CONVOY 康宏

your finance navigator

CONVOY FINANCIAL SERVICES HOLDINGS LIMITED

康宏理財控股有限公司

(incorporated in the Cayman Islands with limited liability)

Stock Code : 1019

ANNUAL REPORT 2010

EXPLORING THE EAST WITH SOLID FOUNDATION

Contents

Corporate Information

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

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

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Cayman Islands

Headquarters and principal place of business
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Hong Kong

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

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

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

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

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

Compliance officer
Mr. Wang Pui Wang

Company secretary
Mr. Chow Kim Hang

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

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

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

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

Principal bankers
Standard Chartered Bank (Hong Kong) Limited
Bank of East Asia, Limited

Principal auditors
Ernst & Young
Certified Public Accountants

Mr. Wong Lee Man
Chairman

Expansions into new areas are taking root

"Exploring the east with solid foundation" was the original theme of this annual report initiated by our public relations people. Yet after 20 years of unwavering commitment to come out stronger in each turnaround, we are a newly listed company, a bit too young to qualify as being deep-rooted. Bear in mind that we are in a new internet era, that business environment changes drastically, and black swan events just happen, be it some radioactive dust or a sudden flowering, breaking out somewhere in an irreversible way whenever there is a flaw in the political and economic systems. A 100-year-old brand changes hands overnight. An enterprise worth tens of billions dollar may go bankrupt. As one of the small enterprises in the global financial marketplace, will there be room for our complacency?

In our first annual results announcement, it would have been desirable for us to report an auspicious year. However I choose to be cautious, as the Group's Chairman, to delve into the essence of precautionary measures and risk management in financial services. Making progress one stride at a time everyday has been our corporate philosophy.

We endeavour to make "progress" not merely in terms of enhanced efficiency and effectiveness, but also in terms of further business exploration, which is the one-way pathway to sustainable development of any robust business corporation. We take action to go beyond our comfort zone. In this light, many enterprises in the mainland have jumped to expand overseas during recent years. Though most efforts have not been rewarding, it is too soon to say their attempts are futile. The road to Roman is not built in one day. While It is well known that there is a national policy to encourage oversea expansion, the hidden agenda is about encouraging the introduction of advanced operation technology and experience from oversea countries, enabling domestic enterprises to get ready for the next level development.

Being pragmatic, we see the possible benefits implied in such policy of attracting oversea companies can be limited. Hong Kong positions itself one of the leading international financial cities, with an ability to compete oversea with other mature markets in many aspects and stay ahead of many parts of Asia. As one of the players in the local financial services industry, I however believe the highly competitive environment have been an impetus to Convoy's prosperous development model. Our proven track records coupled with a commitment to an expansion beyond the constraints, the company is set to create opportunities in different territories.

What is more important in this new century than that China has registered remarkable growth and momentum both in terms of economic prowess and overall strength as a nation. This is especially true after the financial tsunami as the United States and European countries are still waiting for a real recovery after the meltdown. Is it not hard to find any country that can outperform China's robust growth among those surviving economies. That the east is gaining overwhelming edge over the west is a widely endorsed belief. As the saying goes: Everything is ready to go if the wind will serve. Today the wind prevails where action is needed. In fact my colleagues have been doing extensive and in-depth market researches for a period of time on the markets in the mainland and other Asian countries, discussing the viability of various business models, thus framing the fundamentals of strategic moves in different regions. All in all, successful practice is the only golden rule to test the truth. To sum up our current situation, we are well prepared to capture the emerging opportunities.

As such, to sum up with "our rising from new challenges of the east" is also in line with Convoy's development goals and strategies for the future. However an expansion has to entail a success in taking root in the new market, or it will end up in a failure. Given the different soil conditions, existence of different nutrients and different climates, we take great care in irrigation and cultivation to ensure the ultimate development of flowers and fruits. We all remember the solemn declaration by our founding leader some six decades ago: "The Chinese people have stood up!" The listing of Convoy in Hong Kong on 13 July last year turned a new chapter for Hong Kong's independent financial advisory industry. Since that day, all of us have shared the same thought that the Group has "stood up". I would also like to take this opportunity to express my gratitude for the positive responses from the capital markets. At that moment, I am also expecting with euphoria the robust development of our different business units in the future.

Here and now, our Chief Executive Officer, Ms. Fong Sut Sam, will provide a detailed report of the business overview of the Company for the past year, and deliver our encouraging results performance to you. On behalf of the Board of Directors, I would like to sincerely thank all of our colleagues, business partners, future heads of our various footholds in Asia, our existing and prospective customers, and the public shareholders for their enduring support to Convoy. I would also solemnly promise to you that Convoy will move a great step towards our goal of "expanding into news areas and taking roots", and Convoy will dedicate its efforts to the realization of this goal in time.

Wong Lee Man
Chairman

Hong Kong, 28 March 2011

Chief Executive Officer's Review

Ms. Fong Sut Sam
Chief Executive Officer

Business Review – Chief Executive Officer

Benefiting from the improvement in the global economy and investment market performance, the Group's revenue reached approximately HK$572.5 million during the year ended 31 December 2010, representing an increase of approximately 25.7% when compared with same period in 2009. Profit for the year attributable to owners of the Company surged 69.1% to HK$64 million, net profit margin improved approximately 3 percentage points to 11.3%. Basic earnings per share were HK 18.6 cents.

During the year, the Group continued to maintain a healthy financial position, cash and cash equivalents were approximately HK$226.8million (31 December 2009: HK$83.8 million). Current ratio improved from approximately 1.0 as at 31 December 2009 to approximately 2.0 as at 31 December 2010. The Group had not incurred any borrowings as at 31 December 2010.

Operating Summary

In 2010, Hong Kong's economy has robustly improved, as stated in the HKSAR's Q3 economic report. In addition to a sharp GDP growth of 7.2% in the first half year, a rapid growth rate of 6.8% was registered in the third quarter of 2010 , expectedly bringing the annual growth rate to over 6.5%. As unemployment rate continues to fall, income level rises remarkably, resulting in a significant increase in personal consumption expenditures and a very robust market. During the year investment opportunities abound, Convoy has successfully made its way to get publicly listed, being the first listed company of independent financial advisory services.

Since its establishment, the Group has been building a solid platform of three principal businesses in ILAS, other insurance products business and MPF schemes, providing a comprehensive range of investment products and services. Last year, the delay in the implementation of the Employee Choice Arrangement of MPF scheme does not deter the Group's pace of development in this segment. Subsequently it is confirming the Group's strategy to provide a full range of services.

Income contributions attributable to different businesses vary in the financial year. However, it is the Group's strategy to diversify its businesses and client portfolio to achieve a steady growth rate.

ILAS

Last year the property market of Hong Kong had been prosperous, leading to a wealth effect that inflates the values of most assets. The appetite to consume has been reinforced with an increase in the demand for financial planning and investments. That has continuously sustained the Group's increasing earning ability. During the 12 months ended 31 December 2010, our profit had substantially increased due to income from ILAS had increased 24.2%, compared to same period in 2009. Given a favorable investment environment, a return of investment confidence in the public, and the impact of Lehman incident, the public has a strong preference over financial companies and their choice is not limited to banks or insurance companies. All the above factors make the management feel very optimistic about our future prospects, with a will to strengthen the supporting measures to sustain a steady growth.

MPF

During 2010, the group has proactively developed the platform for MPF business. To make our MPF product range more comprehensive, we expand to have Bank of East Asia and Bank of China Prudential as our products issuers, adding more choices to a total of 9 MPF products issuers. At present our MPF products include most of the authorized schemes, product issuers and major practitioners in the market. In terms of service quality, fund choices, fund performance or service fee, we can be better equipped to offer professional advice to meet our customers' different needs.

As to the relationship with our contract suppliers, we manage to maintain a good strategic partnership with all of them. They are willing to support and sponsor our various promotion activities for MPF services. At the same time, they are active in our internal training program for MPF schemes and product workshops, etc.

Competition in the MPF market is gradually becoming intense; the choice of a quality provider will be crucial for a customer. We will incessantly monitor the market changes and stay close to our providers so that we can offer the most suitable MPF products to our clients for win-win opportunities.

Other Insurance Products Business

In the past year, the Group has spared no effort in developing other insurance products business. We continue to procure quality product issuers who allow us the most ideal product choices customized to our clients' needs.

Owing to our diversified product sales platform and Convoy' impartial positioning in independent financial planning services, the revenue derived from other insurance products business rose 79.6% last year. From the Group's perspective, this kind of business is still at its infancy. Yet with our existing strong client base, there are many opportunities for cross-selling and cross-referrals.

As we have the largest independent financial advisory team in Hong Kong, we will continue to expand and develop other distribution channels for financial planning services in order to comply with our consistent strategy to provide a comprehensive financial planning and insurance service dedicated to our customers.

Business Development

Steady growth in number of consultants

Our talents are the Group's most valuable asset, which requires a corporate focus on staff training and development. Despite the industry is expanding with banks trying to recruit a lot more manpower, the Group has formulated different measures to cope with the keen competition in the talents market. Morale and efficiency amongst the staff is upheld and our turnover rate has been stabilized at about 8%. The Group is scaling up in its effort to have more consultants to maintain its leadership position. Other than local graduates, the Group has been recruiting oversea and mainland students in Hong Kong.

Better Training, Higher Governance

The HKSAR government has released the consultation paper on the "Proposed Establishment of an Independent Insurance Authority". The Group has submitted its opinions through the official channel. With the setup of a new authority, the expectation for the overall service standard will rise higher in society. The Group has well prepared for the transition as well as the business expansion by a sound training process to enable our consultants to qualify for the licenses by undergoing adequate training. As to the number of MPF licenses by the end of 2010, nearly 70% of the licensed consultants have achieved the accredited qualification. We hope that by 2011, the ratio of 100% will be achieved.

Business Expansion

With the electronic trading platform gaining high popularity, the Group will develop its internet information platform as a high priority. It is hoped that the customers will enjoy faster, newer information, reinforcing knowledge-based client relationships. In developing new markets, the Group has expanded outside Hong Kong and performance in Asian markets is gradually taking shape. It is hoped that these markets will have income contributions for the group in the coming few years. The Group believes China will further open its market as the economic reform goes deeper, it will be one of the major new market developments with numerous business opportunities. Under the Closer Economic Partnership Arrangement, a Hong Kong company will enjoy a number of preferential treatments in operating a business in the mainland. The Group will seize the right opportunity, either by acquiring or setting a joint venture with a local practitioner in order to penetrate strongly into the mainland market.

Market Development

Merger and acquisition activities spring into action

The market for independent financial advisory is maturing in Hong Kong with banks, insurance companies and securities brokerages trying to get a share of it. Apart from developing the business on its own, merger and acquisition in the industry springs into action with more companies trying to expand faster by doing so. In this consolidation process, the market will witness a survival battle for the fittest. The Group will be closely watching the development and positively looking for any merger or acquisition opportunity, or working more with the renowned financial institutions to facilitate a business expansion for our stronger market leadership position.

Market competition over human resources

As the need and demand for financial planning increases, the role of independent financial advisory is becoming more significant. The inevitable shortage of human resources in the industry will further drive the intense market competition. We believe, however, that the Group has competitive edges in staff training and career planning in the industry, enabling the Group to compete and exploit the emerging opportunities. More important, our management team truly value people as talents, meeting regularly with the consultant teams for their opinions as well as experience sharing. That also ensure the consultant teams are developing along the Group’s milestones in the same direction. In the future, the Group will maintain enough manpower in Hong Kong and the mainland market to cope with the new development.

We truly believe the establishment of a business platform in Hong Kong with an excellent management team will enable the Group to continuously develop its business in Hong Kong and the mainland China. Despite there is still a strict restriction against the participation of oversea financial institutions in mainland China, the Group has made meaningful progress in developing the business and our future prospects is promising. There are signs of recovery, but the global economy is not completely growing out of the difficulties. We remain optimistic to the development prospects in the region (China in particular).

We will continue to carefully expand our business, being discreet and sensible in our balance sheet performance and cost control. High performing talents are our key to future success. So we will strive to recruit and retain the right professionals to join the Group.

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

Fong Sut Sam
Chief Executive Officer

Hong Kong, 28 March 2011

Highlights of the Year

Corporate News

MARCH 2010
Cooperated with MetLife Limited, and launched its Ample Refundable Hospital Income Plan

JULY 2010
The Company was listed on the Stock Exchange on 13 July 2010. It has become the first independent financial advisory services company listed in Hong Kong ("Convoy"; Stock Code: 1019)

JULY 2010
Products of the Bank of East Asia and Bank of China Prudential were added to the MPF platform of Convoy. The number of MPF providers rose to nine, thereby expanding our MPF products to a more comprehensive coverage.

SEPTEMBER 2010
In relation to the Government's drafted legislation to set up an independent insurance authority, Convoy has submitted written comments during the consultation period, and has fully supported the establishment of the insurance authority. In the written submissions, in addition to the expression of support for the establishment of the insurance supervisory authority, we also voiced our expectation of the establishment of the authority that it would enable the industry to standardise and improve service levels. In addition, Convoy hoped that the supervisory authority can attract the joining of the elites of the industry, and can set up different committees to listen to the voice of the industry, such that the future formulation of related regulations can better meet the market condition.

OCTOBER 2010
In connection with the Government's announcement in October 2010 that it would postpone the implementation of the ECA, Convoy immediately contacted the MPFA to have a better understanding of the situation and anticipated to actively participate in the Government's consultation and discussion. Adequate investor education was provided on the market, so as to enable people to more easily understand their rights, thereby achieving Convoy's goal of protecting the interests of investors.

NOVEMBER 2010
On the eve of the tenth anniversary of the MPF Scheme, a survey was conducted along the MTR stations throughout Hong Kong. The findings were analysed with the public and cost-effective recommendations were submitted to the Government.

Award

APRIL 2010
Honored as the Manpower Developer 1st of the ERB Manpower Developer Award Scheme organized by the Employees Retraining Board

NOVEMBER 2010
For the 4th consecutive year being crowned "Hong Kong's Best Company for Financial Planning Excellence" by South China Morning Post and IFPHK

DECEMBER 2010
Attained the "BEST IN CLASS, WEALTH ADVISORY OF THE YEAR AWARD" from Benchmark Wealth Management Award 2010

Corporate Social Responsibilities

JANUARY 2010
Joined the Ngong Ping Charity Walk

JANUARY 2010
Joined the Green Power Hike of Green Power

FEBRUARY 2010
While international relief efforts were immediately and urgently required to be underway for the serious 7-magnitude earthquake in Haiti, the Group immediately donated HK$100,000 for disaster relief work in Haiti, and promised to make matching donations. All of the staff were encouraged to make their contribution for disaster relief. For each contribution of HK$1 made by staff, the Group will correspondingly donate the same amount of contribution to "Hong Kong Red Cross", so as to promote enthusiastic response to donations among people and to spread the spirit of love and care with each and every little effort of us.

MARCH 2010
Granted the "5 Years Plus Caring Company Logo" by Hong Kong Council of Social Service

APRIL 2010
The Group and its staff collectively made donations to Hong Kong Red Cross during the period, in support of their relief work in the Qinghai earthquake.

JULY 2010
Granted scholarships to top Hong Kong students to attend United World Colleges

AUGUST 2010
Sponsored the charity event "Hong Kong Elderly Blog" organized by Home of the Elderly Charitable Foundation.

SEPTEMBER 2010
Co-organized the elderly visit with Senior Citizen Home Safety Association during mid-autumn festival.

OCTOBER 2010
Sponsored the Ho Man Tin Baseball Club to support and promote sports development, and to train teenage athletes.

NOVEMBER 2010
The Group and its staff joined the annual Oxfam Trailwalker charity competition. Three Cosmoboys sponsored by Convoy made it to the Top 10.

NOVEMBER 2010
Sponsored the Yunnan youth visit of U-hearts, a charitable institution, to show love and care for teenagers in need, so as to help them to embark on a bright future as they learn and grow.

Management Discussion and Analysis

Financial Highlights

Key financial information/financial ratios	For the year ended 31 December 2010 HK$'000	2009 HK$'000	% Change Increase/ (decrease)
Revenue	**572,481**	455,587	25.7%
Net profit	**64,443**	38,114	69.1%
Net profit margin	**11.3%**	8.4%	2.9%
Return on equity (Note 1)	**54.3%**	60.6%	(6.3%)
Earnings per share			
– Basic and diluted	**18.6 cents**	12.7 cents	46.5%
Dividend per ordinary share:			
– Proposed final	**2.0 cents**	Nil	100%

Note 1: The return on equity is calculated based on the net profit over the average of the total equity attributable to the owners of the Company at the beginning and ending of the financial year (The beginning and ending balance of the total equity attributable to the owners of the Company for the year ended 31 December 2010 were HK$45,948,000 and HK$191,208,000, respectively and the beginning and ending balance of the total equity attributable to the owners of the Company for the year ended 31 December 2009 were HK$79,834,000 and HK$45,948,000, respectively.).

Financial Review

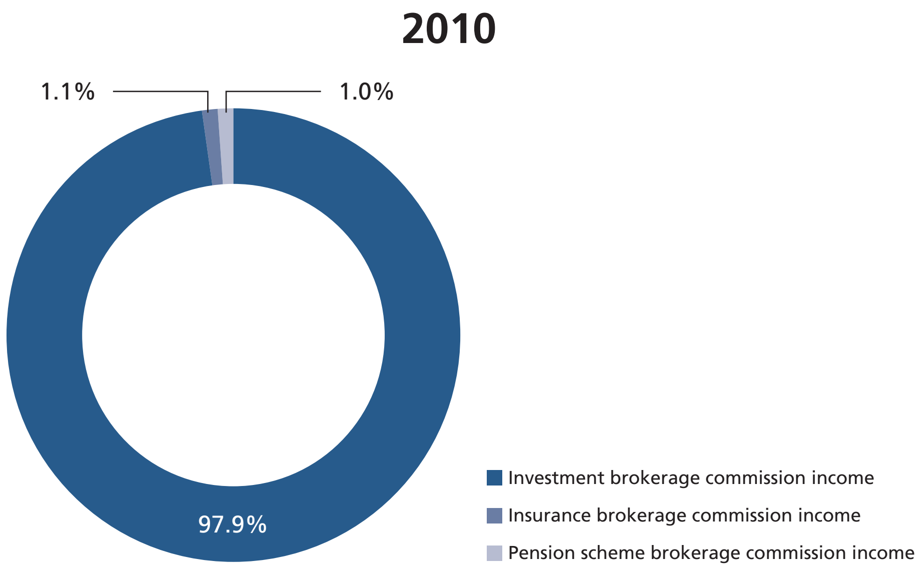
Revenue

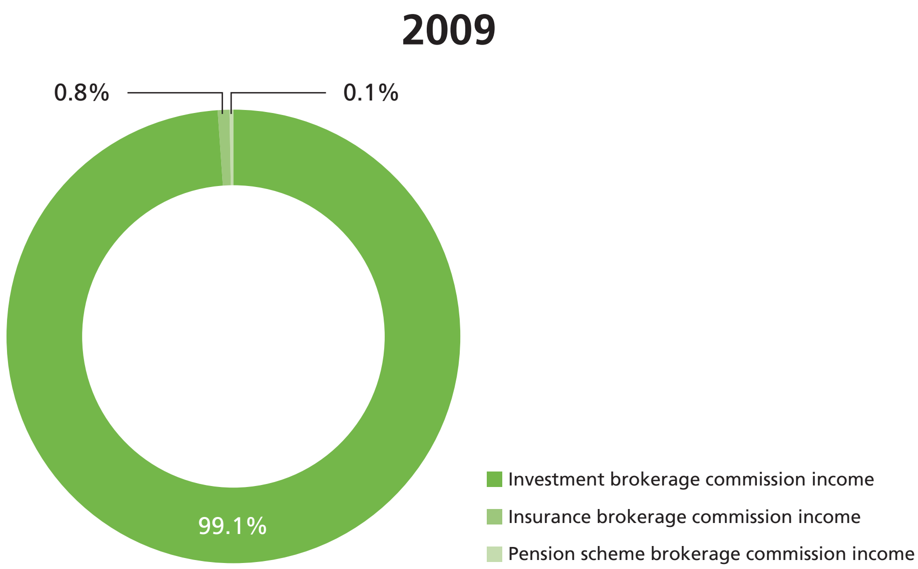
Revenue of the Group for the year ended 31 December 2010 was HK$572.5 million (2009: HK$455.6 million). An analysis of the Group's revenue is as follows:

	For the year ended 31 December			
	2010		2009	
	HK$'000	**%**	HK$'000	%
Investment brokerage commission income	**560,724**	**97.9**	451,637	99.1
Insurance brokerage commission income	**6,091**	**1.1**	3,391	0.8
Pension scheme brokerage commission income	**5,666**	**1.0**	559	0.1
	572,481	**100.0**	455,587	100.0

Our revenue for the year ended 31 December 2010 was approximately HK$572.5 million, representing an increase of approximately 25.7% compared with that for the year ended 31 December 2009. The increase was principally attributable to the increase in the number of customers purchasing new policies of ILAS, other insurance products and MPF schemes through our Group in 2010 due to the increase in disposable income of individuals and investors' confidence as a result of the improvement in global economy and investment market performance in 2010. As our Group's revenue is principally derived from commission income, the increase in number of customers purchasing new policies of ILAS, other insurance products and MPF schemes led to the increase in revenue.

The proportion of the revenue derived from ILAS remained stable and accounted for approximately 97.9% and 99.1% of our revenue for the year ended 31 December 2010 and 2009 respectively. Though our revenue derived from other insurance products and MPF schemes was still small, their amounts increased by 79.6% and 913.6% respectively and their proportion of revenue increased to approximately 1.1% and 1.0% of our total revenue for the year ended 31 December 2010 compared with those approximately 0.8% and 0.1% of our total revenue for the year ended 31 December 2009. The high growth rate in revenue derived from other insurance products and MPF schemes was resulted from the Group's effort of diversification of its businesses.


2010
1.1%
1.0%
97.9%
Investment brokerage commission income
Insurance brokerage commission income
Pension scheme brokerage commission income


2009
0.8%
0.1%
99.1%
Investment brokerage commission income
Insurance brokerage commission income
Pension scheme brokerage commission income

Operating expenses

Total operating expenses for the year ended 31 December 2010 was HK$494.7 million (2009: HK$408.7 million). An analysis of these expenses are as follows:

	For the year ended 31 December			% of change
	2010	2009	Increase/ (decrease)	Increase/ (decrease)
	HK$'000	HK$'000	HK$'000	%
Commission expenses	**330,146**	253,538	76,608	30.2
Staff costs	**47,876**	44,909	2,967	6.6
Rental expenses	**35,193**	38,620	(3,427)	(8.9)
Depreciation	**15,806**	16,735	(929)	(5.6)
Marketing expenses	**11,201**	11,437	(236)	(2.1)
Other expenses	**54,524**	43,476	11,048	25.4
	494,746	408,715	86,031	21.0

The ratios of these expenses to revenue are as follows:

	For the year ended 31 December	
	2010	2009
	%	%
Commission expenses	**57.7**	55.7
Staff costs	**8.4**	9.9
Rental expenses	**6.1**	8.5
Depreciation	**2.8**	3.7
Marketing expenses	**2.0**	2.5
Other expenses	**9.5**	9.5

Commission expenses

Commission expenses were approximately HK$330.1 million for the year ended 31 December 2010, representing an increase of approximately 30.2% from that for the year ended 31 December 2009, outpacing the increase in our revenue for the same period. The increase in the ratios of commission expenses to revenue was mainly due to the increase in commission expenses to trainees as a result of the increased number of trainees adopted the commission-based remuneration package for the year ended 31 December 2010.

Staff costs

Total staff costs for the year ended 31 December 2010 was HK$47.9 million (2009: HK$44.9 million). An analysis of staff costs are as follows:

	For the year ended 31 December			% of change
	2010	2009	Increase/ (decrease)	Increase/ (decrease)
	HK$'000	HK$'000	HK$'000	%
Staff costs:				
Supporting staff	**37,493**	28,961	8,532	29.5
Salary-based trainees	**10,383**	15,948	(5,565)	(34.9)
	47,876	44,909	2,967	6.6
Number of staff:				
Supporting staff	**136**	119	17	14.3
Salary-based trainees	**80**	139	(59)	(42.4)

The increase in staff costs of supporting staff was mainly attributable to the increased headcount of senior staff to support the business expansion of the Group, whereas the decrease in staff costs of salary-based trainees was mainly attributable to the increased number of trainees adopted the commission-based remuneration package as disclosed above for the year ended 31 December 2010.

Rental expense

Rental expense was approximately HK$35.2 million for the year ended 31 December 2010, representing a decrease of approximately 8.9% from that for the year ended 31 December 2009. The decrease in rental expense was mainly attributable to the termination of two lease agreements since May 2009, which formed part of our Group's cost awareness measures.

Depreciation

Depreciation was approximately HK$15.8 million for the year ended 31 December 2010, representing a decrease of approximately 5.6% from that for the year ended 31 December 2009. The major components of depreciation were leasehold improvements and computer equipments, which resulted from the moderate capital expenditures invested in leasehold improvements of our Group's offices and development of information technology equipments and systems to upgrade our Group's operating capacities.

Marketing expenses

Marketing expenses was approximately HK$11.2 million for the year ended 31 December 2010, representing a decrease of approximately 2.1% from that for the year ended 31 December 2009. It is still the Group's focus in building up and promoting its brand names actively to rebound from global economic downturn in late 2008.

Other expenses

Other expenses were approximately HK$54.5 million for the year ended 31 December 2010, representing an increase of approximately 25.4% compared with that for the year ended 31 December 2009. The increase in other expenses was in line with the increase in our total revenue. Such increase was mainly contributed from the one-time charges of share issue expenses in relation to the Listing of approximately HK$5.1 million.

Excluding the one-time share issue expenses, the Group was able to control its expenses at 8.6% (2009: 9.5%) to revenue through cost awareness measures.

Profit for the year and net profit margin

The profit for the year was approximately HK$64.4 million for the year ended 31 December 2010, representing an increase of approximately 69.1% compared with that for the year ended 31 December 2009. The net profit margin increased from approximately 8.4% for the year ended 31 December 2009 to approximately 11.3% for the year ended 31 December 2010, primarily as a result of the increase in disposable income of individuals and investors' confidence as a result of the improvement in global economy and investment market performance in 2010, increase in operation efficiency due to the implementation of cost awareness measures in 2009 and our Group's continuous focus on cost awareness.

Liquidity and Financial Resources

The Group mainly relies upon the shareholders' fund and cash generated from its business operations to finance its operations and expansion. The net proceeds of approximately HK$103.0 million raised from the Listing has enlarged the capital base of the Group and strengthened the Group's financial position thereby facilitating the expansion of the Group's onward development in the independent financial advisory ("IFA") business, including ILAS, traditional insurance and MPF schemes brokerage, in the future.

As at 31 December 2010, the Group had cash and cash equivalents of approximately HK$226.8 million (31 December 2009: HK$83.8 million). The Group's total current assets increased from approximately HK$121.9 million as at 31 December 2009 to approximately HK$292.8 million as at 31 December 2010, while total current liabilities increased from approximately HK$116.4 million as at 31 December 2009 to approximately HK$145.0 million as at 31 December 2010. As a result, the current ratio was improved from approximately 1.0 as at 31 December 2009 to approximately 2.0 as at 31 December 2010.

As at 31 December 2010, the Group had cash and cash equivalents of HK$226.8 million and had no external borrowings. The Group has sufficient working capital to meet the funding requirements for business development opportunities in the near future. The Group's liquidity, on a long term basis, will be funded by operating cash inflow. Should there be any substantial business expansion in the future, equity and debt financing would be considered for the best interests of the shareholders whichever is appropriate. The Group will continue to seek for development opportunities with a view to balance the risks and opportunities in maximising shareholders' value.

Subsequent to the end of the reporting period on 16 February 2011, the Company entered into a warrant placing agreement in connection with the warrant placing, pursuant to which the placing agent conditionally agreed to place, on a best effort basis, up to 50,000,000 warrants conferring rights to subscribe for 50,000,000 warrant shares at the exercise price of HK$1.6 per warrant to HK$2.0 per warrant to not less than six warrant placees who and their respective ultimate beneficial owners are independent third parties. The warrants are to be placed at a warrant placing price of HK$0.02 each. The warrant placing is conditional upon several conditions as set out in the paragraph headed "Conditions of the Warrant Placing" in the section headed "The Warrant Placing Agreement" in the announcement dated 16 February 2011. Further details of the placing are set out in the Company's announcement dated 16 February 2011.

Net proceeds of approximately HK$0.7 million has been raised by the warrant placing and the same will be utilised by the Group as general working capital of the Group.

Assuming the full exercise of the subscription rights attaching to each non-listed warrants, it is expected approximately HK$85.0 million will be raised. The net proceeds of approximately HK$84.5 million will be used for general working capital of the Group.

At the date of approval of this report, the warrant placing has been completed and no warrants have been exercised.

Use of Proceeds from the Company's Initial Public Offering

The proceeds from the Listing, after deduction of related issuance expenses, amounted to approximately HK$103.0 million and were applied during the year ended 31 December 2010 in accordance with the proposed applications set out in the Prospectus.

Out of the HK$103.0 million raised from the Listing, approximately HK$11.8 million has been utilised as at 31 December 2010, of which (i) HK$3.9 million was applied for enhancement of the quality of the consultants through incentives; (ii) HK$5.3 million was applied for the expansion and promotion of ILAS, MPF schemes and other insurance business through marketing events; and (iii) HK$2.6 million was applied for the development of on-line application system.

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

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

Human Resources and Remuneration Policies

As at 31 December 2010, the Group had an aggregate of approximately 136 (31 December 2009: 119) supporting staff and 80 (31 December 2009: 139) salary-based trainees. The total remuneration of the employees (including the directors' remuneration) were approximately HK$47.9 million for the year ended 31 December 2010 (2009: approximately HK$44.9 million).

The increase in staff costs of supporting staff was mainly attributable to the increased headcount of senior staff to support the business expansion of the Group, whereas the decrease in staff costs of salary-based trainees was mainly attributable to the increased number of trainees adopted the commission-based remuneration package as disclosed above for the year ended 31 December 2010.

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

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

In addition, the Company's share award scheme (the "Scheme"), was adopted pursuant to a resolution passed on 25 January 2011 for the primary purpose of recognising the contributions by certain selected participants and giving incentives thereto in order to retain them for the continual operation and development of the Group and attracting suitable personnel for further development of the Group. A trustee, as an independent third party, was appointed by the Company for the administration of the Scheme. The trustee shall purchase the Company's shares from the market out of cash contributed by the Company and shall hold in trust for the relevant selected participants with the provisions of the Scheme.

Risk Management

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

Interest rate risk

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

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

Credit risk

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

Even though there is no significant credit risk exposure during the year ended 31 December 2010, the Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management.

Liquidity risk

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

Foreign currency risk

Since most of the revenue and the payment of expenditure are either made in Hong Kong dollars or United States dollars, the Group is not exposed to significant foreign exchange risk.

Material Acquisition and Disposal of Subsidiaries and Associated Companies

Pursuant to the Reorganisation completed on 21 June 2010 to rationalise the group structure in the preparation for the Listing, the Company became the holding company of the subsidiaries of the Group on 21 June 2010. The details of the Reorganisation have been set out in the Prospectus.

Save as disclosed above, during the reporting period, there was no other material acquisition and disposal of subsidiaries and associated companies by the Company.

Significant Investment Held

The Group did not have significant investment held as at 31 December 2010.

Future Plans Relating to Material Investment or Capital Asset

As at the date of approval this report, in addition to the capital expenditure incurred on the renovation of the Group's new office premise and the development of on-line application systems to upgrade the Group's operating capacities, the Group has executed the following agreements and actions:

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

(2) On 1 March 2011, the Group has entered into a framework agreement with an independent third party for the proposed acquisition of 80% equity interests in a limited liability company incorporated in the PRC, which is licensed to provide nationwide insurance brokerage services in Mainland China, at a consideration of approximately RMB400,000.

The above actions paved the way for the Group's pro-active penetration into the insurance agency and brokerage market in Mainland China in 2011.

Contingent Liabilities

The Group did not have any significant contingent liabilities as at 31 December 2010.

Capital Expenditures

The Group's capital expenditures primarily consisted of expenditures on leasehold improvements, acquisitions of computer equipment and systems, office equipment and motor vehicle. In 2010, the Group's capital expenditures were HK$7.5 million, in which approximately HK$6.5 million were invested in the development of information technology equipment and systems, in response to the Group's focus on developing its internet information platform.

Other than the above, the Group had also paid deposits for leasehold improvements and acquisitions of office equipments amounted to approximately HK$2.8 million, mainly related to the renovation of the Group's new office premise for the future expansion of the Group and deposits for acquisitions of computer equipment and systems amounted to approximately HK$2.4 million, mainly related to the development of on-line application system.

Commitments

The Group's contractual commitments are primarily related to the operating lease commitments of its office premises, staff quarters and certain of its office equipment under operating lease arrangements and capital commitments related to acquisitions of items of computer equipment and systems and leasehold improvements.

The Group's operating lease commitments amounted to HK$118.2 million and HK$88.2 million in the aggregate as at 31 December 2010 and 31 December 2009 respectively.

The Group's capital commitments amounted to HK$3.3 million and nil as at 31 December 2010 and 31 December 2009 respectively.

Prospects for 2011

As mentioned in the Prospectus, MPF intermediary business would be a key new driver for our business in 2011. Unfortunately, the ECA was suspended by the MPFA in September 2010 until the legislation of regulations for MPF intermediaries. Our Group considered that it would be just a matter of time to launch the ECA of MPF and such new business opportunities would be still very promising. It was felt that for the interest of the Group's long-term growth, we should continue to invest in this area. Our Group would take this opportunity in this interim period to strengthen our platform for the retirement business and we expect our MPF business volume would continue to grow in 2011.

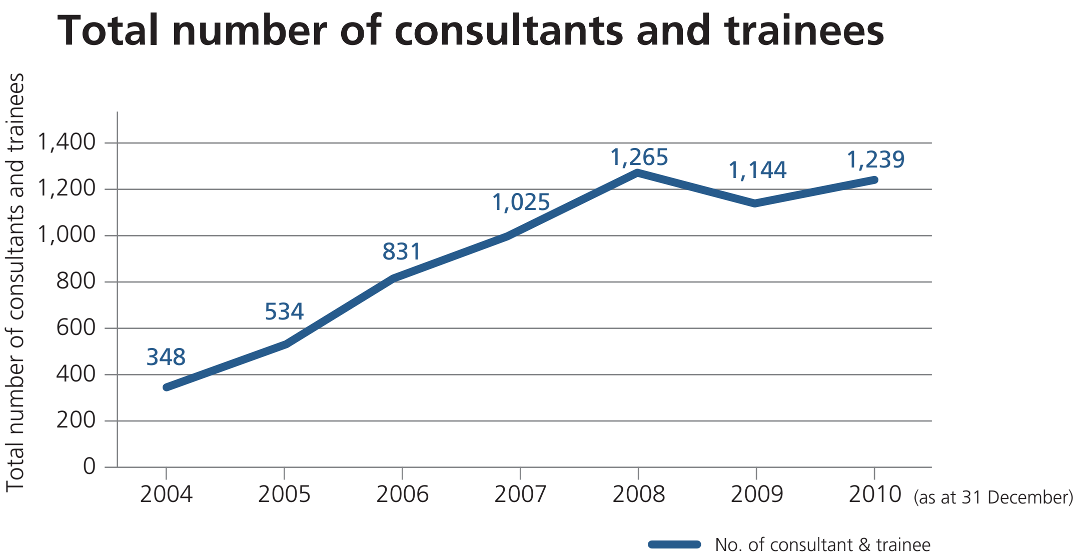
Our Group has always considered the synergy and value which could be added expanding into regions with either a well developed or developing financial planning markets. Opportunities have recently arisen which our Group felt would be in the best interest of shareholders to utilize now. A "regional expansion" strategy covering Mainland China and South East Asia, aim to set our Group as one of the largest quality IFA in Asia by way of acquisition and development of insurance agent, insurance broker, investment consultancy firm and IFA in the region. Our Group proposed to invest heavily in the relevant business in 2011. This strategy will help our Group speed up the process to capture the wealth management and financial planning business opportunities emerging in the region while the wealth of individuals in the region has surged in recent years.

With regard to our core financial planning business with ILAS, our Group believes the market demand would be strong in the midst of global economic recovery and raising concern of inflation and ageing population. Our Group would promote its organic growth momentum in this business line by way of strengthening the recruitment and training for consultant force and enhancing the operation platform including information technology development, product range, branding and customer servicing.

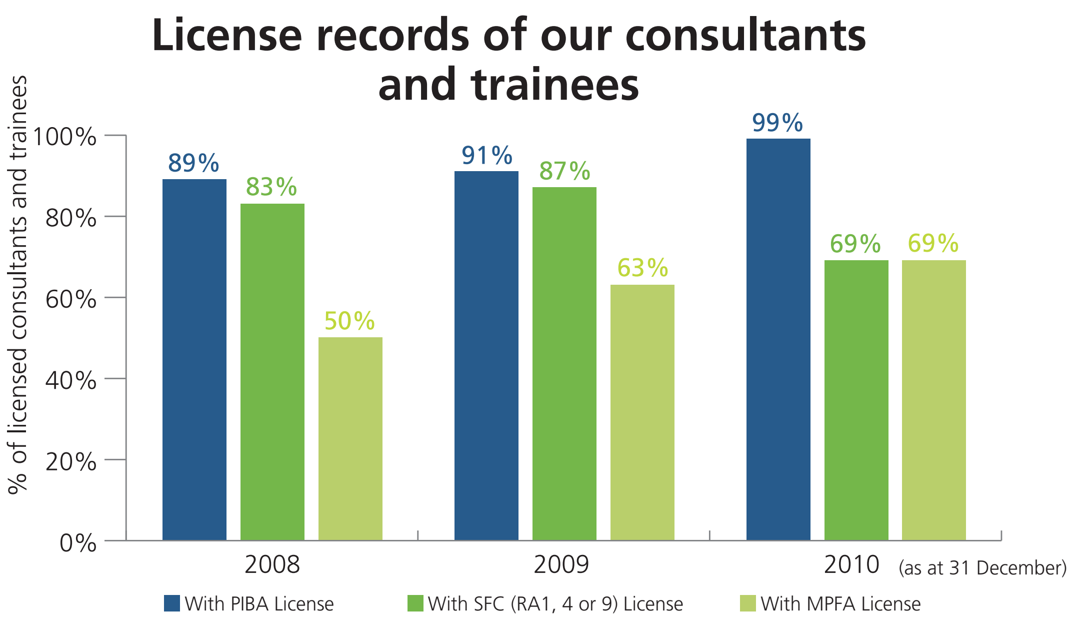
With our strong team of consultant force and well-established brand name and operation platform, our Group is confident in the continuous development of the existing business in 2011. Our Group also believes that the kick-off of regional expansion will open up numerous business opportunities in the region as well as the local market for the Group and our Group's market position and capability in the global IFA industry will be promoted.

Operation Review

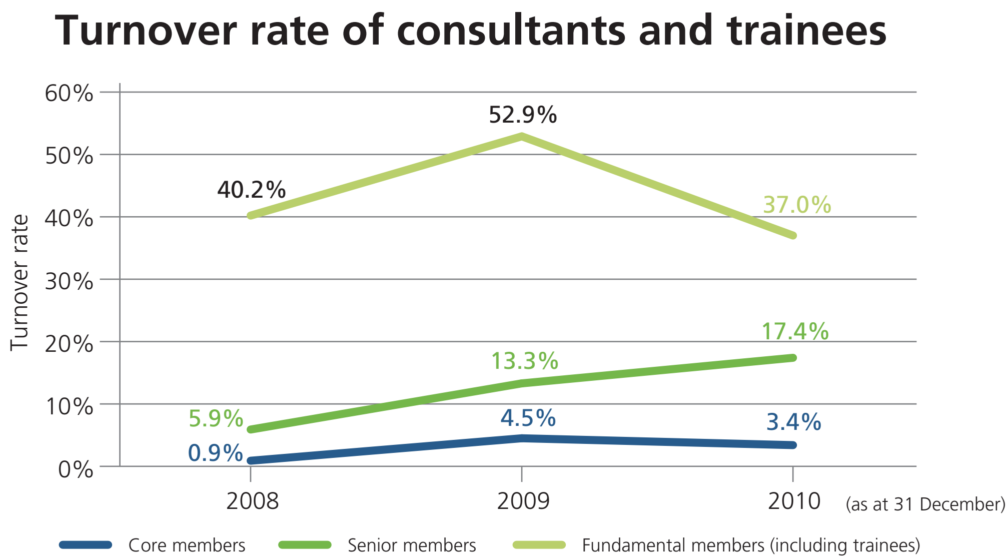
Change in the number of consultants and trainees:



Licensing profile of consultants and trainees:



Turnover rate of consultants and trainees:



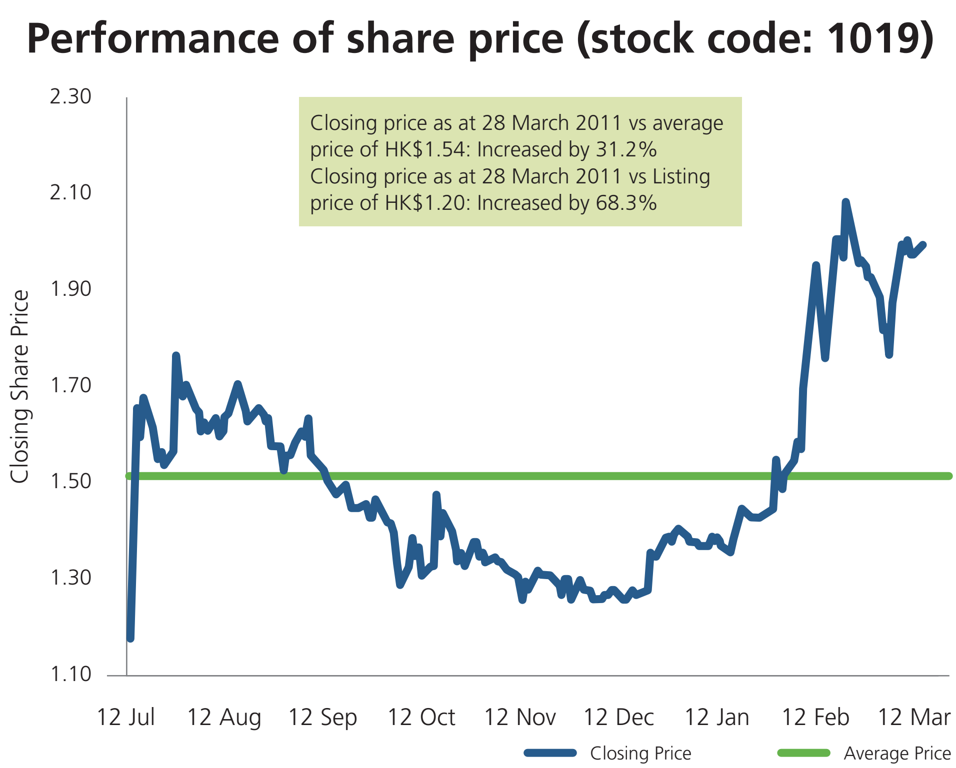
Note:

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

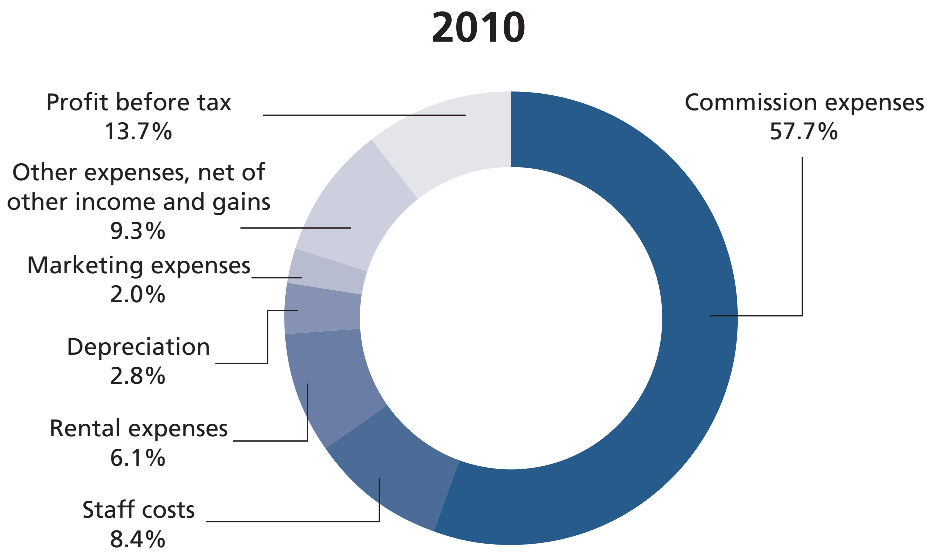
Senior members: Assistant associate directors, relationship manager, chief wealth management advisor and principal consultant.

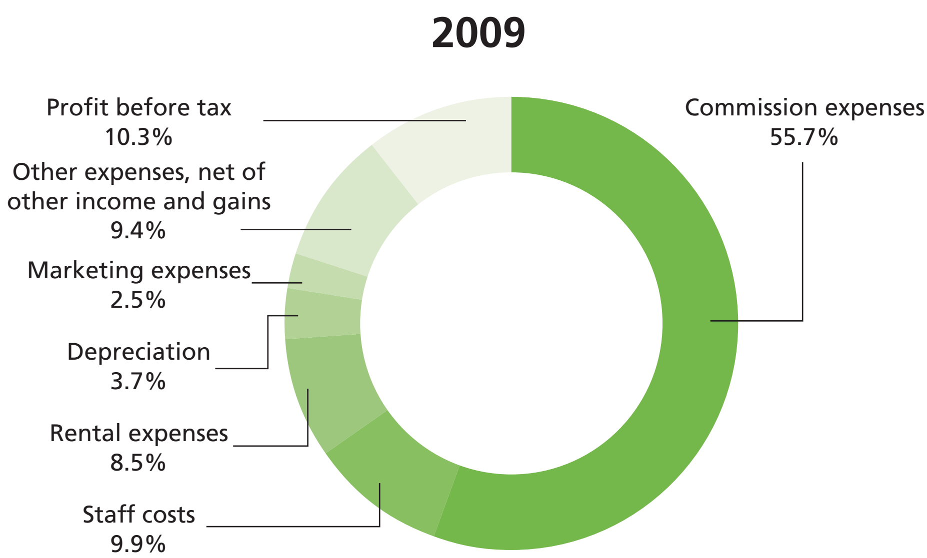
Fundamental members: senior consultant, senior wealth management advisor, consultant, wealth management advisor and consultant trainee.

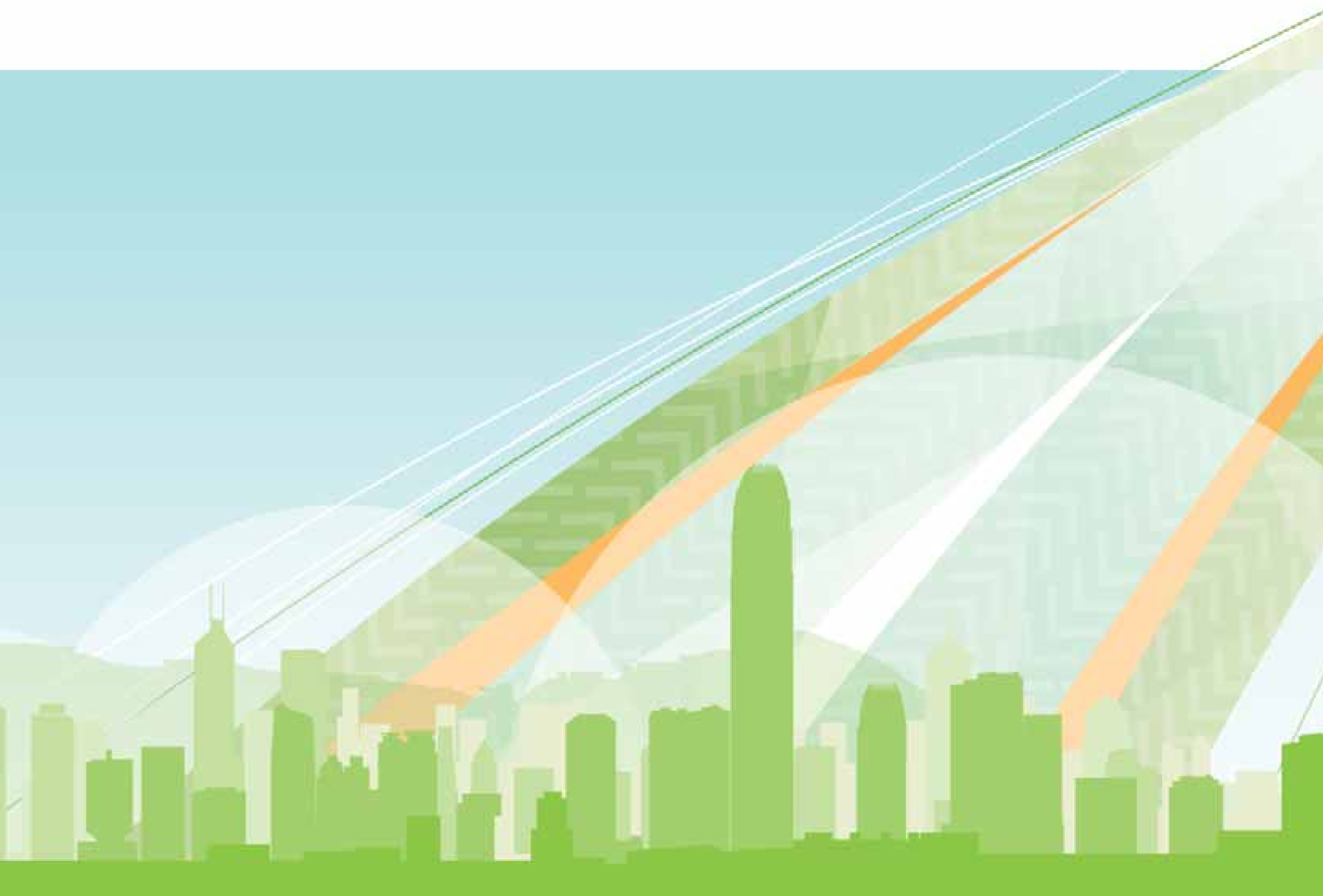
Performance of share price (stock code: 1019):



Cost to revenue analysis:







Biographical Details of Directors and Senior Management

Executive Directors

Mr. Wong Lee Man, aged 42, was appointed as an executive director and chairman of our Company on 12 March 2010. Mr. Wong is the director of 4 subsidiaries of the Company. He is the chief executive and chief strategic officer of CFS, non-executive director and chairman of CFG, and is responsible for the overall management and strategic development of our Group. Mr. Wong joined our Group in November 1998. He graduated from The Hong Kong Polytechnic University (formerly known as the Hong Kong Polytechnic) with a higher diploma in Building Technology and Management in November 1990. He has joined the financial services industry for 20 years and has gained all-round experience through working for both international and local financial companies in Hong Kong including The New Zealand Insurance Life (Bermuda) Ltd., Top Glory Insurance Company (Bermuda) Ltd. and National Panafund Ltd. He earned the designation of Fellow, Life Management Institute from the Life Office Management Association, Inc. in September 1995. Mr. Wong is the honorary secretary of the Independent Financial Advisors Association Limited in Hong Kong.

Ms. Fong Sut Sam, aged 42, was appointed as an executive director on 12 March 2010. Ms. Fong is the director of 5 subsidiaries of the Company. She has also been the chief executive officer and an executive director of CFS and a director of CFG. She manages the overall strategic development and the operation of our Group. Ms. Fong joined our Group in November 1998 and has led various functions, including the consultancy force, corporate communications, sales and marketing, training and operation. Her exceptional achievements in the financial industry and contribution to the community earned her the title of "Benchmark Most Extraordinary Women in Finance 2009" from the Benchmark magazine. Ms. Fong graduated from the South Bank University in London in June 1992 with a Bachelor of Science degree. In December 2002, she graduated with a Master's Degree in Business Administration from the Chinese University of Hong Kong and was placed on the Dean's List. Ms. Fong has also been appointed as a Member of the Appeal Board under the Betting Duty Ordinance (Chapter 108 of the Laws of Hong Kong) from 10 March 2010 to 31 March 2012 and as a panel member of the Appeal Board (Amusement Game Centres) under the Amusement Game Centres Ordinance (Chapter 435 of the Laws of Hong Kong) from 30 May 2010 to 29 May 2012.

Mr. Mak Kwong Yiu, aged 36, was appointed as an executive director on 16 March 2010. Mr. Mak is the director of 9 subsidiaries of the Company. He joined our Group in May 2002 as the chief financial officer and is responsible for the accounting and finance functions of our Group. He is also an executive director of CFS. Mr. Mak graduated from the Hong Kong University of Science and Technology with a Bachelor of Business Administration degree in Finance in November 1996 and a Master of Business Administration degree in November 2004. He earned the Chartered Financial Analyst designation in September 2000. He has been a Certified Public Accountant in the United States since May 2002 and a member of the Hong Kong Institute of Certified Public Accountants since May 2003. Mr. Mak is currently an executive director of Computech Holdings Limited, whose shares are listed on the Growth Enterprise Market of the Stock Exchange. He was appointed in March 2008 as an independent non-executive director of AcrossAsia Limited, whose shares are listed on the Growth Enterprise Market of the Stock Exchange and resigned in May 2010 due to his other business commitment.

Independent Non-Executive Directors

Dr. Wu Ka Chee, Davy, aged 42, was appointed as an independent non-executive Director on 16 March 2010. Dr. Wu has been a senior lecturer of the Department of Accountancy and Law at the Hong Kong Baptist University since September 2009. He attained a doctorate degree in law in December 2003, a postgraduate certificate in law in June 1994 and a bachelor degree in law in November 1993, all from The University of Hong Kong. He was formerly a PC-Law examiner for the practising certificate examinations of the Hong Kong Institute of Certified Public Accountants. He is a co-author of the Guide to Corporate Governance for Subvented Organisations, which was published by the Hong Kong Government in May 2010. He is also a member of the Advisory Group on Share Capital, Distribution of Profits and Assets and Charges Provisions for the rewrite of the Companies Ordinance.

Mr. Ma Yiu Ho, Peter, aged 46, was appointed as an independent non-executive Director on 16 March 2010. Mr. Ma is currently the financial controller of The Hong Kong Parkview Group Ltd., shares of which are listed on the Main Board. He has been a member of the Hong Kong Institute of Certified Public Accountants since February 1990 and a fellow member of the Association of Chartered Certified Accountants (UK) since April 1994. Mr. Ma obtained a Master of Business Administration Degree from The Hong Kong University of Science and Technology in November 1995. He is also an associate member of the Hong Kong Institute of Directors. He has over 20 years' experience in the finance and accounting field and worked as the financial controller, qualified accountant and authorised representative of VODone Limited, shares of which are listed on the Main Board of the Stock Exchange, chief financial officer of Superior Fastening Technology Limited, a Singapore listed company. Mr. Ma also worked for Standard Chartered Equitor Trustee HK Limited from June 1988 to September 1992 with his last position being the assistant manager of the institutional trust department. He has been employed as an examiner for the Hong Kong government's audit department from September 1986 to June 1988.

Mrs. Fu Kwong Wing Ting, Francine, aged 42, was appointed as an independent non-executive Director on 16 March 2010. Mrs. Fu attained her master degree from Oxford University in the United Kingdom in Politics, Philosophy and Economics in June 1994 and has been holding the CFP designation since October 2001. Mrs. Fu is the managing principal and owner of a business consulting firm, Coram Advisory Services (HK) Limited, set up in 2008 to provide advisory service to business based in Hong Kong. Before setting up her own practice, she was the chief marketing officer of AXA China Region Insurance Company Limited, one of the top three long term insurers in Hong Kong, from January 2006 to June 2008. She has been in the financial services industry for over 15 years with various leading financial services companies and is the immediate past President of the IFPHK. She has previously been a member of the Advisory Committee on Applied Mathematics for The Hong Kong Polytechnic University, an alternate member of the committee on Investment-Linked Assurance and Pooled Retirement Funds, a full member of the Investor Education Advisory Committee of the Hong Kong Securities and Futures Commission from April 2006 to March 2008 and a member of the Award Council of the Hong Kong Award for Young People from February 1994 to January 2002. Mrs. Fu is currently a board member of Li Po Chun United World College (Hong Kong), Limited (since 1991), United World Colleges Hong Kong Committee Limited (since 2008), and a member of the Banking and Finance Industry Training Board of the Vocational Training Council of Hong Kong (since 2009), the Insurance Industry Training Advisory Committee (since 2011), the Non-local Higher and Professional Education Appeal Board (since 2010) and Solicitors Disciplinary Tribunal Panel (since 2010).

Corporate Governance Report

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

Corporate Governance Practices

The Board is of the view that the Company has complied with the Code on Corporate Governance Practices (the "Corporate Governance Code") as set out in Appendix 14 of the Listing Rules during the period from the Listing Date to 31 December 2010. None of the Directors is aware of any information that would reasonably indicate that the Company or any of its directors is not or was not, for any part of the period between the Listing Date and the date of this report in due compliance with the code provisions of the Corporate Governance Code.

Model Code for Securities Transactions by Directors

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules. Having made specific enquiry of all Directors, all Directors have complied with the required standard set out in the Model Code and its code of conduct regarding directors' securities transactions by the Directors adopted by the Company since the Listing.

Board of Directors

Composition

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

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

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

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

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

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

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

Role and function

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

Board meetings

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

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

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

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

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

Attendance records

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

Details of Directors' attendance records in 2010 are as follows:

Meetings attended/Eligible to attend	
Executive Directors	
Mr. Wong Lee Man	16/16
Ms. Fong Sut Sam	16/16
Mr. Mak Kwong Yiu	15/16
Independent non-executive Directors	
Mr. Ma Yiu Ho, Peter	4/16
Mrs. Fu Kwong Wing Ting, Francine	4/16
Dr. Wu Ka Chee, Davy	4/16

Access to information

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

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

Appointments and re-election of Directors

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

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

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

Independent non-executive Directors

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

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

Directors' and officers' liability

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

Chairman and Chief Executive Officer

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

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

Board Committees

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

Audit Committee

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

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

Meetings attended/Eligible to attend	
Mr. Ma Yiu Ho, Peter *(Chairman of the Audit Committee)*	1/1
Ms. Fu Kwong Wing Ting, Francine	1/1
Dr. Wu Ka Chee, Davy	1/1

During the year, one meeting of the Audit Committee was held for, amongst other things:

- Reviewing the interim results of the Group for the six months ended 30 June 2010;
- Reviewing the Group's financial information;
- Reviewing the continuing connected transactions as set forth on page 34 of this annual report;
- Reviewing the effectiveness of the Group's internal control system; and
- Reviewing of the status of all business.

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

Nomination Committee

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

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

Meetings attended/Eligible to attend	
Mrs. Fu Kwong Wing Ting, Francine *(Chairman of the Nomination Committee)*	1/1
Dr. Wu Ka Chee, Davy	1/1
Ms. Fong Sut Sam	1/1

During the year, one meeting of the Nomination Committee was held for, amongst other things:

- Reviewing the structure, size and composition of the Board;
- Assessing the independence of the independent non-executive Directors; and
- Making recommendation to the Board on matters relating to the appointment of Directors.

Remuneration Committee

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

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

Meetings attended/Eligible to attend	
Mrs. Fu Kwong Wing Ting, Francine *(Chairman of the Remuneration Committee)*	1/1
Dr. Wu Ka Chee, Davy	1/1
Mr. Wong Lee Man	1/1

During the year, one meeting of the Remuneration Committee was held for, amongst other things:

- Reviewing the remuneration and terms of service contracts of the executive Directors;
- Determining the bonuses of the executive Directors for the year 2010; and
- Making recommendations to the Board on the directors' fee of the independent non-executive Directors for the year 2010.

Compliance Committee

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

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

Meetings attended/Eligible to attend	
Dr. Wu Ka Chee, Davy *(Chairman of the Compliance Committee)*	1/1
Mrs. Fu Kwong Wing Ting, Francine	1/1
Ms. Fong Sut Sam	1/1
Mr. Mak Kwong Yiu	1/1

During the year, one meeting of the Compliance Committee was held for, amongst other things:

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

Directors' Responsibility for the Financial Statements

The Directors understand and acknowledge their responsibility for making sure that the financial statements for each financial year are prepared to reflect the true and fair view of the state of affairs, results and cash flows of the Group and in compliance with relevant law and disclosure provisions of the Listing rules. In preparing the financial statements for the year ended 31 December 2010, the Directors have selected appropriate accounting policies and applied them consistently; made judgements and estimates that are prudent and reasonable, and have prepared the financial statements on a going concern basis. The Directors also ensure that the financial statements of the Group are published in a timely manner.

The statement of the auditor of the Company, Ernst & Young, about its reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report on page 36 of this annual report.

Auditor's Remuneration

During the year, the remuneration paid and payable to the Company's auditor, Ernst & Young, are approximately HK$900,000 for audit services and HK$1,915,000 for non-audit services.

Internal Control

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

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

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

Investor Relations

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

The Board is pleased to present their first annual report and the audited financial statements of the Company for the period from 12 March 2010 (date of incorporation) to 31 December 2010 and the Group for the year ended 31 December 2010.

Corporate Reorganisation

The Company was incorporated in the Cayman Islands on 12 March 2010 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, for the purpose of acting as a holding company of the companies comprising the Company and its subsidiaries (collectively referred to as the "Group") immediately after a group reorganisation (the "Reorganisation") on 21 June 2010. The address of the Company's registered office is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

Pursuant to the Reorganisation to rationalise the structure of the Group in preparation for the Listing, the Company became the direct/indirect holding company of the subsidiaries comprising the Group on 21 June 2010.

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

Principal Activities

The principal activity of the Company is investment holding. The Group is principally engaged in the provision of insurance and MPF schemes brokerage services. The activities of its principal subsidiaries are set out in note 14 to the consolidated financial statements.

Results and Appropriations

The results of the Group for the year ended 31 December 2010 and the state of affairs of the Company and the Group as at that date are set out in the financial statements on pages 36 to 73.

An interim dividend of HK$0.068 per share amounting to HK$27,200,000 was paid to the shareholders during the year. The Board has recommended a final dividend of HK2.0 cents per share amounting to HK$8 million, subject to the approval of shareholders at the forthcoming annual general meeting to be held on Monday, 13 June 2011. If approved, the final dividend will be paid on Monday, 27 June 2011 to shareholders whose names appear on the register of members of the Company at the close of business on Monday, 13 June 2011.

Closure of Register of Members

The register of members of the Company will be closed from Wednesday, 8 June 2011 to Monday, 13 June 2011 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for the aforementioned final dividend and the attendance of the forthcoming annual general meeting, all transfer of shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, of 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Tuesday, 7 June 2011. Shares of the Company will be traded ex-dividend as from Friday, 3 June 2011.

Reserves

Details of movements in the reserves of the Company and the Group during the year are set out in note 24 to the financial statements and in the consolidated statement of changes in equity, respectively.

Distributable Reserves of the Company

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

Charitable Donations

During the year, the Group made charitable donations amounting to HK$455,000.

Property, Plant and Equipment

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

Share Capital

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

Major Products Issuers and Suppliers

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

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

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

Summary Financial Information

A summary of the published results, assets and liabilities of the Group for the last four financial years, as extracted from the consolidated financial statements and the Prospectus, is set out on page 74. This summary does not form part of the audited financial statements.

Pre-Emptive Rights

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

Purchase, Sale or Redemption of Listed Securities

During the period between the Listing and 31 December 2010, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

Share Option Scheme

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

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

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

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

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

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

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

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

During the period between the Listing and 31 December 2010, no share options were granted, exercised or cancelled by the Company under the Share Option Scheme.

Share Award Scheme

The Company's share award scheme (the "Scheme"), was adopted pursuant to a resolution passed on 25 January 2011 for the primary purpose of recognising the contributions by certain selected participants and giving incentives thereto in order to retain them for the continual operation and development of the Group and attracting suitable personnel for further development of the Group. A trustee, as an independent third party, was appointed by the Company for the administration of the Scheme. The trustee shall purchase the Company's shares from the market out of cash contributed by the Company and shall hold in trust for the relevant selected participants with the provisions of the Scheme.

Directors

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

Executive directors

Mr. Wong Lee Man	(appointed on 12 March 2010)
Ms. Fong Sut Sam	(appointed on 12 March 2010)
Mr. Mak Kwong Yiu	(appointed on 16 March 2010)

Independent non-executive directors

Mrs. Fu Kwong Wing Ting, Francine	(appointed on 16 March 2010)
Dr. Wu Ka Chee, Davy	(appointed on 16 March 2010)
Mr. Ma Yiu Ho, Peter	(appointed on 16 March 2010)

Biographical details of the above Directors are set out in the section headed "BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT" on pages 22 to 23 of this report.

In accordance with article 83 of the Company's articles of association, all the Directors will retire from office and, being eligible, will offer themselves for re-election, at the forthcoming annual general meeting of the Company.

Appointment of Independent Non-Executive Directors

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

Directors' Service Contracts

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

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

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

Remuneration of the Directors

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

Directors' Interests in Contracts of Significance

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

Contract of Significance

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

Management Contract

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

Interests in Competitors

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

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

As at 31 December 2010, the directors, chief executives and their associates had the following interests or short positions in shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") contained in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"):

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

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

Other than as disclosed above, none of the Company's directors, chief executive nor their associates had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations within the meaning of the SFO as at 31 December 2010.

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

Save as disclosed in the section headed "Interests and/or Short Positions of the Directors and Chief Executives in the Share Capital of the Company and its Associated Corporations", as at 31 December 2010, the following corporations had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

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

Note:

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

Save as disclosed above, and as at 31 December 2010, the directors of the Company were not aware of any persons (who were not directors or chief executives of the Company) who had an interest or short position in the share capital of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein.

Arrangements to Purchase Shares or Debentures

Save as disclosed in the "INTERESTS AND/OR SHORT POSITIONS OF THE DIRECTORS AND CHIEF EXECUTIVES IN THE SHARE CAPITAL OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS" above and in the share option scheme disclosed on pages 30 to 31 to the annual report, at no time during the year was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Continuing Connected Transactions

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

Non-exempt continuing connected transaction

Service fees paid to connected persons

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

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

During the year, the commission expenses paid to the Shin Family amounted to approximately HK$5,893,000.

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

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

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

Save as disclosed above, the Group received administrative services from Convoy Collateral Limited ("CCL"), a wholly owned subsidiary of CGL and service fees of approximately HK$950,000 were charged by CCL based on normal commercial term or on terms no less favourable to the Group than terms available for independent third parties. Such transactions are exempt from the reporting, announcement or independent shareholders' approval requirements under Rule 14A.3 of the Listing Rules and are included here for information only.

Audit Committee

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

The Audit Committee has reviewed together with the management of the Company the accounting principles, accounting standards and methods adopted by the Company, discussed the matters concerning internal control, auditing and financial reporting matters and has reviewed the consolidated financial statements of the Group for the year ended 31 December 2010.

Sufficiency of Public Float

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

Events after the Reporting Period

Details of significant events occurring after the reporting period are set out in note 32 to the consolidated financial statements.

Auditors

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

On behalf of the Board

Wong Lee Man
Chairman
Hong Kong, 28 March 2011

Independent Auditors' Report

ERNST & YOUNG
安 永

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

We have audited the consolidated financial statements of Convoy Financial Services Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 37 to 73, which comprise the consolidated and company statements of financial position as at 31 December 2010, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

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

Auditors' responsibility

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

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

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 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.

Ernst & Young
Certified Public Accountants

18th Floor
Two International Finance Centre
8 Finance Street, Central
Hong Kong
28 March 2011

Consolidated Statement of Comprehensive Income

Year ended 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
REVENUE	5	572,481	455,587
Other income and gains, net	5	750	208
Commission expenses		(330,146)	(253,538)
Staff costs		(47,876)	(44,909)
Depreciation	13	(15,806)	(16,735)
Commission clawback		(6,035)	(4,651)
Other expenses		(94,883)	(88,882)
PROFIT BEFORE TAX	6	78,485	47,080
Income tax expense	9	(14,042)	(8,966)
PROFIT FOR THE YEAR AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY		64,443	38,114
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	12		
Basic and diluted (HK cents)		18.6	12.7

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

Consolidated Statement of Financial Position

31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	23,452	31,931
Deposits paid for purchases of items of property, plant and equipment		5,187	–
Rental deposits		11,873	6,952
Prepayments		305	805
Deferred tax assets	15	2,609	683
Total non-current assets		43,426	40,371
CURRENT ASSETS			
Accounts receivable	16	56,261	17,139
Prepayments, deposits and other receivables	17	9,464	20,815
Equity investment at fair value through profit or loss	18	230	238
Cash and cash equivalents	19	226,845	83,755
Total current assets		292,800	121,947
CURRENT LIABILITIES			
Accounts payable	20	99,695	75,565
Other payables and accruals	21	31,891	19,583
Tax payable		7,317	15,309
Commission clawback	22	6,115	5,913
Total current liabilities		145,018	116,370
NET CURRENT ASSETS		147,782	5,577
Net assets		191,208	45,948
EQUITY			
Equity attributable to owners of the Company			
Issued capital	23	40,000	–
Reserves		151,208	45,948
Total equity		191,208	45,948

Wong Lee Man
Director

Fong Sut Sam
Director

Consolidated Statement of Changes in Equity

31 December 2010

	Notes	Issued capital HK$'000	Share premium account HK$'000	Capital reserve HK$'000 (note 24(a))	Retained profits HK$'000	Total equity HK$'000
At 1 January 2009		–	–	1,000	78,834	79,834
Profit for the year and total comprehensive income for the year		–	–	–	38,114	38,114
2009 dividend paid to a then shareholder of a subsidiary	11	–	–	–	(72,000)	(72,000)
At 31 December 2009 and 1 January 2010		–	–*	1,000*	44,948*	45,948
Profit for the year and total comprehensive income for the year		–	–	–	64,443	64,443
Issue of new shares upon incorporation and pursuant to a group reorganisation	23(i),(ii)	30,000	35,379	(65,379)	–	–
Issue of new shares in connection with the placing and initial public offering	23(iii)	10,000	110,000	–	–	120,000
Share issue expenses		–	(11,983)	–	–	(11,983)
2010 interim dividend	11	–	–	–	(27,200)	(27,200)
At 31 December 2010		40,000	133,396*	(64,379)*	82,191*	191,208

* These reserve accounts comprise the consolidated reserves of HK$151,208,000 (2009: HK$45,948,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		78,485	47,080
Adjustments for:			
Interest income	5	(239)	(16)
Dividend income from a listed investment	5	(3)	(1)
Gain on disposal of items of property, plant and equipment	5	(67)	–
Fair value loss/(gain) on an equity investment at fair value through profit or loss	5	8	(109)
Depreciation	13	15,806	16,735
Impairment/(write-back of impairment) of other receivables, net	6	5,044	(592)
Write-off of other receivables	6	166	–
Commission clawback		6,035	4,651
		105,235	67,748
Increase in accounts receivable		(39,122)	(2,827)
Decrease/(increase) in prepayments, deposits and other receivables		1,720	(3,066)
Decrease in amounts due from related parties		–	88,483
Increase in accounts payable		24,130	27,609
Increase in other payables and accruals		12,308	1,645
Decrease in commission clawback		(5,833)	(6,731)
Cash generated from operations		98,438	172,861
Hong Kong profits tax paid		(23,960)	(15,535)
Net cash flows from operating activities		74,478	157,326
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		239	16
Dividend received from a listed investment		3	1
Deposits paid for purchases of items of property, plant and equipment		(5,187)	–
Purchases of items of property, plant and equipment		(7,525)	(8,717)
Proceeds from disposal of items of property, plant and equipment		265	–
Net cash flows used in investing activities		(12,205)	(8,700)

	Notes	2010 HK$'000	2009 HK$'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares	23(iii)	120,000	–
Share issue expenses		(11,983)	–
New other loans		–	5,000
Repayment of other loans		–	(5,000)
Repayment to a related party		–	(14,743)
Dividends paid	11	(27,200)	(72,000)
Net cash flows from/(used in) financing activities		80,817	(86,743)
NET INCREASE IN CASH AND CASH EQUIVALENTS		143,090	61,883
Cash and cash equivalents at beginning of year		83,755	21,872
CASH AND CASH EQUIVALENTS AT END OF YEAR		226,845	83,755
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	19	126,799	83,755
Non-pledged time deposits with original maturity of less than three months when acquired	19	100,046	–
Cash and cash equivalents as stated in the consolidated statement of financial position and the consolidated statement of cash flows		226,845	83,755

Statement of Financial Position

31 December 2010

	Notes	2010 HK$'000
NON-CURRENT ASSETS		
Investments in subsidiaries	14	65,379
CURRENT ASSETS		
Due from subsidiaries	14	32,909
Prepayments	17	183
Cash and cash equivalents	19	100,248
Total current assets		133,340
CURRENT LIABILITIES		
Due to subsidiaries	14	24,961
Accruals	21	413
Total current liabilities		25,374
NET CURRENT ASSETS		107,966
Net assets		173,345
EQUITY		
Issued capital	23	40,000
Reserves	24(b)	133,345
Total equity		173,345

Wong Lee Man
Director

Fong Sut Sam
Director

1.1 Corporate Information

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

During the year, the Group was principally engaged in the provision of insurance and mandatory provident fund ("MPF") schemes brokerage services.

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

1.2 Reorganisation and Basis of Preparation

Pursuant to a group reorganisation (the "Reorganisation") for the purpose of listing (the "Listing") the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the direct/indirect holding company of the companies comprising the Group immediately after the Reorganisation on 21 June 2010. Further details of the Reorganisation are set out in the section headed "Corporate Reorganisation" in appendix V to the prospectus of the Company dated 29 June 2010 (the "Prospectus") in connection with the Listing. The Company's shares have been listed on the Stock Exchange since 13 July 2010.

As the Reorganisation only involved inserting new holding entities at the top of an existing group and has not resulted in any change of economic substances, the consolidated financial statements of the Group for the years ended 31 December 2009 and 2010 have been presented as a continuation of the existing group using pooling of interest method. Accordingly, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows are prepared as if the current group structure immediately after the Reorganisation had been in existence throughout the years ended 31 December 2009 and 2010 rather than from the date of incorporation of the Company. The comparative consolidated statement of financial position as at 31 December 2009 presented assets and liabilities of the companies comprising the Group, as if the group structure immediately after the Reorganisation had been in existence since 1 January 2009.

2.1 Basis of Preparation

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2010. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

2.1 Basis of Preparation (continued)

Basis of consolidation (continued)

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

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

2.2 Issued but not yet Effective Hong Kong Financial Reporting Standards

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

HKFRS 1 Amendment	Amendment to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters*[2]
HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*[4]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets*[4]
HKFRS 9	*Financial Instruments*[6]
HKAS 12 Amendments	Amendments to HKAS 12 *Income taxes – Deferred Tax: Recovery of Underlying Assets*[5]
HKAS 24 (Revised)	*Related Party Disclosures*[3]
HKAS 32 Amendment	Amendment to HKAS 32 *Financial Instruments: Presentation – Classification of Rights Issues*[1]
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 *Prepayments of a Minimum Funding Requirement*[3]
HK(IFRIC)-Int 19	*Extinguishing Financial Liabilities with Equity Instruments*[2]

Apart from the above, the HKICPA has issued Improvements to *HKFRSs 2010* which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to HKFRS 3 and HKAS 27 are effective for annual periods beginning on or after 1 July 2010, whereas the amendments to HKFRS 1, HKFRS 7, HKAS 1, HKAS 34 and HK(IFRIC)-Int 13 are effective for annual periods beginning on or after 1 January 2011 although there are separate transitional provisions for each standard.

1 Effective for annual periods beginning on or after 1 February 2010
2 Effective for annual periods beginning on or after 1 July 2010
3 Effective for annual periods beginning on or after 1 January 2011
4 Effective for annual periods beginning on or after 1 July 2011
5 Effective for annual periods beginning on or after 1 January 2012
6 Effective for annual periods beginning on or after 1 January 2013

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

2.3 Summary of Significant Accounting Policies

Subsidiaries

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

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

Impairment of non-financial assets

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

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

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

Related parties

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

(a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;

(b) the party is a member of the key management personnel of the Group or its parent;

(c) the party is a close member of the family of any individual referred to in (a) or (b);

(d) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (b) or (c); or

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

2.3 Summary of Significant Accounting Policies (continued)

Property, plant and equipment and depreciation

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

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

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

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

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

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

Operating leases

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

Investments and other financial assets

Initial recognition and measurement

Financial assets within the scope of HKAS 39 are classified as financial assets at fair value through profit or loss and loans and receivables, as appropriate. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

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

2.3 Summary of Significant Accounting Policies (continued)

Investments and other financial assets (continued)

Subsequent measurement

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

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with changes in fair value recognised in the statement of comprehensive income. These net fair value changes do not include any dividends on these financial assets, which are recognised in accordance with the policy set out for "Revenue recognition" below.

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

Loans and receivables

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

Derecognition of financial assets

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

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

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

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

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

2.3 Summary of Significant Accounting Policies (continued)

Impairment of financial assets

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

Financial assets carried at amortised cost

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

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

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

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

Financial liabilities

Initial recognition and measurement

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

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

2.3 Summary of Significant Accounting Policies (continued)

Financial liabilities (continued)

Subsequent measurement

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

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

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

Fair value of financial instruments

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

Cash and cash equivalents

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

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

Provisions

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

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

2.3 Summary of Significant Accounting Policies (continued)

Income tax

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

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

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

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

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

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

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

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

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

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

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

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

2.3 Summary of Significant Accounting Policies (continued)

Revenue recognition

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

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

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

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

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

Employee benefits

Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of comprehensive income as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme, except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF Scheme.

Paid leave carried forward

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

Dividends

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

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

2.3 Summary of Significant Accounting Policies (continued)

Foreign currencies

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

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

3 Significant Accounting Judgements and Estimates

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

Judgement

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

Income tax provisions

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

Estimation uncertainty

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

Impairment of non-financial assets

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

3 Significant Accounting Judgements and Estimates (continued)

Estimation uncertainty (continued)

Impairment of loans and receivables

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

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

Useful lives and residual values of property, plant and equipment

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

Deferred tax assets

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

Estimation of commission clawback

The Group reviews the carrying amount of commission clawback at the end of the reporting period and estimates the expected cash outflows related to commission clawback. The estimation requires the Group to make estimates of the expected future occurrence of commission clawback by the product issuers and the expenditure required to settle the obligations. Details of the commission clawback are set out in note 22 to the financial statements.

4 Segment Information

All of the Group's revenue and operating profit are generated from the provision of insurance and MPF schemes brokerage services in Hong Kong. Revenue represents brokerage commission income earned from product issuers. Information reported to the Group's chief operating decision maker, for the purpose of resources allocation and assessment performance, is focused on the operating results of the Group as a whole as the Group's resources are integrated and no discrete financial information is available. Accordingly, no segment analysis is presented.

All of the Group's revenue from external customers and non-current assets were generated from and located in Hong Kong during the reporting period.

4 Segment Information (continued)

Information about product issuers

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

	2010 HK$'000	2009 HK$'000
Product issuer A	332,901	197,477
Product issuer B	130,615	187,481
Product issuer C*	61,927	N/A*

* The revenue from product issuer C for the year ended 31 December 2009 was less than 10% of the Group's revenue.

5 Revenue, Other Income and Gains, Net

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

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

	2010 HK$'000	2009 HK$'000
Revenue		
Investment brokerage commission income	560,724	451,637
Insurance brokerage commission income	6,091	3,391
Pension scheme brokerage commission income	5,666	559
	572,481	455,587
Other income and gains, net		
Interest income	239	16
Dividend income from a listed investment	3	1
Gain on disposal of items of property, plant and equipment	67	–
Fair value gain/(loss) on an equity investment at fair value through profit or loss	(8)	109
Others	449	82
	750	208

6 Profit Before Tax

The Group's profit before tax is arrived at after charging/(crediting):

	Note	2010 HK$'000	2009 HK$'000
Minimum lease payments under operating leases:			
Land and buildings		35,149	38,523
Equipment		44	97
		35,193	38,620
Employee benefit expenses (including directors' remuneration – note 7):			
Salaries, allowances, bonuses and benefits in kind		46,226	42,733
Pension scheme contributions		1,650	2,176
		47,876	44,909
Auditors' remuneration		855	260
Foreign exchange differences, net		–	67
Impairment/(write-back of impairment) of other receivables, net	17	5,044	(592)
Write-off of other receivables		166	–

7 Directors' Remuneration

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

	Group	
	2010 HK$'000	2009 HK$'000
Fees	203	–
Other emoluments:		
Salaries, allowances and benefits in kind	4,075	647
Discretionary bonuses	1,023	138
Pension scheme contributions	119	26
	5,217	811
	5,420	811

Included in the directors' remuneration were rental benefits for accommodation provided to directors of HK$573,000 (2009: HK$237,000) during the year.

7 Directors' Remuneration (continued)

(a) Independent non-executive directors

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

	2010 HK$'000	2009 HK$'000
Mrs. Fu Kwong Wing Ting, Francine	75	–
Dr. Wu Ka Chee, Davy	63	–
Mr. Ma Yiu Ho, Peter	65	–
	203	–

There were no other emoluments payable to the independent non-executive directors during the year (2009: Nil).

(b) Executive directors

	Fees HK$'000	Salaries, allowances, and benefits in kind HK$'000	Discretionary bonuses HK$'000	Pension scheme contributions HK$'000	Total HK$'000
2010					
Mr. Wong Lee Man	–	1,244	213	10	1,467
Ms. Fong Sut Sum	–	1,521	418	11	1,950
Mr. Mak Kwong Yiu	–	1,310	392	98	1,800
	–	4,075	1,023	119	5,217
2009					
Mr. Wong Lee Man	–	198	–	10	208
Ms. Fong Sut Sum	–	109	69	10	188
Mr. Mak Kwong Yiu	–	340	69	6	415
	–	647	138	26	811

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2009: Nil).

8 Five Highest Paid Employees

The five highest paid employees during the year included three directors (2009: Nil), details of whose remuneration are disclosed in note 7 above. Details of the remuneration of the remaining two (2009: five) non-director, highest paid employees for the year are as follows:

	Group	
	2010 HK$'000	2009 HK$'000
Salaries, allowances and bonuses	3,347	3,348
Pension scheme contributions	23	60
	3,370	3,408

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

	Number of employees	
	2010	2009
Nil to HK$1,000,000	–	5
HK$1,500,001 to HK$2,000,000	2	–
	2	5

9 Income Tax

Hong Kong profits tax has been provided at the rate of 16.5% (2009: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

	2010 HK$'000	2009 HK$'000
Group:		
Current – Hong Kong		
Charge for the year	15,959	8,633
Underprovision in prior years	9	175
Deferred (note 15)	(1,926)	158
Total tax charge for the year	14,042	8,966

A reconciliation of the tax charge applicable to profit before tax at the Hong Kong statutory rate (the statutory tax rate for the jurisdiction in which the Group's operating subsidiary is domiciled) to the tax charge at the Group's effective tax rate is as follows:

	2010 HK$'000	%	2009 HK$'000	%
Profit before tax	78,485		47,080	
Tax at the Hong Kong statutory tax rate	12,950	16.5	7,768	16.5
Adjustments in respect of current tax of previous periods	9		175	
Income not subject to tax	(40)		(12)	
Expenses not deductible for tax	1,119		748	
Others	4		287	
Tax charge at the Group's effective rate	14,042	17.9	8,966	19.0

10 Profit Attributable to Owners of the Company

The consolidated profit attributable to owners of the Company for the year ended 31 December 2010 includes a loss of HK$5,751,000 which has been dealt with in the financial statements of the Company (note 24(b)).

11 Dividends

	2010 HK$'000	2009 HK$'000
Dividend paid during the year: Interim – HK6.8 cents (2009: HK$72) per ordinary share	27,200	72,000*
Proposed final – HK2.0 cents (2009: Nil) per ordinary share	8,000	–

On 28 March 2011, the board of directors of the Company proposed a final dividend of HK2.0 cents per ordinary share totalling HK$8,000,000 for the year ended 31 December 2010, which is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

* The amount represented dividend paid by a subsidiary of the Company to its then shareholder during the year ended 31 December 2009.

12 Earnings Per Share Attributable to Owners of the Company

The calculation of basic earnings per share is based on:

	2010 HK$'000	2009 HK$'000
Earnings		
Profit for the year attributable to owners of the Company	64,443	38,114

	Number of shares 2010	2009
Shares		
Weighted average number of ordinary shares in issue during the year	347,123,288	300,000,000

The calculation of basic earnings per share amount is based on the profit for the year attributable to owners of the Company, and the weighted average number of ordinary shares in issue during the year. In determining the weighted average number of ordinary shares in issue, a total of 300,000,000 ordinary shares of the Company issued pursuant to the Reorganisation were deemed to have been issued since 1 January 2009. No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2010 and 2009 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during those years.

13 Property, Plant and Equipment

Group

	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Computer equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
31 December 2010					
At 31 December 2009 and at 1 January 2010:					
Cost	26,069	14,950	36,727	4,431	82,177
Accumulated depreciation	(9,927)	(8,876)	(29,023)	(2,420)	(50,246)
Net carrying amount	16,142	6,074	7,704	2,011	31,931
At 1 January 2010, net of accumulated depreciation	16,142	6,074	7,704	2,011	31,931
Additions	339	401	6,497	288	7,525
Disposals	–	–	–	(198)	(198)
Depreciation provided during the year	(7,229)	(2,029)	(5,473)	(1,075)	(15,806)
At 31 December 2010, net of accumulated depreciation	9,252	4,446	8,728	1,026	23,452
At 31 December 2010:					
Cost	26,408	15,351	43,224	4,059	89,042
Accumulated depreciation	(17,156)	(10,905)	(34,496)	(3,033)	(65,590)
Net carrying amount	9,252	4,446	8,728	1,026	23,452

13 Property, Plant and Equipment (continued)

Group

	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Computer equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
31 December 2009					
At 1 January 2009:					
Cost	30,172	12,612	34,282	3,638	80,704
Accumulated depreciation	(10,573)	(6,310)	(23,028)	(1,127)	(41,038)
Net carrying amount	19,599	6,302	11,254	2,511	39,666
At 1 January 2009, net of accumulated depreciation	19,599	6,302	11,254	2,511	39,666
Additions	3,424	2,338	2,445	793	9,000
Depreciation provided during the year	(6,881)	(2,566)	(5,995)	(1,293)	(16,735)
At 31 December 2009, net of accumulated depreciation	16,142	6,074	7,704	2,011	31,931
At 31 December 2009:					
Cost	26,069	14,950	36,727	4,431	82,177
Accumulated depreciation	(9,927)	(8,876)	(29,023)	(2,420)	(50,246)
Net carrying amount	16,142	6,074	7,704	2,011	31,931

14. Investments in Subsidiaries

	Company 2010 HK$'000
Unlisted shares, at cost	65,379

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

14 Investments in Subsidiaries (continued)

Particulars of the subsidiaries are as follows:

Name	Place of incorporation/ operations	Nominal value of issued ordinary share capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
Convoy (BVI) Limited	British Virgin Islands/ Hong Kong	HK$10,000	100	–	Investment holding
CFSH (Macau) Limited	Hong Kong	HK$100	100	–	Inactive
Convoy Financial Services Limited	Hong Kong	HK$1,000,000	–	100	Provision of insurance and MPF schemes brokerage services

15 Deferred Tax

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

Group

	Depreciation in excess of related depreciation allowance/ (depreciation allowance in excess of related depreciation) HK$'000	Commission clawback HK$'000	Provision for other receivables HK$'000	Total HK$'000
Deferred tax assets/(liabilities) at 1 January 2009	(1,273)	1,319	795	841
Deferred tax credited/(charged) to the statement of comprehensive income during the year (note 9)	438	(343)	(253)	(158)
Deferred tax assets/(liabilities) at 31 December 2009 and at 1 January 2010	(835)	976	542	683
Deferred tax credited to the statement of comprehensive income during the year (note 9)	1,144	33	749	1,926
Deferred tax assets at 31 December 2010	309	1,009	1,291	2,609

15 Deferred Tax (continued)

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

	2010 HK$'000	2009 HK$'000
Net deferred tax assets recognised in the consolidated statement of financial position	2,609	683

16 Accounts Receivable

	Group	
	2010 HK$'000	2009 HK$'000
Accounts receivable	56,261	17,139

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

The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. Accounts receivable are non-interest-bearing.

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

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

The movement in the provision for impairment of accounts receivable is as follows:

	Group	
	2010 HK$'000	2009 HK$'000
At 1 January	–	497
Amount written off as uncollectible	–	(497)
At 31 December	–	–

17 Prepayments, Deposits and Other Receivables

	Group		Company
	2010	2009	2010
	HK$'000	HK$'000	HK$'000
Other receivables	13,394	20,329	–
Impairment	(9,267)	(4,223)	–
	4,127	16,106	–
Prepayments	3,463	851	183
Deposits	1,874	3,858	–
	9,464	20,815	183

Apart from other receivable balances of HK$8,000 (2009: HK$2,801,000) which bears interest at rates ranging from 2% to 8% (2009: from 2% to 8%) per annum, the remaining balances are non-interest-bearing.

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

	Group	
	2010	2009
	HK$'000	HK$'000
At 1 January	4,223	4,815
Impairment losses recognised (note 6)	7,531	2,443
Impairment losses reversed (note 6)	(2,487)	(3,035)
At 31 December	9,267	4,223

Included in the above provision for impairment of other receivables is a provision for individually impaired other receivables of HK$9,267,000 (2009: HK$4,223,000) with a carrying amount before provision of HK$10,421,000 (2009: HK$15,420,000). Such provision was determined after taking into account the ageing of the respective receivable balances, the creditworthiness of the debtors, their repayment history and their historical write-off experience. Such receivables are not expected to be fully recovered. The Group does not hold any collateral or other credit enhancements over these balances.

17 Prepayments, Deposits and Other Receivables (continued)

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

	Group	
	2010 HK$'000	2009 HK$'000
Neither past due nor impaired	–	2,826
Less than 1 month past due	485	444
1 month to 2 months past due	725	97
2 months to 3 months past due	261	–
Over 3 months past due	1,502	1,542
	2,973	4,909

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

Receivables that were past due but not impaired relate to a number of independent debtors that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances, except for other receivables amounting to HK$146,000 (2009: HK$329,000) which were secured by personal guarantees, and an other receivable amounting to HK$2,000,000 as at 31 December 2009 which was secured by the entire share capital of two private limited companies incorporated in Hong Kong.

18 Equity Investment at Fair Value Through Profit or Loss

	Group	
	2010 HK$'000	2009 HK$'000
Listed equity investment, at fair value:		
Hong Kong	230	238

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

19 Cash and Cash Equivalents

	Group 2010 HK$'000	Group 2009 HK$'000	Company 2010 HK$'000
Cash and bank balances	126,799	83,755	202
Time deposits	100,046	–	100,046
Cash and cash equivalents	226,845	83,755	100,248

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

20 Accounts Payable

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

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

	Group 2010 HK$'000	Group 2009 HK$'000
Within 1 month	50,272	25,483
1 to 2 months	23,040	15,857
2 to 3 months	12,604	18,265
Over 3 months	13,779	15,960
	99,695	75,565

Accounts payable are non-interest-bearing. Included in the accounts payable were commission payables to the spouse, a brother and a cousin of a director of the Group's operating subsidiary who are consultants of the Group, totalling HK$1,724,000 (2009: HK$1,356,000), which are payable on similar terms to other consultants of the Group.

21 Other Payables and Accruals

	Group 2010 HK$'000	Group 2009 HK$'000	Company 2010 HK$'000
Other payables	13,174	4,513	–
Accruals	18,717	15,070	413
	31,891	19,583	413

22 Commission Clawback

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

23 Share Capital

	2010 HK$'000
Authorised: 1,000,000,000 ordinary shares of HK$0.1 each	100,000
Issued and fully paid: 400,000,000 ordinary shares of HK$0.1 each	40,000

During the year, the movements in share capital of the Company were as follows:

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

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

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

23 Share Capital (continued)

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

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

24 Reserves

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 39 of the financial statements.

Capital reserve

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

(b) Company

	Notes	Share premium account HK$'000	Retained profits/ (accumulated loss) HK$'000	Total equity HK$'000
Profit for the year and total comprehensive income for the year		–	27,149	27,149
Shares issued for acquisition of subsidiaries		35,379	–	35,379
2010 interim dividend	11	–	(27,200)	(27,200)
Issue of new shares in connection with the Share Offer	23(iii)	110,000	–	110,000
Share issue expenses		(11,983)	–	(11,983)
At 31 December 2010		133,396	(51)	133,345

25 Contingent Liabilities

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

26 Operating Lease Commitment

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

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

	Group	
	2010	2009
	HK$'000	HK$'000
Within one year	43,241	35,991
In the second to fifth years, inclusive	74,941	52,249
	118,182	88,240

27 Capital Commitment

The Group had the following capital commitment at the end of each reporting period.

	2010	2009
	HK$'000	HK$'000
Contracted, but not provided for:		
Leasehold improvements, furniture and fixtures and computer equipment	3,284	–

28 Related Party Transactions

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

	Notes	2010 HK$'000	2009 HK$'000
Commission expenses to:			
Spouse of a director of the Group's operating subsidiary	(i)	2,034	1,789
Brother of a director of the Group's operating subsidiary	(i)	1,281	727
Cousin of a director of the Group's operating subsidiary	(i)	2,578	2,360
Administrative service fees charged by a fellow subsidiary	(ii)	950	1,412

Notes:

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

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

28 Related Party Transactions (continued)

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

	2010 HK$'000	2009 HK$'000
Salaries, allowances, bonuses and benefits in kind	5,301	2,665
Pension scheme contributions	119	91
Total compensation paid to key management personnel	5,420	2,756

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

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

29 Financial Instruments by Category

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

Group

Financial assets

	Financial assets at fair value through profit or loss – held for trading		Loans and receivables		Total	
	2010 HK$'000	2009 HK$'000	2010 HK$'000	2009 HK$'000	2010 HK$'000	2009 HK$'000
Rental deposits	–	–	13,143	10,130	13,143	10,130
Accounts receivable	–	–	56,261	17,139	56,261	17,139
Financial assets included in prepayments, deposits and other receivables	–	–	4,731	16,786	4,731	16,786
Equity investment at fair value through profit or loss	230	238	–	–	230	238
Cash and cash equivalents	–	–	226,845	83,755	226,845	83,755
	230	238	300,980	127,810	301,210	128,048

Financial liabilities

	Financial liabilities at amortised cost	
	2010 HK$'000	2009 HK$'000
Accounts payable	99,695	75,565
Financial liabilities included in other payables and accruals	31,660	18,914
Commission clawback	6,115	5,913
	137,470	100,392

29 Financial Instruments by Category (continued)

Company

Financial assets

	Loans and receivables 2010 HK$'000
Due from subsidiaries	32,909
Cash and cash equivalents	100,248
	133,157

Financial liabilities

	Financial liabilities at amortised cost 2010 HK$'000
Due to subsidiaries	24,961
Accruals	413
	25,374

30 Fair Value and Fair Value Hierarchy

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

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

The fair values of accounts receivable, financial assets included in prepayments, deposits and other receivables, amounts due from/to subsidiaries, cash and cash equivalents, accounts payable, financial liabilities included in other payables and accruals and commission clawback approximate to their carrying amounts largely due to the short term maturities of these instruments.

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

The fair value of the equity investment at fair value through profit or loss is based on quoted market prices.

30 Fair Value and Fair Value Hierarchy (continued)

Fair value hierarchy

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

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

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

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

Asset measured at fair value:

Group

	Level 1	
	2010	2009
	HK$'000	HK$'000
Equity investment at fair value through profit or loss (note 18)	230	238

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

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

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

31 Financial Risk Management Objectives and Policies

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

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

Interest rate risk

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

Credit risk

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

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

31 Financial Risk Management Objectives and Policies (continued)

Credit risk (continued)

At the end of the reporting period, the Group had certain concentrations of credit risk as 50% (2009: 53%) and 97% (2009: 95%) of the Group's accounts receivable were due from the Group's largest product issuer and the five largest product issuers, respectively.

Further quantitative data in respect of the Group's exposure to credit risk arising from accounts receivable and other receivables are disclosed in notes 16 and 17 to the financial statements.

Liquidity risk

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

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

Group

	2010			
	On demand HK$'000	Less than 3 months HK$'000	3 to less than 12 months HK$'000	Total HK$'000
Accounts payable	–	99,695	–	99,695
Financial liabilities included in other payables and accruals	–	31,660	–	31,660
Commission clawback	6,115	–	–	6,115
	6,115	131,355	–	137,470

	2009			
	On demand HK$'000	Less than 3 months HK$'000	3 to less than 12 months HK$'000	Total HK$'000
Accounts payable	–	65,325	10,240	75,565
Financial liabilities included in other payables and accruals	–	18,914	–	18,914
Commission clawback	5,913	–	–	5,913
	5,913	84,239	10,240	100,392

Company

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

31 Financial Risk Management Objectives and Policies (continued)

Capital management

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

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements except for a subsidiary registered under the Insurance Companies Ordinance of Hong Kong which is subject to the relevant minimum capital requirement. During the year, that subsidiary complied with such external imposed capital requirement at all times by maintaining both minimum paid up share capital and minimum net assets of HK$100,000. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2010 and 31 December 2009.

Capital of the Group comprises all components of the shareholder's equity.

32 Events After the Reporting Period

Subsequent to the end of the reporting period, the following significant events took place:

(a) The Company adopted a share award scheme pursuant to a resolution passed on 25 January 2011 for the primary purpose of recognising the contributions by certain selected participants and giving incentives thereto in order to retain them for the continual operation and development of the Group and attracting suitable personnel for further development of the Group. A trustee, as an independent third party, was appointed by the Group for the administration of the share award scheme. The trustee shall purchase the Company's shares (the "Award Shares") from the market out of cash contributed by the Group and shall hold such shares in trust for the relevant selected participants with the provisions of the share award scheme. At the date of approval of these financial statements, no Award Shares have been granted to the selected participants.

(b) On 16 February 2011, the Company entered into a warrant placing agreement in connection with the warrant placing, pursuant to which the placing agents conditionally agreed to place, on a best effort basis, up to 50,000,000 warrants conferring rights to subscribe for 50,000,000 warrant shares at the exercise price of HK$1.6 per warrant to HK$2.0 per warrant to not less than six warrant placees who and their respective ultimate beneficial owners are independent third parties. The warrants are to be placed at a warrant placing price of HK$0.02 each. The warrant placing is conditional upon several conditions as set out in the paragraph headed "Conditions of the Warrant Placing" in the section headed "The Warrant Placing Agreement" in the announcement dated on 16 February 2011. Further details of the placing are contained in the Company's announcement dated 16 February 2011. At the date of approval of these financial statements, the warrant placing has been completed and no warrants have been exercised.

(c) On 6 January 2011, the Group has entered into an agreement with an independent third party for the acquisition of an entire equity interest in a company incorporated in Hong Kong, which is engaged in the provision of insurance agency services in Hong Kong and certified to be capable to set up wholly-owned insurance agency business in Mainland China, under the Mainland and Hong Kong Closer Economic Partnership Arrangement, at a consideration of approximately HK$100,000.

(d) On 1 March 2011, the Group has entered into a framework agreement with an independent third party for the proposed acquisition of 80% equity interests in a limited liability company incorporated in the People's Republic of China, which is licensed to provide nationwide insurance broking services in Mainland China, at a consideration of approximately RMB400,000.

33 Approval of the Financial Statements

The financial statements were approved and authorised for issue by the board of directors on 28 March 2011.

Financial Summary

A summary of the results for the last four years and of the assets and liabilities of the Group as at 31 December 2010, 2009, 2008 and 2007 as extracted from the published audited financial statements for the year ended 31 December 2010/the prospectus of the Company dated 29 June 2010 is set out below. The amounts as set out in this financial summary are prepared as if the current structure of the Group had been in existence throughout the years presented.

Results

	Year ended 31 December			
	2010 HK$'000	2009 HK$'000	2008 HK$'000	2007 HK$'000
REVENUE	572,481	455,587	554,283	636,068
Other income and gains, net	750	208	207	2,734
Commission expenses	(330,146)	(253,538)	(322,915)	(362,850)
Staff costs	(47,876)	(44,909)	(63,569)	(51,517)
Depreciation	(15,806)	(16,735)	(16,484)	(14,733)
Commission clawback	(6,035)	(4,651)	(7,286)	(4,217)
Other expenses	(94,883)	(88,882)	(106,638)	(81,056)
PROFIT BEFORE TAX	78,485	47,080	37,598	124,429
Income tax expense	(14,042)	(8,966)	(6,088)	(23,035)
PROFIT FOR THE YEAR AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO THE OWNERS OF THE COMPANY	64,443	38,114	31,510	101,394

Assets and Liabilities

	As at 31 December			
	2010 HK$'000	2009 HK$'000	2008 HK$'000	2007 HK$'000
TOTAL ASSETS	336,226	162,318	190,500	209,558
TOTAL LIABILITIES	145,018	116,370	110,666	153,734

Definitions

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

"Board" or "Board of Directors"	the board of Directors of the Company as at the date of this annual report
"CFG"	Convoy Financial Group Limited (康宏理財集團有限公司) (formally known as Advance All Enterprises Limited), a company incorporated in the BVI with limited liability on 2 September 2002 and owned as to approximately 56.2% by Perfect Team and 43.8% by Convoy Inc
"CFS"	Convoy Financial Services Limited (康宏理財服務有限公司) (formerly known as Wardley Shipping Limited (和利船務有限公司), Equitable Insurance Management Limited (公正保險管理有限公司), Convoy Insurance Brokers Limited (康威保險經紀行有限公司) and Convoy NPL Financial Services Limited (康宏理財服務有限公司)), a company incorporated in Hong Kong with limited liability on 12 March 1992, an indirect wholly-owned subsidiary of our Company and a registered member of PIBA and corporate intermediary of MPFA
"Company" or "our Company"	Convoy Financial Services Holdings Limited (康宏理財控股有限公司), an exempted company incorporated in the Cayman Islands on 12 March 2010 with limited liability
"Consultant(s) "	individual(s) registered with PIBA as technical representative(s) and accredited to CFS, and engaged by CFS to provide services to customers and potential customers in negotiating contracts of insurance and, in some cases, MPF schemes
"Director(s) "	the director(s) of our Company
"ECA "	the Employee Choice Arrangement of MPF
"Group", "we" or "us"	the Company and its subsidiaries
"HK$ " or "HK dollars"	Hong Kong dollars, the lawful currency of Hong Kong
"HK cents"	Hong Kong cents, the lawful currency of Hong Kong
"IFPHK "	Institute of Financial Planners of Hong Kong
"ILAS"	the acronym for Investment-linked Assurance Scheme, an insurance policy of the "linked long term" class as defined in First Schedule, Part 2 of the ICO
"Insurance Companies Ordinance" or"ICO"	the Insurance Companies Ordinance (Chapter 41 of the Laws of Hong Kong), as amended and supplemented from time to time
"Listing"	the listing of our Shares on the Main Board
"Listing Date"	13 July 2010
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
"Main Board"	the main board of the Stock Exchange
"MPF"	Mandatory Provident Fund

"MPFA"	Mandatory Provident Fund Schemes Authority
"OCI"	the Office of the Commissioner of Insurance of the Government of Hong Kong, which is the office for the IA
"PIBA"	Professional Insurance Brokers Association, a body of insurance brokers which is approved by the IA under the Insurance Companies Ordinance
"PRC"	the People's Republic of China
"Prospectus"	the prospectus issued by the Company dated 29 June 2010
"Reorganisation"	the reorganisation of group of companies now comprising our Group in preparing for the Listing completed on 21 June 2010, details of which are set forth under the paragraph headed "History and development" in the section headed "Corporate history, development and Reorganisation" and under the paragraph headed "Corporate Reorganisation" in Appendix V to the Prospectus
"SFC"	the Securities and Futures Commission of Hong Kong
"Share(s)"	ordinary share(s) with a nominal value of HK$0.10 each in the share capital of our Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"%"	per cent.