,579	(449)	21	29,926	441,420
Profit for the year		—	—	—	—	—	11,415	11,415
Other comprehensive income		—	—	—	11,197	3,009	—	14,206
Total comprehensive income for the year		—	—	—	11,197	3,009	11,415	25,621
Transfer of available-for-sale investment by the Group's associate to the Social Security Fund	*24(f)*	—	—	—	—	—	(2,992)	(2,992)
Balance at 31st December 2010		53,434	315,909	42,579	10,748	3,030	38,349	464,049
At 31st December 2010								
Company and subsidiaries		53,434	315,909	42,579	—	—	25,659	437,581
Associate		—	—	—	10,748	3,030	12,690	26,468
		53,434	315,909	42,579	10,748	3,030	38,349	464,049
At 31st December 2009								
Company and subsidiaries		53,434	315,909	42,579	—	—	29,314	441,236
Associate (restated)		—	—	—	(449)	21	612	184
		53,434	315,909	42,579	(449)	21	29,926	441,420

The notes on pages 29 to 83 form part of these financial statements.

Consolidated Statement of Cash Flows

For the year ended 31st December 2010

	Note	**2010** **HK$'000**	2009 HK$'000
Net cash inflow/(outflow) from operating activities	*29*	**82,636**	(129,316)
Investing activities			
Purchase of fixed assets	*15*	**(2,757)**	(1,758)
Purchase of intangible assets	*14*	**(120)**	—
Sale of fixed assets		**1**	—
Sale of financial assets at fair value through profit or loss		**36,499**	5,635
Dividends received from listed securities	*5*	**68**	183
Purchase of financial assets at fair value through profit or loss		**(53,017)**	(5,368)
Purchase of associates		**—**	(56,276)
Net cash outflow from investing activities		**(19,326)**	(57,584)
Financing activities			
Interest paid		**(187)**	(283)
Proceeds from shares issued		**—**	164,074
Repayments under finance leases		**—**	(506)
Net cash (outflow)/inflow from financing activities		**(187)**	163,285
Increase/(decrease) in cash and cash equivalents		**63,123**	(23,615)
Cash and cash equivalents at 1st January		**148,180**	171,795
Cash and cash equivalents at 31st December	*22*	**211,303**	148,180
Analysis of balances of cash and cash equivalents			
Bank balances — general accounts and cash	*22*	**211,303**	148,180

The notes on pages 29 to 83 form part of these financial statements.

Notes to the Financial Statements

1 GENERAL INFORMATION

The principal activity of the Company is investment holding. The principal activities and other particulars of the subsidiaries are set out in note 16 to the financial statements.

The Company is a limited liability company incorporated in Bermuda. The address of its registered office is Clarendon House, 2 Church Street, Hamilton, HM 11, Bermuda.

The Company has its primary listing on The Stock Exchange of Hong Kong Limited.

These consolidated financial statements are presented in thousands of units of Hong Kong dollars (HK$'000) unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 29th March 2011.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Group is set out below.

The HKICPA has issued certain new and revised HKFRSs, that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

2.2 Basis of preparation

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets are stated at their fair value as explained in the accounting policies set out below:

— financial instruments classified as available-for-sale or as financial assets at fair value through profit or loss (see note 2.9).

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Notes to the Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Consolidation

The consolidated financial statements for the year ended 31st December 2010 comprise the Company and all its subsidiaries (together referred to as the "Group") and the Group's interest in associates.

(a) Subsidiaries and non-controlling interests

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

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

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests (previously known as "minority interests") represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at their proportionate share of the subsidiary's net identifiable assets. Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity holders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated income statement and the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity holders of the Company.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

Notes to the Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Consolidation (Continued)

(a) Subsidiaries and non-controlling interests (Continued)

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or jointly controlled entity.

In the Company's statement of financial position, the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted by the Company on the basis of dividends received and receivable.

(b) Associates

Associates are all entities over which the Group has significant influence but not control, or joint control, over its management, including participation in the financial and operating policy decision, generally accompanying a shareholding of between 20% and 50% of the voting rights.

An investment in an associate is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see note 2.7(a) and 2.8). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated income statement, whereas the Group's share of the post-acquisition post tax items of the investees' other comprehensive income is recognised in the consolidated statement of comprehensive income.

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate.

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

Notes to the Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Consolidation (Continued)

(b) Associates (Continued)

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate.

In the company's statement of financial position, investments in associates are stated at cost less impairment losses, unless classified as held for sale (or included in a disposal group that is classified as held for sale).

2.4 Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purpose of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

2.5 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

Notes to the Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Foreign currency translation (Continued)

(c) Group companies

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

(i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

(ii) income and expenses for each income statement are translated at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve. When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

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

2.6 Fixed assets

Fixed assets are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are expensed in the income statement during the financial period in which they are incurred.

Depreciation of fixed assets is calculated using the straight-line method to allocate cost or revalued amounts to their residual values over their estimated useful lives, as follows:

Leasehold improvements	over the lease periods
Furniture and fixtures	20%
Office and computer equipment	20%
Motor vehicles	25%

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see note 2.8).

Notes to the Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Intangible assets

(a) Goodwill

Goodwill represents the excess of

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase. Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 2.8). On disposal of a cash generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(b) Trading rights

Trading rights held in The Stock Exchange of Hong Kong Limited and Hong Kong Futures Exchange Limited (the "Stock Exchange trading rights" and "Futures Exchange trading right" respectively) are classified as intangible assets. Trading rights have an indefinite useful life and are carried at cost less accumulated impairment losses.

2.8 Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation, are at least tested annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortisation are reviewed for impairment wherever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Investments

The Group classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the investments are acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

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

Financial assets at fair value through profit or loss represents financial assets held for trading and designated at fair value through profit or loss.

A financial asset is classified as held for trading if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets held for trading are classified as current assets.

Financial assets are designated at fair value through profit or loss upon initial recognition when:

— the assets are managed, evaluated and reported internally on fair value basis;

— the designation eliminates or significantly reduces an accounting mismatch which would otherwise arise;

— the asset contains an embedded derivative that significantly modifies the cash flows that would otherwise be required under the contract; or

— the separation of the embedded derivatives from the financial asset is not prohibited.

Financial assets under this category are carried at fair value. Changes in the fair value are included in the income statement in the period in which they arise. Upon disposal or repurchase, the difference between the net sale proceeds or the net payment and the carrying value is included in the income statement.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. Loans and receivables are included in trade and other receivables in the statement of financial position (see note 2.10).

(c) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. During the year, the Group did not hold any investments in this category.

Notes to the Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Investments (Continued)

(d) Available-for-sale financial assets

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

Purchases and sales of investments are recognised on the trade-date - the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Realised and unrealised gains and losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are included in the income statement in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale are recognised in equity. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains or losses from investment securities.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active and for unlisted securities, the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

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

2.10 Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment, except where the receivables are interest-free loans made to group companies without any fixed repayment terms or the effect of discounting would be immaterial. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

Notes to the Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

2.12 Trade and other payables

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with note 2.17, trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

2.13 Share capital

Ordinary shares are classified as equity.

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

Where any Group company purchases the Company's equity share capital, the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the Company's equity holders until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

2.14 Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in the income statement except to the extent that they relate to items recognised directly in equity, in which case they are recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Notes to the Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Income tax (Continued)

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

— in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

— in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

    — the same taxable entity; or

    — different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

Notes to the Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Employee benefits

(a) Employee leave entitlements

Employee entitlement to annual leave is recognised when it accrues to employees. An accrual is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity or paternity leave are not recognised until the time of leave.

(b) Pension obligations

The Group contributes to the mandatory provident fund ("MPF Scheme"), a defined contribution plan in Hong Kong, which is available to all employees. The assets of the MPF Scheme are held separately from the Group in an independently administered fund.

The Group's contribution to the MPF Scheme is based on 5% of the monthly relevant income of each employee up to a maximum monthly relevant income of HK$20,000 in accordance with the Mandatory Provident Fund Schemes Ordinance. The contributions are recognised as employee benefit expenses when they are due and are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions.

2.16 Provisions, contingent liabilities and contingent assets

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

A contingent asset is not recognised but is disclosed in the notes to the financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

Notes to the Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 2.16 if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

2.18 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

Brokerage commission income arising from leveraged foreign exchange transactions, securities broking and commodities and futures broking are recognised and accounted for on a trade date basis.

Brokerage commission income arising from the brokerage of mutual funds and insurance products is recognised when services are rendered. An amount, based on a certain percentage of the commission income and expenses and based on the historical statistics on the occurrence of the clawback of the brokerage commission income, has been provided for the possible clawback that may be claimed against the Group.

Net revenue from foreign exchange options trading and broking includes both realised and unrealised gains less losses from the foreign currency option contracts. Open option contracts are carried at fair value, with related unrealised gains or losses recognised in the income statement. The open option contracts are valued using pricing models that consider, among other factors, contractual and market prices, time value and volatility factors.

Swap interest and foreign exchange trading revenue include both realised and unrealised gains less losses. The swap interest and foreign exchange spread in relation to open positions arising from leveraged foreign exchange transactions are recognised on an accrual basis. The net residual positions of each foreign currency resulting from broking and trading foreign currencies are carried at fair value, with related unrealised gains or losses recognised in the income statement.

Underwriting commissions are recognised when the relevant work or service has been rendered.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Revenue recognition (Continued)

Revenue from corporate finance services is recognised in accordance with the terms of agreement for the underlying transactions.

Interest income is recognised as it accrues using the effective interest method.

Dividend income is recognised when the right to receive payment is established.

2.19 Leases

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(a) Operating lease

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are expensed in the income statement on a straight-line basis over the period of the lease.

(b) Finance lease

Leases of assets where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in current and non-current borrowings. The interest element of the finance cost is recognised in the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

2.20 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

Notes to the Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Related parties

For the purposes of these accounts, a party is considered to be related to the Group if:

(i) The party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;

(ii) The Group and the party are subject to common control;

(iii) The party is an associate of the Group or a joint venture in which the Group is a venturer;

(iv) The party is a member of key management personnel of the Group, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

(v) The party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

(vi) The party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

2.22 Finance costs

Finance costs are charged to the income statement in the year in which they are incurred.

2.23 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability, including fees and commissions paid to agents, advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

2.24 Financial instruments not recognized in the statement of financial position

Financial instruments arising from the leveraged foreign exchange trading and option transactions are marked to market and the gain or loss thereof is recognised in the income statement as foreign exchange trading revenue or net premium income from foreign currency option.

2.25 Fiduciary activities

The Group commonly acts as trustees and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions. These assets and income arising thereon are excluded from these financial statements, as they are not assets of the Group.

Notes to the Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.26 Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or if the operation is abandoned. Where an operation is classified as discontinued, a single amount is presented on the face of the income statement, which comprises:

— the post-tax profit or loss of the discontinued operation; and

— the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group(s) constituting the discontinued operation.

Comparative information in the income statement and the statement of cash flows is re-presented to conform to current year's presentation.

3 CHANGES IN ACCOUNTING POLICIES AND PRIOR YEAR ADJUSTMENT

(a) New accounting standards

The HKICPA has issued two revised HKFRSs, a number of amendments to HKFRSs and one new interpretation that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

— HKFRS 3 (revised 2008), *Business combinations*

— Amendments to HKAS 27, *Consolidated and separate financial statements*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

The impact of the majority of the revisions to HKFRS 3 and HKAS 27 have not yet had a material effect on the Group's financial statements as these changes will first be effective as and when the Group enters into a relevant transaction (for example, a business combination) and there is no requirement to restate the amounts recorded in respect of previous such transactions.

Notes to the Financial Statements

3 CHANGES IN ACCOUNTING POLICIES AND PRIOR YEAR ADJUSTMENT (CONTINUED)

(b) Prior year adjustment

On 11th December 2009, Cinda International Direct Investment Limited, a wholly-owned subsidiary of the Company, acquired 40% of the issued share capital of Sino-Rock Investment Management Company Limited ("Sino-Rock"), a company incorporated in Hong Kong with limited liability, from an intermediate holding company of the Company.

During the period from 11th December 2009 to 31st December 2009, Sino-Rock recorded a net profit of HK$60,115,000 which included a post-tax gain on disposal of certain available-for-sale investments of HK$58,586,000. This gain arose primarily from the recycling of a gain previously recorded in the investment revaluation reserve of Sino-Rock. Accordingly, as recorded in the Company's audited financial statements for the year ended 31st December 2009, a 40% share of the net profit of Sino-Rock of HK$24,046,000 was recognised by the Group, which included the Group's share of the gain on disposal of available-for-sale investments of HK$23,434,000. At the same time, a 40% share of the corresponding reversal of the investment revaluation reserve as reported by Sino-Rock was also recognised by the Group. However, the Company was subsequently informed by its auditors that the requirements of paragraph 23 of Hong Kong Accounting Standard ("HKAS") 28, Investments in associates, to make appropriate adjustments to these amounts reported by Sino-Rock to reflect the carrying values of the relevant assets at the date of the acquisition of Sino-Rock by the Group were inadvertently overlooked.

Consequently, the Group's consolidated profit for the year ended 31st December 2009 was overstated by HK$23,434,000, with an equal and opposite understatement of other comprehensive income. As both these amounts were reported within total comprehensive income for the same period, this oversight had no impact on the Group's reported total comprehensive income for the year ended 31st December 2009 or net assets/ shareholders' equity as at 31st December 2009.

In order to properly reflect the requirements of HKAS 28, the following adjustments have been made to restate the comparative amounts reported in respect of the year ended 31st December 2009:

	2009 As previously reported HK$'000	Adjustment HK$'000	2009 restated HK$'000
Consolidated income statement			
Share of profits of associates	24,046	(23,434)	612
Profit/(loss) for the year	4,412	(23,434)	(19,022)
Earnings/(loss) per share	HK0.97 cent	(HK5.14 cents)	(HK4.17 cents)
Diluted earnings/(loss) per share	HK0.97 cent	(HK5.14 cents)	(HK4.17 cents)
Consolidated statement of comprehensive income			
Share of associate's investment revaluation reserve relating to available-for-sale securities:			
— Transfer to profit or loss on disposal	(23,883)	23,883	—
— Change in fair value	—	(449)	(449)
Other comprehensive income for the year	(23,862)	23,434	(428)
Consolidated statement of financial position			
Other reserves	334,626	23,434	358,060
Retained earnings	53,360	(23,434)	29,926

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

4.1 Income taxes

The Group is subject to income taxes in several jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

4.2 Litigation

The Group considers each case involving litigation individually to assess the probability of any outflow of resources. If in the opinion of the directors, an outflow of resources embodying economic benefits will be required to settle the litigation, a provision will be made to the extent of the probable outflow. In other cases, unless the possibility of an outflow of resources embodying economic benefits is remote, a contingent liability will be disclosed.

4.3 Estimation of fair values

Fair value estimates are generally subjective in nature, and are made as of a specific point in time based on the characteristics of the financial instruments and relevant market information. For unlisted investments held by the Group and the Group's associate, where direct market prices are not available, the fair value of such instruments is calculated on the basis of valuation techniques using current market parameters. These techniques involve uncertainties and are significantly affected by the assumptions used and judgements made regarding risk characteristics of various financial instruments, discount rates, estimates of future cash flows, future expected loss experiences and other factors. Changes in assumptions could significantly affect these estimates and the resulting fair values. In particular, the fair value is a theoretical value applicable at a given reporting date, and hence can only be used as an indicator of value realisable in a future sale.

Notes to the Financial Statements

5 TURNOVER, OTHER REVENUE, OTHER NET INCOME/(LOSS) AND SEGMENT INFORMATION

	2010 HK$'000	2009 HK$'000
From continuing operations		
Turnover		
Fees and commission	**53,526**	56,712
Net premium income from insurance broking	**421**	384
Interest income	**5,191**	5,446
Underwriting commission	**39,275**	19,570
	98,413	82,112
Other revenue		
Dividend income from listed securities	**68**	183
Other income	**793**	708
	861	891
Other net income		
Net revenue from foreign currency option trading	**(33)**	—
Swap interest and foreign exchange trading revenue	**(157)**	—
Net exchange losses	**(191)**	(14)
Net realised gains on financial assets at fair value through profit or loss	**3,289**	395
Net unrealised gains on financial assets at fair value through profit or loss	**1,637**	944
	4,545	1,325
	103,819	84,328

Notes to the Financial Statements

5 TURNOVER, OTHER REVENUE, OTHER NET INCOME/(LOSS) AND SEGMENT INFORMATION (CONTINUED)

	2010 HK$'000	2009 HK$'000
From discontinued operations		
Turnover		
Fees and commission	**680**	5,780
Net revenue from foreign currency option trading	**163**	475
Swap interest and foreign exchange trading revenue	**1,993**	8,201
Interest income	**12**	46
	2,848	14,502
Other revenue		
Other income	**3**	1
	3	1
Other net loss		
Net exchange losses	**(20)**	(355)
Net realised gains on financial assets at fair value through profit or loss	**—**	22
	(20)	(333)
	2,831	14,170

Segment information

The Group manages its businesses by divisions. Under HKFRS 8, Operating segments, and in a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has identified the following reportable segments. No operating segments have been aggregated to form the following reportable segments.

Continuing operations:

1. Corporate finance — provision of corporate finance and advisory services to companies listed in Hong Kong.

2. Securities broking — provision of broking services in securities, equity linked products, unit trusts and stock options traded in Hong Kong and selected overseas markets and margin financing services to those broking clients.

3. Commodities and futures broking — provision of broking services in commodities and futures contracts traded in Hong Kong and selected overseas markets.

Notes to the Financial Statements

5 TURNOVER, OTHER REVENUE, OTHER NET INCOME/(LOSS) AND SEGMENT INFORMATION (CONTINUED)

Segment information (Continued)

4. Financial planning and insurance broking in Hong Kong — acting as an agent for the sale of savings plans, unit trusts, general and life insurance and providing advisory services on securities investment and discretionary fund management.

5. Asset management — managing private funds.

Discontinued operations:

1. Leveraged foreign exchange trading/broking in Hong Kong — provision of dealing and broking in leveraged forex trading services on the world's major currencies.

The Group's senior executive management monitors the assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible, intangible assets and current assets with the exception of current and deferred tax assets and other corporate assets. Segment liabilities include trade creditors and accruals attributable to the operating activities of the individual segments.

The measure used for reporting segment results is earnings before finance costs and taxes ("EBIT"). To arrive at EBIT the Group's earnings are further adjusted for finance costs and items not specifically attributed to individual segments, such as share of profits less losses of associates and other head office or corporate administration costs.

Notes to the Financial Statements

5 TURNOVER, OTHER REVENUE, OTHER NET INCOME/(LOSS) AND SEGMENT INFORMATION (CONTINUED)

Segment information (Continued)

Year ended 31st December 2010

	Continuing operations						Discontinued operations	
	Corporate finance HK$'000	Securities broking HK$'000	Commodities and futures broking HK$'000	Financial planning/ insurance broking in Hong Kong HK$'000	Asset management HK$'000	Sub-total HK$'000	Leveraged foreign exchange trading/broking in Hong Kong HK$'000	Total HK$'000
Turnover from external customers	46,696	38,087	3,755	9,868	1	98,407	2,848	101,255
Inter-segment turnover	—	12,112	—	—	—	12,112	1	12,113
Reportable segment turnover	46,696	50,199	3,755	9,868	1	110,519	2,849	113,368
Reportable segment results (EBIT)	4,570	7,479	(3,148)	(1,447)	(1,130)	6,324	(7,270)	(946)
Interest income from bank deposits	5	23	(1)	2	1	30	4	34
Interest expense	—	(187)	—	—	—	(187)	—	(187)
Depreciation for the year	(204)	(713)	(160)	(24)	(27)	(1,128)	(448)	(1,576)
Reportable segment assets	47,664	228,426	24,752	4,798	6,430	312,070	18,950	331,020
Additions to non-current segment assets during the year	310	2,247	658	—	—	3,215	—	3,215
Reportable segment liabilities	16,450	77,829	8,572	3,154	151	106,156	60	106,216

Notes to the Financial Statements

5 TURNOVER, OTHER REVENUE, OTHER NET INCOME/(LOSS) AND SEGMENT INFORMATION (CONTINUED)

Segment information (Continued)

Year ended 31st December 2009 (restated)

	Continuing operations						Discontinued operations	
	Corporate finance HK$'000	Securities broking HK$'000	Commodities and futures broking HK$'000	Financial planning/ insurance broking in Hong Kong HK$'000	Asset management HK$'000	Sub-total HK$'000	Leveraged foreign exchange trading/broking in Hong Kong HK$'000	Total HK$'000
Turnover from external customers	24,260	39,995	4,567	13,284	1	82,107	14,502	96,609
Inter-segment turnover	—	65	1	—	—	66	3	69
Reportable segment turnover	24,260	40,060	4,568	13,284	1	82,173	14,505	96,678
Reportable segment results (EBIT)	914	(1,760)	(3,010)	(1,168)	(160)	(5,184)	(10,105)	(15,289)
Interest income from bank deposits	1	13	1	2	1	18	16	34
Interest expense	(7)	(271)	(1)	(1)	—	(280)	(3)	(283)
Depreciation for the year	(256)	(497)	(127)	(39)	(40)	(959)	(1,516)	(2,475)
Reportable segment assets	25,014	252,603	23,878	18,171	4,435	324,101	70,115	394,216
Additions to non-current segment assets during the year	21	1,093	124	5	—	1,243	28	1,271
Reportable segment liabilities	10,837	76,296	4,550	6,660	26	98,369	1,316	99,685

Notes to the Financial Statements

5 TURNOVER, OTHER REVENUE, OTHER NET INCOME/(LOSS) AND SEGMENT INFORMATION (CONTINUED)

Reconciliation of reportable turnover

Turnover	2010 HK$'000	2009 HK$'000 (restated)
From continuing operations		
Reportable segment turnover	**110,519**	82,173
Elimination of inter-segment turnover	**(12,112)**	(66)
Unallocated head office and corporate turnover	**6**	5
	98,413	82,112
From discontinued operations		
Reportable segment turnover	**2,849**	14,505
Elimination of inter-segment turnover	**(1)**	(3)
	2,848	14,502
Consolidated turnover	**101,261**	96,614

Reconciliation of reportable results

Results	2010 HK$'000	2009 HK$'000 (restated)
From continuing operations		
Reportable segment profit/(loss)	**6,324**	(5,184)
Elimination of inter-segment profits	**—**	(1)
Reportable segment profit/(loss) derived from Group's external customers	**6,324**	(5,185)
Share of profits of associates	**15,070**	612
Finance costs	**(187)**	(280)
Unallocated head office and corporate expenses	**(1,203)**	(4,174)
	20,004	(9,027)
From discontinued operations		
Reportable segment loss	**(7,270)**	(10,105)
Elimination of inter-segment (profits)/loss	**(786)**	113
Reportable segment loss derived from Group's external customers	**(8,056)**	(9,992)
Finance costs	**—**	(3)
	(8,056)	(9,995)
Consolidated profit/(loss) before taxation	**11,948**	(19,022)

Notes to the Financial Statements

5 TURNOVER, OTHER REVENUE, OTHER NET INCOME/(LOSS) AND SEGMENT INFORMATION (CONTINUED)

Reconciliation of reportable assets and liabilities

	2010 HK$'000	2009 HK$'000
Assets		
Reportable segment assets	**331,020**	394,216
Elimination of inter-segment receivables	**(13,840)**	(4,796)
	317,180	389,420
Interests in associates	**152,158**	125,874
Unallocated head office and corporate assets	**84,299**	14,423
Consolidated total assets	**553,637**	529,717
Liabilities		
Reportable segment liabilities	**106,216**	99,685
Elimination of inter-segment payables	**(18,042)**	(13,086)
	88,174	86,599
Unallocated head office and corporate liabilities	**1,414**	1,698
Consolidated total liabilities	**89,588**	88,297

6 STAFF COSTS

	Continuing operations		**Discontinued operations**		**Total**	
	2010 HK$'000	2009 HK$'000 (restated)	**2010 HK$'000**	2009 HK$'000 (restated)	**2010 HK$'000**	2009 HK$'000
Salaries and allowances	**43,415**	37,193	**1,657**	5,538	**45,072**	42,731
Defined contribution plans *(note 26)*	**1,003**	809	**53**	176	**1,056**	985
	44,418	38,002	**1,710**	5,714	**46,128**	43,716

Staff costs include directors' emoluments as set out in note 27.

Notes to the Financial Statements

7 OTHER OPERATING EXPENSES

	2010 HK$'000	2009 HK$'000 (restated)
From continuing operations:		
Auditors' remuneration		
— Audit service	**1,253**	1,394
— Non-audit service	**350**	400
Bad debts written back	**(211)**	(201)
Depreciation	**2,523**	2,221
Equipment rental expenses	**4,328**	4,761
Loss on disposal of fixed assets	**27**	75

	2010 HK$'000	2009 HK$'000
From discontinued operations:		
Auditors' remuneration		
— Audit service	**160**	219
Depreciation	**448**	1,517
Equipment rental expenses	**190**	710
Loss on disposal of fixed assets	**98**	87

8 FINANCE COSTS

	2010 HK$'000	2009 HK$'000 (restated)
From continuing operations:		
Interest on bank overdrafts	**—**	6
Interest on bank loans	**187**	259
Interest on obligation under finance leases	**—**	15
	187	280

	2010 HK$'000	2009 HK$'000
From discontinued operations:		
Interest on bank overdrafts	**—**	1
Interest on obligation under finance leases	**—**	2
	—	3

Notes to the Financial Statements

9 INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits for the current year. No Hong Kong profits tax provision has been made for the prior year as the Group companies either sustained a loss for taxation purposes or their tax losses brought forward exceeded their estimated assessable profits for the prior year.

The amount of taxation charged to the consolidated income statement:

	Continuing operations		Discontinued operations		Total	
	2010 **HK$'000**	2009 HK$'000	**2010** **HK$'000**	2009 HK$'000	**2010** **HK$'000**	2009 HK$'000
Current taxation:						
— Hong Kong profits tax for the year	**533**	—	**—**	—	**533**	—

Reconciliation between tax expense and accounting profit/(loss) at applicable tax rates:

	Continuing operations		Discontinued operations		Total	
	2010 **HK$'000**	2009 HK$'000 (restated)	**2010** **HK$'000**	2009 HK$'000 (restated)	**2010** **HK$'000**	2009 HK$'000
Profit/(loss) before taxation (excluding share of profits of associates)	**4,934**	(9,639)	**(8,056)**	(9,995)	**(3,122)**	(19,634)
Notional tax on profit/(loss) before taxation, calculated at the Hong Kong profits tax rate of 16.5%	**814**	(1,591)	**(1,329)**	(1,649)	**(515)**	(3,240)
Tax effect of income not subject to taxation purposes	**(192)**	(192)	**(2)**	(8)	**(194)**	(200)
Tax effect of expenses not deductible for taxation purposes	**45**	82	**682**	42	**727**	124
Utilisation of previously unrecognised tax losses	**(1,356)**	(154)	**—**	—	**(1,356)**	(154)
Tax losses for which no deferred income tax assets were recognised	**1,209**	1,805	**497**	1,420	**1,706**	3,225
Under-provision in respect of prior year	**—**	10	**—**	195	**—**	205
Others	**13**	40	**152**	—	**165**	40
Taxation expenses	**533**	—	**—**	—	**533**	—

Notes to the Financial Statements

10 DISCONTINUED OPERATIONS

On 5th March 2010, the Board of Directors of the Company decided to cease providing leveraged foreign exchange trading services to its clients. The directors consider that the Group can utilize the resources saved from provision of leveraged foreign exchange trading business to develop the remaining businesses of the Group which the directors are of the view have higher business potential.

The results of the discontinued operations during the year are set out below.

	Note	**2010 HK$'000**	2009 HK$'000
Turnover	*5*	**2,848**	14,502
Other revenue	*5*	**3**	1
Other net loss	*5*	**(20)**	(333)
		2,831	14,170
Staff costs	*6*	**1,710**	5,714
Commission expenses		**1,187**	8,861
Operating leases for land and buildings		**1,839**	4,632
Other operating expenses		**6,151**	4,955
Total operating expenses		**10,887**	24,162
Operating loss		**(8,056)**	(9,992)
Finance costs		**—**	(3)
		(8,056)	(9,995)
Loss before taxation		**(8,056)**	(9,995)
Income tax	*9*	**—**	—
Loss for the year		**(8,056)**	(9,995)

The net cash flows from the discontinued operations are as follows:

	2010 HK$'000	2009 HK$'000
Operating activities	**(32,476)**	(6,035)
Investing activities	**1,445**	(6)
Financing activities	**—**	(3)
Net cash outflow	**(31,031)**	(6,044)

11 LOSS ATTRIBUTABLE TO SHAREHOLDERS

The loss attributable to shareholders is dealt with in the financial statements of the Company to the extent of HK$6,887,000 (2009: loss of HK$48,813,000).

Notes to the Financial Statements

12 DIVIDENDS

The directors do not recommend the payment of the final dividend for the year ended 31st December 2010 (2009: nil).

13 EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the profit/(loss) attributable to ordinary equity shareholders of the Company of HK$11,415,000 (2009: loss of HK$19,022,000 (restated)) and the weighted average of 534,388,000 ordinary shares (2009: 456,285,123 ordinary shares) in issue during the year, calculated as follows:

(i) Profit/(loss) attributed to ordinary equity shareholders of the Company

	2010	2009
	HK$'000	HK$'000
		(restated)
Earnings/(loss) for the year from continuing operations	**19,471**	(9,027)
Loss for the year from discontinued operations	**(8,056)**	(9,995)
Earnings/(loss) for the year attributable to equity holders of the Company	**11,415**	(19,022)

(ii) Weighted average number of ordinary shares

	2010	2009
Issued ordinary shares at 1st January	**534,388,000**	422,303,000
Effect of new shares issued during the year	**—**	33,982,123
Weighted average number of ordinary shares at 31st December	**534,388,000**	456,285,123

(b) Diluted earnings/(loss) per share

Diluted earnings/(loss) per share are the same as basic earnings/(loss) per share because there were no potential dilutive ordinary shares during both the current and prior years.

Notes to the Financial Statements

14 INTANGIBLE ASSETS

	Group			
	Stock Exchange trading rights HK$000	**Futures Exchange trading right** HK$000	**Club membership** HK$000	**Total** HK$000
Cost				
At 1st January 2010	913	406	—	1,319
Additions	—	—	120	120
At 31st December 2010	913	406	120	1,439
Carrying amount				
At 31st December 2010	913	406	120	1,439
At 31st December 2009	913	406	—	1,319

	Company	
Cost	**Club membership** HK$000	**Total** HK$000
At 1st January 2010	—	—
Additions	120	120
At 31st December 2010	120	120

Notes to the Financial Statements

15 FIXED ASSETS

	Group				
	Leasehold improvements HK$'000	**Furniture & fixtures** HK$'000	**Office & computer equipment** HK$'000	**Motor vehicles** HK$'000	**Total** HK$'000
Cost					
At 1st January 2009	4,150	2,145	10,078	1,849	18,222
Additions	—	67	1,691	—	1,758
Disposals	—	—	(1,611)	—	(1,611)
At 31st December 2009 and 1st January 2010	4,150	2,212	10,158	1,849	18,369
Additions	633	86	2,038	—	2,757
Disposals	(2,565)	(383)	(348)	—	(3,296)
At 31st December 2010	2,218	1,915	11,848	1,849	17,830
Accumulated depreciation					
At 1st January 2009	2,246	949	6,081	1,194	10,470
Charge for the year	1,272	367	1,637	462	3,738
Disposals	—	—	(1,449)	—	(1,449)
At 31st December 2009 and 1st January 2010	3,518	1,316	6,269	1,656	12,759
Charge for the year	703	337	1,738	193	2,971
Disposals	(2,512)	(363)	(295)	—	(3,170)
At 31st December 2010	1,709	1,290	7,712	1,849	12,560
Net book value					
At 31st December 2010	509	625	4,136	—	5,270
At 31st December 2009	632	896	3,889	193	5,610

16 INVESTMENT IN SUBSIDIARIES

	Company	
	2010 **HK$'000**	2009 HK$'000
Investment at cost, unlisted shares	**292,323**	299,598

(a) The amounts due from/(to) subsidiaries are unsecured, interest free and repayable on demand.

Notes to the Financial Statements

16 INVESTMENT IN SUBSIDIARIES (CONTINUED)

(b) The following is the list of subsidiaries at 31st December 2010:

Name	Place of incorporation	Principal activities and place of operation	Particulars of issued share capital	Interest held directly	Interest held indirectly
Cinda International Capital Limited ("CICL")	Hong Kong	Corporate finance services in Hong Kong	4,000,100 ordinary shares of HK$1 each, and 21,000,000 non-voting deferred shares of HK$1 each	—	100%
Cinda International Securities Limited ("CISL")	Hong Kong	Securities broking and margin financing services in Hong Kong	100,000,100 ordinary shares of HK$1 each, and 50,000,000 non-voting deferred shares of HK$1 each	—	100%
Cinda International Futures Limited ("CIFL")	Hong Kong	Commodities and futures broking in Hong Kong	40,000,100 ordinary shares of HK$1 each, and 10,000,000 non-voting deferred shares of HK$1 each	—	100%
Cinda International Asset Management Limited ("CIAM")	Hong Kong	Asset management in Hong Kong	10,000,100 ordinary shares of HK$1 each, and 2,000,000 non-voting deferred shares of HK$1 each	—	100%
Cinda Asset Management (Cayman) Limited ("CAMCL")	Cayman Islands	Asset management in Hong Kong	1 ordinary share of US$1 each	—	100%
Cinda International Wealth Management Advisor Limited ("CIWM")	Hong Kong	Financial planning and insurance broking in Hong Kong	500,000 ordinary shares of HK$1 each	—	100%
Cinda International FX Limited ("CIFX")	Hong Kong	Dormant/inactive	100 ordinary shares of HK$1 each, and 100,000,000 non-voting deferred shares of HK$1 each	—	100%
Cinda International Investment Consultant Limited ("CIIC")	Hong Kong	Dormant/inactive	3,000,100 ordinary shares of HK$1 each, and 5,500,000 non-voting deferred shares of HK$1 each	—	100%
Chinacorp Nominees Limited ("CNL")	Hong Kong	Provide administrative support services in Hong Kong	100 ordinary shares of HK$1 each and 10,000 non-voting deferred shares of HK$1 each	—	100%
Cinda Strategic (BVI) Limited ("CSBVIL")	British Virgin Islands	Investment holding in Hong Kong	50,000 ordinary shares of US$1 each	100%	—
Cinda (BVI) Limited ("CBVIL")	British Virgin Islands	Investment holding in Hong Kong	7 ordinary shares of US$1 each	100%	—
Cinda International Direct Investment Limited ("CIDI")	British Virgin Islands	Investment holding in Hong Kong	1,000 ordinary shares of US$1 each	100%	—
Cinda International Research Limited ("CIRL")	Hong Kong	Provision of research services in Hong Kong	1,000,000 ordinary shares of HK$1 each	—	100%
Cinda International Currency Investment Limited ("CICI")	Hong Kong	Investment holding in Hong Kong	100,000 ordinary shares of HK$1 each	—	100%
Cinda International Consultant Limited ("CICON")	Hong Kong	Investment holding in Hong Kong	120,000 ordinary shares of HK$1 each	—	100%

Notes to the Financial Statements

17 INTERESTS IN ASSOCIATES

	Group	
	2010	2009
	HK$'000	HK$'000
Share of net assets at 1st January	**125,874**	—
Share of associate's results for the year	**15,070**	612
Share of associate's other comprehensive income for the year	**14,206**	(428)
Transfer of available-for-sale investments by the Group's associate to the Social Security Fund	**(2,992)**	—
	26,284	184
Acquisition of an associate	**—**	125,690
Share of net assets at 31st December	**152,158**	125,874

On 11th December 2009, Cinda International Direct Investment Limited, a wholly-owned subsidiary of the Company, acquired 40% of the issued share capital of Sino-Rock Investment Management Company Limited ("Sino-Rock"), a company incorporated in Hong Kong with limited liability, from an intermediate holding company of the Company.

The consideration of the acquisition was satisfied by:

(i) HK$55,150,000 in cash; and

(ii) 27,575,000 shares of the Company issued to the intermediate holding company (representing a fair value of HK$50,738,000 as at 11th December 2009).

As both the Company and the intermediate holding company are ultimately controlled by China Cinda Asset Management Co., Ltd, the above transaction is considered as a business combination involving entities under common control. The Company adopted book value accounting to account for the acquisition, i.e. the excess of the net assets of Sino-Rock of HK$125,690,000 as at 11th December 2009 over the cost of acquisition of HK$107,014,000 (being cash consideration plus fair value of the Company's shares issued plus directly attributable costs) is recognised as a notional capital contribution of HK$18,676,000.

The Group's interests in its principal associates, all of which are unlisted, are as follows:

Name	**Particulars of issued shares held**	**Country of incorporation**	**Effective equity interest to the Group**
Sino-Rock Investment Management Company Limited ("Sino-Rock")	18,000,000 ordinary shares of HK$1 each	Hong Kong	40%

Notes to the Financial Statements

17 INTERESTS IN ASSOCIATES (CONTINUED)

Summary financial information on associate	As at 31st December 2010		Year ended 31st December 2010	
	Assets HK$'000	**Liabilities HK$'000**	**Revenue HK$'000**	**Profit after tax HK$'000**
Sino-Rock				
100 per cent	531,963	151,569	121,965	51,886
Group's effective interest	212,785	60,627	43,102	15,070

	As at 31st December 2009		Year ended 31st December 2009	
	HK$'000	HK$'000	HK$'000 (restated)	HK$'000 (restated)
Sino-Rock				
100 per cent	629,059	314,373	118,396	57,345
Group's effective interest	251,623	125,749	11,258	612

18 OTHER ASSETS

	Group	
	2010 HK$'000	2009 HK$'000
Stock Exchange stamp duty deposit	**150**	150
Stock Exchange Fidelity Fund deposit	**100**	100
Stock Exchange Compensation Fund deposit	**100**	100
Guarantee Fund deposits with the Hong Kong Securities Clearing Company Limited	**100**	110
Statutory deposits and deposits with the Hong Kong Futures Exchange Limited ("HKFE")	**2,079**	1,550
Statutory deposits with the Hong Kong Securities and Futures Commission ("SFC")	**50**	50
Reserve fund deposit with the SEHK Options Clearing House Limited ("SEOCH")	**2,160**	1,897
Rental deposits	**3,332**	109
Others	**100**	100
	8,171	4,166

Notes to the Financial Statements

19 INCOME TAX IN THE STATEMENT OF FINANCIAL POSITION

(a) Current taxation

	Group		Company	
	2010 HK$'000	2009 HK$'000	**2010 HK$'000**	2009 HK$'000
Provision for Hong Kong Profits Tax for the year	**533**	—	**—**	—

(b) Deferred income tax

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

	Group		
	Accelerated tax depreciation HK$'000	**Tax losses** HK$'000	**Total** HK$'000
At 1st January 2009	580	(580)	—
(Credited)/charged to income statement	(144)	144	—
At 31st December 2009	436	(436)	—
Charged/(credited) to income statement	214	(214)	—
At 31st December 2010	650	(650)	—

Unrecognised tax losses and temporary differences as at 31st December 2010 are HK$61,497,197 (2009: HK$66,241,960) and HK$320,965(2009: HK$656,634) respectively. The tax losses do not expire under current tax legislation.

20 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group		Company	
	2010 HK$'000	2009 HK$'000	**2010 HK$'000**	2009 HK$'000
Equity securities listed in Hong Kong, at market value	**3,920**	2,491	**3,041**	1,058
Term loan with embedded exchangeable rights, at fair value	**20,015**	—	**20,015**	—
	23,935	2,491	**23,056**	1,058

The term loan is extended to an independent third party which is convertible to the shares of a company whose shares are listed in Hong Kong before maturity of the loan.

Notes to the Financial Statements

21 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade receivables from clients *(note (c))*	**93,031**	72,576	**—**	—
Margin and other trade related deposits with brokers and financial institutions *(note (d))*	**8,119**	22,193	**—**	—
Margin loans *(note (e))*	**32,257**	126,585	**—**	—
Trade receivables from clearing houses	**1,657**	1	**—**	—
Total trade receivables	**135,064**	221,355	**—**	—
Deposits	**2,109**	3,336	**—**	—
Prepayments and other receivables	**2,262**	5,467	**400**	231
Less: impairment allowance for other receivables *(note (b))*	**(82)**	(82)	**—**	—
Total trade and other receivables	**139,353**	230,076	**400**	231

The carrying amounts of trade and other receivables approximate their fair value. All of the trade and other receivables are expected to be recovered or recognised as expense within one year.

(a) As at 31st December 2010, the aging analysis of trade receivables is as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
Current	**125,346**	212,121
30–60 days	**2,493**	511
Over 60 days	**7,225**	8,723
	135,064	221,355

No impairment allowance has been made for trade receivables.

(b) The movements in the impairment allowance for other receivables during the year are as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
At 1st January	**82**	283
Reversal of impairment loss	**—**	(201)
At 31st December	**82**	82

(c) For those cash securities trading clients, it normally takes two to three days to settle after trade execution. These outstanding unsettled trades due from clients are reported as trade receivables.

Notes to the Financial Statements

21 TRADE AND OTHER RECEIVABLES (CONTINUED)

(d) The Group executes client trades on overseas commodities and futures contracts with local or overseas brokers as appropriate. Trade receivables at 31st December 2010 comprise commodities and futures trading with brokers and are considered current. Balance at 31st December 2009 also included margin deposits with recognised counterparties and floating profits/losses in respect of transactions and open positions in leveraged foreign exchange. A recognised counterparty is a counterparty of a licensed leveraged foreign exchange trade recognised under Hong Kong Securities and Futures Ordinance which includes authorised institutions under the Hong Kong Banking Ordinance.

(e) The margin clients of the securities broking business are required to pledge their shares to the Group for credit facilities for securities trading. The amount of credit facilities granted to them is determined by the discounted value of shares acceptable by the Group. The fair value of shares accepted as collateral amounted to HK$54,475,190 (2009: HK$351,018,539). No securities held as collateral have been repledged to secure the Group's bank facilities.

(f) Credits are extended to other clients on a case-by-case basis in accordance with the financial status of clients such as their financial conditions, trading records, business profile and collateral available to the Group. Clients trading in leveraged foreign exchange contracts, commodities and futures contracts and obtaining securities margin financing from the Group are required to observe the Group's margin policies. For leveraged foreign exchange contracts and commodities and futures contracts, initial margins are normally required before trading and thereafter clients are normally required to keep the equity position at a prescribed maintenance margin level.

(g) The Group maintains designated accounts with the SEOCH and HKFE Clearing Corporation Limited ("HKFECC") as a result of its normal business transactions. At 31st December 2010, the designated accounts with SEOCH and HKFECC not otherwise dealt with in these accounts amounted to HK$7,080,605 (2009: HK$2,389,871) and HK$14,443,527(2009: HK$13,486,350) respectively.

(h) The Group has no concentration of credit risk with respect to trade receivables and margin loans, as the Group has a large number of customers, widely dispersed. In addition, margin and trade related deposits are deposited with high-credit-quality financial institutions.

(i) The effective interest rate charged on trade receivables from clients and margin loans as at the end of the reporting period ranged from 8% to 13% per annum (2009: 5% to 13%). The effective interest rate for margins and other trade related deposits is 0.01% per annum (2009: 0.01%).

Notes to the Financial Statements

22 BANK BALANCES AND CASH

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash in hand	**15**	14	**—**	—
Bank balances				
— pledged	**12,008**	12,001	**—**	—
— general accounts	**211,288**	148,166	**48,013**	4,369
	223,296	160,167	**48,013**	4,369
	223,311	160,181	**48,013**	4,369
By maturity:				
Bank balances				
— current and savings accounts	**211,288**	148,166	**48,013**	4,369
— fixed deposits (maturing within three months)	**12,008**	12,001	**—**	—
	223,296	160,167	**48,013**	4,369

As at 31st December 2010, bank deposits amounting to HK$12,007,616 (2009: HK$12,000,608) have been pledged to a bank as security for the provision of a HK$50 million (2009: HK$50 million) securities broking facility.

Certain subsidiaries of the Group maintained segregated trust accounts with authorised institutions as a result of their respective business activities. As at 31st December 2010, segregated trust accounts not otherwise dealt with in these financial statements amounted to HK$271,601,647 (2009: HK$248,763,153).

Cash and cash equivalents

	Group	
	2010	2009
	HK$'000	HK$'000
Cash in hand	**15**	14
Bank balances		
— pledged	**12,008**	12,001
— general accounts	**211,288**	148,166
Cash and cash equivalents in the consolidated statement of financial position	**223,311**	160,181
Bank balances		
— pledged	**(12,008)**	(12,001)
Cash and cash equivalents in the consolidated statement of cash flow	**211,303**	148,180

Notes to the Financial Statements

23 SHARE CAPITAL

	2010		2009	
	No. of shares	**Nominal value**	No. of shares	Nominal value
	'000	**HK$'000**	'000	HK$'000
Authorised				
Ordinary shares of HK$0.10 each	**1,000,000**	**100,000**	1,000,000	100,000
Issued and fully paid				
Ordinary shares of HK$0.10 each				
At 1st January	**534,338**	**53,434**	422,303	42,230
Shares issued during the year	**—**	**—**	112,035	11,204
At 31st December	**534,338**	**53,434**	534,338	53,434

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

On 14th August 2009, 75,594,000 shares were issued to the immediate holding company for cash at $2 each and 8,866,000 shares were issued to another shareholder for cash at $2 each.

On 11th December 2009, 27,575,000 shares were issued to an intermediate holding company as part of the purchase consideration for the Company's associates as disclosed in note 17.

Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost. In addition, subsidiaries of the Group licensed by the SFC are obliged to meet the regulatory liquid capital requirements under the Securities and Futures (Financial Resources) Rules ("SF(FR)R") at all times.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and make adjustments to the capital structure in light of changes in economic conditions. For the licensed subsidiaries, the Group ensures each of them maintains liquid capital level adequate to support the activities level with sufficient buffer to accommodate the increase in liquidity requirements arising from potential increases in business activities. SF(FR)R returns are filed to the SFC by the licensed subsidiaries on monthly or semi-annually basis as required. During the current and prior financial years, all the licensed subsidiaries complied with the liquid capital requirements under the SF(FR)R. A subsidiary of the Company is authorized by the China Securities Regulatory Commission (the "CSRC") to deal in "B" shares. The CSRC stipulated a minimum amount of net assets of RMB50 million to be maintained. During the year, the subsidiary maintained net assets over such requirement.

Consistent with industry practice, the Group monitors its capital structure on the basis of a net debt-to-adjusted capital ratio. For this purpose, the Group defines net debt as total debt (which includes interest-bearing loans and borrowings, trade and other payables and obligations under finance leases) plus unaccrued proposed dividends, less cash and cash equivalents. Adjusted capital comprises all components of equity, less unaccrued proposed dividends.

Notes to the Financial Statements

23 SHARE CAPITAL (CONTINUED)

Capital management (Continued)

The Group did not have any loan outstanding as at 31st December 2010 (2009: HK$nil). The Group also strived to maintain highly liquid assets to prepare for any unexpected sudden changes in the market. As at the end of the reporting period, the current ratio was 431.5% (2009: 444.8%).

The net debt-to-adjusted capital ratios at 31st December 2010 and 2009 are as follows:

	Note	**2010 HK$'000**	2009 HK$'000
Current liabilities:			
Trade and other payables	*25*	**89,055**	88,297
Total debt		**89,055**	88,297
Less: Cash and cash equivalents	*22*	**(211,303)**	(148,180)
Excess cash and cash equivalents		**(122,248)**	(59,883)
Total equity and adjusted capital		**464,049**	441,420
Net debt-to-adjusted capital ratio		**N/A**	N/A

24 RESERVES

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

		The Company				
	Note	**Share premium** HK$'000	**Capital reserve** HK$'000	**Contributed surplus** HK$'000	**Retained earnings/ (accumulated losses)** HK$'000	**Total** HK$'000
At 1st January 2009		112,301	3,792	53,023	44,685	213,801
Shares issued		203,608	—	—	—	203,608
Notional capital contribution arising on acquisition of a associate	*17*	—	18,676	—	—	18,676
Loss for the year	*11*	—	—	—	(48,813)	(48,813)
At 31st December 2009		315,909	22,468	53,023	(4,128)	387,272
Loss for the year	*11*	—	—	—	(6,887)	(6,887)
At 31st December 2010		315,909	22,468	53,023	(11,015)	380,385

Notes to the Financial Statements

24 RESERVES (CONTINUED)

(a) Capital reserve

The capital reserve of the Group represents (i) capital contribution from the Company's shareholders, (ii) notional capital contribution from Company's shareholders arising on acquisition of an associate, (iii) the difference between the nominal value of the shares issued by the Company in exchange for the nominal value of the deferred share capital of a subsidiary acquired in 2000 and (iv) the fair value of the actual or estimated number of unexercised share options granted to employees of the Company. All share options were cancelled in prior year.

(b) Contributed surplus

Contributed surplus arose as a result of the Group's reorganisation in 2000 and represents the difference between the aggregate net asset value of subsidiaries acquired and the nominal amount of the Company's shares issued for the acquisition.

(c) Investment revaluation reserve

The investment revaluation reserve of the Group represents the changes in the fair value of available-for-sale financial assets of an associate.

(d) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operation. The reserve is dealt with in accordance with the accounting policies set out in notes 2.5(b) and 2.5(c).

(e) Distributable reserves

Under the Company Act 1981 of Bermuda (as amended), the contributed surplus account of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of the contributed surplus account if:

(i) it is, or would after the payment be, unable to meet its liabilities as they become due; or

(ii) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

(f) Transfer of available-for-sale investments by the Group's associate to the Social Security Fund

Pursuant to regulations of the People's Republic of China ("PRC"), certain available-for-sale investments held by the Group's associate were transferred to National Council for Social Security Fund, a government agency of the PRC at no consideration as the Group's ultimate holding company is controlled by the Ministry of Finance, a government agency of the PRC. The transfer of share was regarded as transactions with shareholders and accordingly the Group's share of the total costs of such investments transferred amounting to $2,992,000 (2009: $Nil) has been charged directly to equity.

Notes to the Financial Statements

25 TRADE AND OTHER PAYABLES

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade payable to securities trading clients	**55,309**	56,579	**—**	—
Margin and other deposits payable to clients	**7,863**	3,882	**—**	—
Trade payable to brokers and clearing houses	**13,938**	11,048	**—**	—
Total trade payables	**77,110**	71,509	**—**	—
Accruals and other payables	**11,945**	16,788	**289**	528
Total trade and other payables	**89,055**	88,297	**289**	528

The carrying amounts of trade and other payables approximate their fair value. All trade and other payables are expected to be settled within one year.

The settlement terms of payable to clearing houses and securities trading clients from the ordinary course of business of broking in securities range from two to three days after the trade date of those transactions. Margin deposits received from clients for their trading of leveraged foreign exchange, commodities and futures contracts, and the balances were repayable on demand.

The effective interest rate paid on trade payables as at the end of the reporting period is 0.01% per annum (2009: 0.01%).

26 DEFINED CONTRIBUTION PLANS — MPF SCHEME

The aggregate employer's contributions, net of forfeited contributions, which have been dealt with in the income statement for the year amounted to:

	2010	2009
	HK$'000	HK$'000
Gross employer's contributions	**1,056**	1,111
Less: Forfeited contributions utilised to offset employer's contribution for the year	**—**	(126)
Net employer's contributions charged to income statement	**1,056**	985

Notes to the Financial Statements

27 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' and senior management's emoluments

The remuneration of the directors for the year ended 31st December 2010 is set out below:

Name of Director	**Fee**	**Basic salaries, other allowances and benefits in kind**	**Discretionary bonuses**	**Employer's contribution to pension scheme**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Chen Xiaozhou	300	—	—	—	300
Gao Guanjiang	300	—	—	—	300
Gu Jianguo	240	—	—	—	240
Zhao Hongwei	300	2,400	440	12	3,152
Gong Zhijian	240	1,800	315	12	2,367
Lau Mun Chung	240	1,560	260	12	2,072
Chow Kwok Wai	240	—	—	—	240
Hung Muk Ming	240	—	—	—	240
Chen Gongmeng	240	—	—	—	240
Wang Tongsan	240	—	—	—	240
	2,580	5,760	1,015	36	9,391

The remuneration of the directors for the year ended 31st December 2009 is set out below:

Name of Director	Fee	Basic salaries, other allowances and benefits in kind	Discretionary bonuses	Employer's contribution to pension scheme	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Chen Xiaozhou	300	—	—	—	300
Gao Guanjiang	300	—	—	—	300
Gu Jianguo	240	—	—	—	240
Zhao Hongwei	300	2,400	400	12	3,112
Gong Zhijian	240	1,800	300	12	2,352
Lau Mun Chung	240	1,560	260	12	2,072
Chow Kwok Wai	240	—	—	—	240
Hung Muk Ming	240	—	—	—	240
Chen Gongmeng	240	—	—	—	240
Wang Tongsan	240	—	—	—	240
	2,580	5,760	960	36	9,336

Notes to the Financial Statements

27 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (CONTINUED)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included three directors (2009: three) whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two (2009: two) individuals during the year are as follows:

	2010 HK$'000	2009 HK$'000
Basic salaries, other allowances and benefits in kind	2,172	2,172
Bonus	672	318
Defined contribution plans	24	24
	2,868	2,514

The emoluments of the remaining two (2009: two) individuals fell within the following bands:

	Number of individuals	
	2010	2009
Emolument bands		
HK$1,000,001–HK$1,500,000	1	2
HK$1,500,001–HK$2,000,000	1	—
	2	2

28 EQUITY-SETTLED SHARE-BASED TRANSACTIONS

The Company has adopted a share option scheme whereby the Board of the Company may at its discretion granted to any employees, including executive directors, of the Group options to subscribe for shares of the Company.

During the year ended 31st December 2010 and 2009, no share options were granted.

Notes to the Financial Statements

29 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOW

Reconciliation of operating profit/(loss) to net cash inflow/(outflow) from operating activities:

	2010 **HK$'000**	2009 HK$'000 (restated)
Profit/(loss) before taxation from continuing operations	**20,004**	(9,027)
Loss before taxation from discontinued operations	**(8,056)**	(9,995)
Operating profit/(loss) before taxation	**11,948**	(19,022)
Depreciation	**2,971**	3,738
Appreciation in value of financial assets at fair value through profit or loss	**(1,637)**	(944)
Profit on disposal of financial assets at fair value through profit or loss	**(3,289)**	(417)
Interest expenses	**187**	283
Dividend income from listed securities	**(68)**	(183)
Share of profits of associates	**(15,070)**	(612)
Loss on disposal of fixed assets	**125**	162
Write back of provision for clawback	**—**	(143)
Write-back of bad and doubtful debts	**—**	(201)
(Increase)/decrease in pledged deposits	**(7)**	4,334
Operating loss before working capital changes	**(4,840)**	(13,005)
Increase in other assets	**(4,005)**	(566)
Decrease/(increase) in trade and other receivables	**90,723**	(139,594)
Increase in trade and other payables	**758**	23,672
Cash inflow/(outflow) from operations	**82,636**	(129,493)
Hong Kong profits tax refunded	**—**	177
Net cash inflow/(outflow) from operating activities	**82,636**	(129,316)

Notes to the Financial Statements

30 CONTINGENT LIABILITIES

30.1 Outstanding litigation cases

The following litigation cases are outstanding up to the date of this report. Based on the merits of each case, the directors considered that it was unlikely that any material claim against the Company will crystallize and hence no provision has been made.

30.1.1 (a) A company named Hantec Investment Limited which is unrelated to the Group filed a writ to the Company on 28th July 2000 seeking for injunction to restrain the Company from using the plaintiff's alleged trade name and damages. The plaintiff has not taken further action after the Company filed a defence.

(b) An indirect wholly owned subsidiary of the Company received a writ of summons dated 25th March 2006 from two clients jointly as plaintiffs claiming for damages against it and two of its licensed representatives for an amount of HK$20,600,000 together with cost as a result of a number of leverage exchange trading transactions. Defence action has been commenced and no further development has been made up to the date of this report.

(c) A writ of summons dated 11th July 2006 was served to two indirect wholly owned subsidiaries and one then subsidiary of the Company as defendant by a former account executive claiming (being the plaintiff) against the above three companies for a total of HK$700,000 as his rightful overriding commissions together with interest and/or alternatively, damages to be assessed. The Company has instructed its legal advisors to commence defence on the claim. The legal advisors are of the view that the Company has a reasonably good defence in this case. Up to the date of this report, there has been no further development.

Under the share sale agreement dated 13 August 2008 (the "Agreement"), Hantec Holdings Investment Limited ("HHIL", formerly known as Hantec Holdings Limited) and the then chairman of the Company, Mr. Tang Yu Lap ("Mr. Tang"), have undertaken to indemnify and keep indemnified the Company on a fully indemnified basis of any loss or liability suffered by the Group as a result of or in connection with the outstanding litigation cases set out in 30.1.1(a) to (c) above.

30.1.2 On 10th August 2010, the Company received a High Court writ of summons (the "Writ") issued by Mr. Tang and HHIL (the "plaintiffs"). The plaintiffs alleged that, in breach of the Agreement, the Company settled with the Securities and Futures Commission ("SFC") regarding the compliance issues of HIL (Hantec International Limited, currently known as Cinda International FX Limited). The plaintiffs further alleged that the release of the Company's announcement dated 2nd August 2010 caused damage to their reputation. In the Writ, Mr. Tang claimed against, inter alia, the Company for HK$700,000 being his remuneration of being a responsible officer for the Group's asset management company since 28th May 2009, service charge of HK$50,000 per month from the date of issue of the Writ and further damages in reputation. HHIL also claimed for damages of losing the chance of challenging the allegations of the SFC against two former responsible officers of HIL and HIL and damages in goodwill. However, no specific amount of damages was stated in the Writ. The Board together with other defendants of the Writ has filed a defense and a counter claim for the penalty levied by the SFC together with all associated cost. Up to the date of this report the case is pending for mediation among the plaintiffs and defendants.

Notes to the Financial Statements

30 CONTINGENT LIABILITIES (CONTINUED)

30.2 Financial guarantees issued

(a) As at the end of the reporting period, a subsidiary of the Company engaging in securities broking and providing securities margin financing has secured banking facilities from certain authorized institutions for a total amount of HK$208 million (2009: HK$168 million). The Company has issued corporate guarantees for a total principal amount of HK$156 million (2009: HK$116 million) for these facilities. As at 31st December 2010, the subsidiary has not utilized any of these aggregate banking facilities (2009: HK$nil).

(b) As at the end of the reporting period, the directors do not consider it probable that a claim will be made against the Company under any of the guarantees. The Company has not recognised any deferred income in respect of the guarantees as their fair value cannot be reliably measured and the transaction price was nil.

31 LEASE AND CAPITAL COMMITMENTS

(a) Lease commitments

At 31st December 2010, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	Land and buildings	
	2010	2009
	HK$'000	HK$'000
Within one year	**10,703**	4,815
After one year but within five years	**15,792**	349
	26,495	5,164

(b) Capital commitments

Capital commitments outstanding and not provided for in the financial statements are as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
Contracted but not provided for	**1,639**	1,573

Notes to the Financial Statements

32 FINANCIAL RISK MANAGEMENT

32.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: foreign exchange risk, price risk, credit risk, liquidity risk and interest-rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out by a Risk Management Committee (the "RMC") under policies approved by the Board of Directors. The RMC identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The RMC also recommends overall risk management policy for the approval of the Board or the Executive Management Committee (the "EMC") of the Group, covering specific areas, such as foreign exchange risk, interest-rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investing excess liquidity.

(a) Foreign exchange risk

The Group carries out business in foreign exchange trading and therefore is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Hong Kong Dollars. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities.

Certain net trading positions of the Group are denominated in currencies other than its functional currency or presentation currency and are subject to fluctuation in foreign exchange among the different currencies. The treasury function of the Group is responsible for managing the foreign exchange risk under prudent guidelines on position limits and floating loss limits. The RMC reviews the limits from time to time to cope with changes in volatility in the market.

The following table details the Group's exposure at the end of the reporting period to currency risk arising from forecast transactions or recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate.

	Japanese Yen HK$'000	United States Dollars HK$'000	Euro HK$'000	Australian Dollar HK$'000	Others HK$'000
At 31st December 2010					
Financial assets at fair value through profit or loss	—	20,015	—	—	—
Trade and other receivables	—	8,234	—	—	—
Cash and cash equivalents	—	13,908	24	—	60
Trade and other payables	(601)	(8,961)	—	(54)	(372)
Net exposure arising from recognised net (liabilities)/assets	(601)	33,196	24	(54)	(312)
Overall net exposure	(601)	33,196	24	(54)	(312)

Notes to the Financial Statements

32 FINANCIAL RISK MANAGEMENT (CONTINUED)

32.1 Financial risk factors (Continued)

(a) Foreign exchange risk (Continued)

	Japanese Yen HK$'000	United States Dollars HK$'000	Euro HK$'000	Pound Sterling HK$'000	New Zealand Dollar HK$'000	Australian Dollar HK$'000	Others HK$'000
At 31st December 2009							
Trade and other receivables	126	22,124	—	—	—	—	111
Cash and cash equivalents	2	33,356	26	—	—	—	—
Trade and other payables	—	(138)	—	—	—	(6)	(111)
Net exposure arising from recognised net assets	128	55,342	26	—	—	(6)	—
Notional amounts of short positions in leveraged foreign exchange contracts	(51,004)	—	(89,332)	(28,669)	(25,758)	(29,749)	(20,401)
Notional amounts of long positions in leveraged foreign exchange contracts	39,618	—	90,005	27,653	25,531	29,679	21,072
Notional amounts of short positions in foreign exchange option contracts	—	—	—	—	—	(4,900)	(15,658)
Notional amounts of long positions in foreign exchange option contracts	168	—	—	—	—	4,900	15,658
Net exposure arising from foreign exchange transactions	(11,218)	—	673	(1,016)	(227)	(70)	671
Overall net exposure	(11,090)	55,342	699	(1,016)	(227)	(76)	671

Notes to the Financial Statements

32 FINANCIAL RISK MANAGEMENT (CONTINUED)

32.1 Financial risk factors (Continued)

(a) Foreign exchange risk (Continued)

Sensitivity analysis

The following table indicates the approximate change in the Group's profit before tax in response to possible changes in the foreign exchange rates to which the Group has significant exposure at the end of the reporting period.

	2010 Appreciation/ depreciation of foreign currencies	2010 Effect on profit before tax HK$'000	2009 Appreciation/ depreciation of foreign currencies	2009 Effect on profit before tax HK$'000
Japanese Yen	+ 10%	(60)	+ 10%	(1,109)
	– 10%	60	– 10%	1,109
Euro	+ 10%	2	+ 10%	70
	– 10%	(2)	– 10%	(70)
Pound Sterling	+ 10%	—	+ 10%	(102)
	– 10%	—	– 10%	102
New Zealand Dollar	+ 10%	—	+ 10%	(23)
	– 10%	—	– 10%	23
Australian Dollar	+ 10%	(5)	+ 10%	(8)
	– 10%	5	– 10%	8

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the end of the reporting period and had been applied to each of the Group entities'exposure to currency risk for both derivative and non-derivative financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant.

The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the end of next annual reporting period. In this respect, it is assumed that the pegged rate between the Hong Kong Dollars and the United States Dollars would be materially unaffected by any changes in movement in value of the United States Dollars against other currencies. Results of the analysis as presented in the above table represent an aggregation of the effects on each of the Group entities' profit before tax and equity measured in the respective functional currencies, translated into Hong Kong Dollars at the exchange rate ruling at the end of the reporting period for presentation purposes. The analysis is performed on the same basis for 2009.

The Company is not subject to significant foreign exchange risk as most of the Company's assets and liabilities are denominated in Hong Kong Dollar or United States Dollar.

Notes to the Financial Statements

32 FINANCIAL RISK MANAGEMENT (CONTINUED)

32.1 Financial risk factors (Continued)

(b) Price risk

The Group is exposed to equity price changes arising from equity investments classified as trading securities and financial asset designated at fair value through profit or loss (see note 20). The Group's equity price risk is concentrated on listed equity instruments quoted on the Stock Exchange of Hong Kong and an unlisted term loan with embedded exchangeable rights.

At 31st December 2010, it is estimated that an increase/(decrease) of 10% (2009: 10%) in the relevant stock price, with all other variables held constant, would have increased/decreased the Group's profit after tax as follows:

The Group

Change in the relevant equity price risk variable:		**2010 Effect on profit after tax HK\$'000**		2009 Effect on profit after tax HK\$'000
Increase	10%	**2,461**	10%	249
Decrease	(10%)	**(2,210)**	(10%)	(249)

The sensitivity analysis indicates the instantaneous change in the Group's profit after tax that would arise assuming the changes in the relevant stock price had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to equity price risk at the reporting date.

(c) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables. It has policies in place to ensure that credits are granted to customers with an appropriate credit history and/or collateral deposited with the Group. For leveraged foreign exchange trading and futures trading, normally an initial margin will be collected before opening of trading positions. Moreover, the Group has no significant concentration of credit risk as credits are granted to a large population of clients. Derivative counterparties and cash transactions are limited to high-credit-quality financial institutions and only brokers having sound credit ratings will be accepted. The Group has maintained relationship with various financial institutions, and has policies that limit the amount of credit exposure to any financial institution. Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade receivables are set out in note 21(a).

The Company's credit risk is primarily attributable to amounts due from subsidiaries. The Company manages this risk by assessing the financial positions of subsidiaries on a regular basis.

Notes to the Financial Statements

32 FINANCIAL RISK MANAGEMENT (CONTINUED)

32.1 Financial risk factors (Continued)

(d) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the Group employs a prudent liquidity policy.

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

	Carrying amount	**Total contractual undiscounted cash flow**	**Within 1 year or on demand**
	HK$'000	HK$'000	HK$'000
At 31st December 2010			
Trade and other payables	89,055	89,055	89,055
At 31st December 2009			
Trade and other payables	88,297	88,297	88,297

The Company's policy is to regularly monitor its liquidity requirements including borrowings from subsidiaries, dividend payments to shareholders and accrued payments to ensure that it maintains sufficient reserves of cash to satisfy its contractual and foreseeable obligations as they fall due.

Notes to the Financial Statements

32 FINANCIAL RISK MANAGEMENT (CONTINUED)

32.1 Financial risk factors (Continued)

(e) Interest rate risk

The Group charged interest to its clients on the basis of its cost of funding plus a mark-up and paid interest to clients on the basis of the interest the Group earned from financial institutions less a charge. Financial assets subject to floating interest rates are trade and other receivables, term loan embedded with exchangeable rights, bank balances and cash-deposits with regulatory bodies. Financial liabilities subject to floating interest rates are trade and other payables, bank overdrafts and loans. Obligations under finance lease are subject to fixed interest rate determined by the inception of the relevant lease. The Group's income and operating cash flows are not subject to significant interest rate risk.

The Interest rate profile of the Group at the end of the reporting period.

	2010 Effective interest rate	HK$'000	2009 Effective interest rate	HK$'000
Assets				
Bank balances	**0.01%**	**145,104**	0.01%	112,865
Margin loans	**8%**	**32,257**	5.00%–13.00%	126,585
Term loan with embedded exchangeable rights	**35.93%**	**20,015**	—	—
		197,376		239,450
Sensitivity analysis				
Assume interest rate increased by		**0.25%**		0.25%
Profit before tax increased by		**453**		599

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for both derivative and non-derivative financial instruments in existence at that date. The 25 basis points increase (2009: 25 basis point increase) represents management's assessment of a reasonably possible change in interest rates over the period until the end of the next annual reporting period.

Notes to the Financial Statements

32 FINANCIAL RISK MANAGEMENT (CONTINUED)

32.2 Fair values

(a) Financial instruments carried at fair value

The amendments to HKFRS 7, Financial Instruments: Disclosures, require disclosures relating to fair value measurements of financial instruments across three levels of a "fair value hierarchy". The fair value of each financial instrument is categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

- Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments
- Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data
- Level 3 (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data

At 31st December 2010, the financial instruments of the Group and the Company carried at fair value were financial assets at fair value through profit or loss of HK$23,935,000 and HK$23,056,000 respectively.

The financial instruments comprise equity securities listed on the Stock Exchange of Hong Kong and a term loan with embedded exchangeable rights (see note 20) which fall into Level 1 and Level 3 respectively of the fair value hierarchy described above.

(b) Fair values of financial instruments carried at other than fair value

The carrying amounts of the Group's and the Company's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31st December 2010 and 2009.

(c) Fair value estimation

The fair value of financial instruments traded in active markets (such as publicly traded derivatives and trading securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

For financial instruments where an organized secondary market is not available for which direct market prices can be obtained, the fair values of such instruments are therefore calculated on the basis of well-established valuation technique using current market parameters. As such, the fair value is a theoretical value applicable at a given reporting date, and hence can only be used as an indicator of value realisable in future sale.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The carrying values of other financial assets and liabilities approximate their fair values.

Notes to the Financial Statements

33 RELATED PARTY AND CONNECTED PARTY TRANSACTIONS

33.1 Related party and connected party transactions

The following is a summary of significant related party and connected party (as defined in the Listing Rules) transactions which were carried out in the normal course of the Group's business:

	2010 **HK$'000**	2009 HK$'000
License fee for software programs *(note (a))*	**(350)**	(960)
Maintenance services expenses *(note (b))*	**—**	(301)
Commission expenses *(note (c))*	**—**	(570)
Placing commission income *(note (d))*	**437**	976
Commission income *(note (e))*	**256**	315

(a) Pursuant to a Software License Agreement, Ringus Solution Enterprise Limited ("Ringus"), a former subsidiary of the Company, agreed to grant a non-exclusive license to CIFX, a wholly owned subsidiary of the Company, to use certain computer software programs for its business operation purposes at its principal place of business and other branch offices in Hong Kong.

(b) In prior year, pursuant to a Software Service and Maintenance Agreement, Ringus agreed to provide software maintenance services as set out therein and all other computer and IT systems provided or being maintained by Ringus and from time to time used by the Group to CNL, a wholly-owned subsidiary of the Company for a monthly fee of HK$43,000.

(c) In prior year, an intermediate holding company charged commission to a subsidiary of the Group that arising from the ordinary course of business of corporate finance.

(d) During the year, the Group charged placing commission to its related companies and its associate for corporate finance services provided. In prior year, the Group charged placing commission income to its immediate holding company for corporate finance services provided.

(e) During the year, the Group received commission income from its related companies and its associate for providing securities broking services. In prior year, the Group received commission income from its related company and its immediate holding company for providing securities broking services.

The above transactions of note (a) and (b) constituted connected party transactions as the then Chairman of the Company was interested in Ringus. The terms of the Software Assignment Agreement, the Software License Agreement and the Software Service and Maintenance Agreement are on normal commercial terms.

Notes to the Financial Statements

33 RELATED PARTY AND CONNECTED PARTY TRANSACTIONS (CONTINUED)

33.2 Compensation of key management personnel

The remuneration of directors and other members of key management during the year are as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
Salaries and other short-term employee benefits	**14,908**	12,958

The remuneration of directors and key executives are reviewed by the Remuneration Committee having regard to the performance of individuals and markets trends.

34 IMMEDIATE AND ULTIMATE HOLDING COMPANY

At 31st December 2010, the directors consider the immediate parent and ultimate controlling party of the Group to be Sinoday Limited and China Cinda Asset Management Co., Ltd, which are incorporated in the British Virgin Islands and the People's Republic of China respectively. These entities do not produce financial statements available for public use.

35 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31ST DECEMBER 2010

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and Interpretations and one new standard which are not yet effective for the year ended 31 December 2010 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Revised HKAS 24, Related party disclosures	1 January 2011
HKFRS 9, Financial Instruments	1 January 2013
Improvements to HKFRSs 2010	1 July 2010 or 1 January 2011
Amendments to HKAS 12, Income taxes	1 January 2012

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

Five Year Financial Summary

Year ended 31st December

Results	**2010 HK$'000**	2009 HK$'000 (restated)	2008 HK$'000	2007 HK$'000	2006 HK$'000
Profit/(loss) attributable to equity shareholders	**11,415**	(19,022)	(11,023)	40,357	52,269

As at 31st December

Assets and liabilities	**2010 HK$'000**	2009 HK$'000	2008 HK$'000	2007 HK$'000	2006 HK$'000
Total assets	**553,637**	529,717	292,656	911,687	779,401
Total liabilities	**(89,588)**	(88,297)	(65,274)	(519,246)	(423,634)
Total equity	**464,049**	441,420	227,382	392,441	355,767

Notes:

1. The Company was incorporated in Bermuda on 19th April 2000 and became the holding company of the companies now comprising the Group on 10th July 2000.

2. Segregated trust accounts maintained by the Group to hold clients' monies are treated as items not recognised in the statement of financial position and netted off against the corresponding amounts classified under accounts payable.

3. The HKICPA has issued a number of new and revised HKFRSs that are effective or available for early adoption for accounting periods beginning on or after 1st January 2005. Figures for 2005 have been adjusted for these new and revised policies in accordance with the transitional provisions. Earlier years have only been restated to the extent that the new accounting policies are adopted retrospectively.