CASH FINANCIAL SERVICES GROUP LIMITED

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

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2010

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

The audited consolidated results of CASH Financial Services Group Limited ("Company" or "CFSG") and its subsidiaries ("Group") for the year ended 31 December 2010 together with the comparative figures for the last corresponding year are as follows:

	Notes	**2010 HK$'000**	2009 HK$'000 (restated)
Revenue	(2)	**1,294,203**	705,480
Other income		**16,675**	7,120
Other gains and losses		**74,373**	17,723
Cost of sales for retailing business		**(591,049)**	(274,111)
Salaries, commission and related benefits		**(297,976)**	(201,594)
Depreciation		**(47,678)**	(34,826)
Finance costs		**(16,747)**	(13,960)
Other operating and administrative expenses		**(363,095)**	(242,153)
Change in fair value of investment properties		**-**	24,290
Share of profits of associates		**4,414**	5,247
Profit (loss) before taxation		**73,120**	(6,784)
Income tax expense	(4)	**(8,185)**	(13,848)
Profit (loss) for the year		**64,935**	(20,632)

	Note	2010 HK$'000	2009 HK$'000 (restated)
Other comprehensive income (expense)			
Exchange differences arising on translation of foreign operations		**3,094**	(17)
Gain on revaluation of leasehold land and building		**3,815**	26,651
Income tax relating to the gain on revaluation of leasehold land and building		**(630)**	(4,397)
Other comprehensive income for the year (net of tax)		**6,279**	22,237
Total comprehensive income for the year		**71,214**	1,605
Profit (loss) for the year attributable to:			
Owners of the Company		**63,390**	(22,075)
Non-controlling interests		**1,545**	1,443
		64,935	(20,632)
Total comprehensive income attributable to:			
Owners of the Company		**68,653**	162
Non-controlling interests		**2,561**	1,443
		71,214	1,605

	Note	2010	2009 (restated)
Earnings (loss) per share for profit (loss) attributable to the owners of the Company during the year	(5)		
- Basic (HK cents)		**2.00**	(0.79)
- Diluted (HK cents)		**1.98**	(0.79)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	At 31 December 2010 HK$'000	2009 HK$'000 (restated)
Non-current assets			
Property and equipment		**188,909**	202,275
Investment properties		**89,967**	87,561
Goodwill		**2,661**	2,661
Intangible assets		**321,059**	321,059
Other assets		**14,851**	11,040
Rental and utility deposits		**24,959**	21,555
Loans receivable		**-**	4,950
Interests in associates		**124,512**	116,931
Loan to an associate		**10,296**	10,296
Deferred tax assets		**4,100**	2,000
		781,314	780,328
Current assets			
Inventories		**48,948**	43,454
Accounts receivable	(6)	**707,076**	505,305
Loans receivable		**13,017**	15,663
Prepayments, deposits and other receivables		**43,651**	33,588
Amounts due from related companies		**334**	-
Tax recoverable		**-**	9,381
Investments held for trading		**42,435**	37,214
Bank deposits subject to conditions		**68,252**	87,739
Bank balances - trust and segregated accounts		**697,060**	765,112
Bank balances (general accounts) and cash		**336,844**	253,243
		1,957,617	1,750,699
Current liabilities			
Accounts payable	(7)	**1,172,594**	1,157,955
Accrued liabilities and other payables		**83,448**	58,976
Amounts due to fellow subsidiaries		**-**	800
Taxation payable		**9,378**	6,337
Obligations under finance leases			
- amounts due within one year		**382**	135
Bank borrowings - amount due within one year		**402,491**	386,861
Loan from a non-controlling shareholder		**27,437**	27,437
		1,695,730	1,638,501
Net current assets		**261,887**	112,198
Total assets less current liabilities		**1,043,201**	892,526

	At 31 December	
	2010	2009
	HK$'000	HK$'000
		(restated)
Non-current liabilities		
Deferred tax liabilities	**63,686**	64,127
Obligations under finance leases		
- amount due after one year	**552**	180
Bank borrowings - amount due after one year	**34,220**	35,549
	98,458	99,856
Net assets	**944,743**	792,670
Capital and reserves		
Share capital	**70,765**	61,711
Reserves	**853,665**	713,207
Equity attributable to owners of the Company	**924,430**	774,918
Non-controlling interests	**20,313**	17,752
Total equity	**944,743**	792,670

Notes:

(1) Application of new and revised Hong Kong Financial Reporting Standards

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

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

In the current year, the Group has applied a number of new and revised Standards and Interpretations issued by the HKICPA that are mandatorily effective for 2010 financial year ends.

Except as described below, the adoption of the new and revised standards and interpretations in the current year has had no material effect on the consolidated financial statements.

HKFRS 3 (Revised) Business Combinations and HKAS 27 (Revised) Consolidated and Separate Financial Statements

The Group applies HKFRS 3 (Revised) "Business Combinations" prospectively to business combinations for which the acquisition date is on or after 1 January 2010. The requirements in HKAS 27 (Revised) "Consolidated and Separate Financial Statements" in relation to accounting for changes in ownership interests in a subsidiary after control is obtained and for loss of control of a subsidiary are also applied prospectively by the Group on or after 1 January 2010.

As there was no transaction during the current year in which HKFRS 3 (Revised) and HKAS 27 (Revised) are applicable, the application of HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to other HKFRSs had no effect on the consolidated financial statements of the Group for the current or prior years.

Results of the Group in future periods may be affected by future transactions for which HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to the other HKFRSs are applicable.

Amendments to HKAS 17 Leases

As part of improvements to HKFRSs issued in 2009, HKAS 17 "Leases" has been amended in relation to the classification of leasehold land. Before the amendments to HKAS 17, the Group was required to classify leasehold land as operating leases and to present leasehold land as prepaid lease payments in the consolidated statement of financial position. The amendments to HKAS 17 have removed such a requirement. The amendments require that the classification of leasehold land should be based on the general principles set out in HKAS 17, that is, whether or not substantially all the risks and rewards incidental to ownership of a leased asset have been transferred to the lessee.

In accordance with the transitional provisions set out in the amendments to HKAS 17, the Group reassessed the classification of unexpired leasehold land as at 1 January 2010 based on information that existed at the inception of the leases. Leasehold land that qualifies for finance lease classification has been reclassified from prepaid lease payments to property and equipment retrospectively, and stated at revalued amount in accordance with the Group's accounting policies. Details of financial effects are set out below.

As at 31 December 2010, leasehold land that qualifies for finance lease classification with the revalued amount of HK$48,000,000 has been included in leasehold land and building of HK$70,000,000 under property and equipment.

Hong Kong Interpretation 5 Presentation of Financial Statements - Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

Hong Kong Interpretation 5 Presentation of Financial Statements - Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ("HK Int 5") clarifies that term loans that include a clause that gives the lender the unconditional right to call the loans at any time ("repayment on demand clause") should be classified by the borrower as current liabilities. The Group has applied HK Int 5 for the first time in the current year. Hong Kong Interpretation 5 requires retrospective application.

In order to comply with the requirements set out in HK Int 5, the Group has changed its accounting policy on classification of term loans with a repayment on demand clause. In the past, the classification of such term loans were determined based on the agreed scheduled repayment dates set out in the loan agreements. Under HK Int 5, term loans with a repayment on demand clause are classified as current liabilities.

As a result, bank loans that contain a repayment on demand clause with the aggregate carrying amounts of HK$19,828,000 have been reclassified from non-current liabilities to current liabilities as at 31 December 2009. As at 31 December 2010, bank loans (that are repayable more than one year after the end of the reporting period but contain a repayment on demand clause) with the aggregate carrying amount of HK$11,720,000 have been classified as current liabilities. The application of HK Int 5 has had no impact on the reported profit or loss for the current and prior years.

Such term loans have been presented in the earliest time band in the maturity analysis for financial liabilities.

Summary of the effects of the above changes in accounting policies

The effects of changes in accounting policies described above on the results of the current and prior year by line items are as follows:

	For the year ended 31 December	
	2010	2009
	HK$'000	HK$'000
Decrease in deficit on property revaluation	**-**	600
Increase in depreciation of property and equipment	**-**	(207)
Decrease in amortisation of prepaid lease payments	**-**	207
Decrease in loss for the year	**-**	600
Increase in gain on revaluation of leasehold land and building	**3,815**	26,651
Increase in income tax relating to the gain on revaluation of leasehold land and building	**(630)**	(4,397)
Increase in other comprehensive income	**3,185**	22,254
Increase in total comprehensive income	**3,185**	22,854

The effects of the above changes in accounting policies on the financial position of the Group as at 31 December 2009 is as follows:

	At 31 December 2009 HK$'000 (originally stated)	Adjustments HK$'000	At 31 December 2009 HK$'000 (restated)
Property and equipment	159,475	42,800	202,275
Prepaid lease payments	15,134	(15,134)	-
Prepayments, deposits and other receivables	34,003	(415)	33,588
Bank borrowings - amount due within one year	(367,033)	(19,828)	(386,861)
Deferred tax liabilities	(59,730)	(4,397)	(64,127)
Bank borrowings - amount due after one year	(55,377)	19,828	(35,549)
Total effects on net assets	(273,528)	22,854	(250,674)
Revaluation reserve	-	(22,254)	(22,254)
Retained earnings	(20,105)	(600)	(20,705)
Total effects on equity	(20,105)	(22,854)	(42,959)

The above changes in accounting policies have no impact on the financial position of the Group as at 1 January 2009 and therefore no restated consolidated statement of financial position at that date is presented.

The effects of the above changes in accounting policies on the Group's basic and diluted loss per share for the prior year are as follows:

	For the year ended 31 December 2009	
	Impact on basic loss per share HK cents	Impact on diluted loss per share HK cents
Figures before adjustments	(0.81)	(0.81)
Adjustments	0.02	0.02
Figures after adjustments	(0.79)	(0.79)

The Group has not early applied the following new and revised Standards and Interpretations that have been issued but are not yet effective:

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010 [2]
HKFRS 7 (Amendments)	Disclosures - Transfers of financial assets [5]
HKFRS 9	Financial instruments [7]
HKAS 12 (Amendments)	Deferred tax: Recovery of underlying assets [6]
HKAS 24 (as revised in 2009)	Related party disclosures [4]
HKAS 32 (Amendments)	Classification of rights issues [1]
HK(IFRIC) - INT 14 (Amendments)	Prepayments of a minimum funding requirement [4]
HK(IFRIC) - INT 19	Extinguishing financial liabilities with equity instruments [3]

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

The directors of the Company anticipate that the application of the new and revised Standards or Interpretations will have no material impact on the consolidated financial statements of the Group.

(2) Revenue

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

	2010 **HK$'000**	2009 HK$'000
Fees and commission income	**249,385**	223,486
Interest income	**33,577**	25,492
Sales of furniture and household goods and electrical appliances, net of discounts and returns	**1,011,241**	456,502
	1,294,203	705,480

(3) Segment information

Operating and Reportable segments

Information reported to the board of directors of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of products or services provided, with each operating segment representing a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other operating segments. The Group's operating and reportable segments are financial services business and retailing business.

The following tables represent revenue and results information for the two reportable segments for the years ended 31 December 2010 and 2009.

Segment revenue and result

The accounting policies of the reportable segments are the same as the Group's accounting policies. Segment profit represents the profit earned by each segment before change in fair value of investment properties, change in fair value of derivative financial instruments, net gains on financial assets at fair value through profit or loss ("FVTPL"), net gain on acquisitions of subsidiaries and redemption of convertible notes, share-based compensation, share of profits of associates and unallocated expenses. This is the measure reported to the board of directors for the purposes of resource allocation and assessment of performance.

For the year ended 31 December 2010

	Financial services HK$'000	Retailing HK$'000	Reportable segment total HK$'000	Consolidated HK$'000
Revenue	**282,962**	**1,011,241**	**1,294,203**	
RESULT				
Segment profit	**32,575**	**47,696**	**80,271**	
Change in fair value of derivative financial instruments				**(53)**
Net gains on financial assets at FVTPL				**71,389**
Share-based compensation				**(6,634)**
Share of profits of associates				**4,414**
Unallocated expenses				**(76,267)**
Profit before taxation				**73,120**

For the year ended 31 December 2009

	Financial services HK$'000	Retailing HK$'000 (restated)	Reportable segment total HK$'000 (restated)	Consolidated HK$'000 (restated)
Revenue	248,978	456,502	705,480	
RESULT				
Segment profit	8,402	4,286	12,688	
Change in fair value of investment properties				24,290
Change in fair value of derivative financial instruments				3,067
Net gains on financial assets at FVTPL				16,316
Net gain on acquisitions of subsidiaries and redemption of convertible notes				621
Share-based compensation				(7,566)
Share of profits of associates				5,247
Unallocated expenses				(61,447)
Loss before taxation				(6,784)

Segment assets and liabilities

All assets are allocated to reportable segments other than interests in associates, investment properties and other unallocated assets. This is the measure reported to the board of directors for the purposes of resource allocation and performance assessment. No assets used jointly by reportable segments.

All liabilities are allocated to reportable segments other than unallocated deferred tax liabilities, loan from a non-controlling shareholder and other unallocated liabilities. This is the measure reported to the board of directors for the purposes of resource allocation and performance assessment. No liabilities was used jointly by reportable segments.

As at 31 December 2010

	Financial services HK$'000	**Retailing HK$'000**	**Reportable segment total HK$'000**	**Consolidated HK$'000**
ASSETS				
Segment assets	**1,797,396**	**715,288**	**2,512,684**	
Interests in associates				**124,512**
Investment properties				**89,967**
Other unallocated assets				**11,768**
Consolidated total assets				**2,738,931**
LIABILITIES				
Segment liabilities	**1,376,412**	**348,718**	**1,725,130**	
Unallocated deferred tax liabilities				**6,072**
Loan from a non-controlling shareholder				**27,437**
Other unallocated liabilities				**35,549**
Consolidated total liabilities				**1,794,188**

As at 31 December 2009

	Financial services HK$'000 (restated)	Retailing HK$'000 (restated)	Reportable segment total HK$'000 (restated)	Consolidated HK$'000 (restated)
ASSETS				
Segment assets	1,658,115	656,727	2,314,842	
Interests in associates				116,931
Investment properties				87,561
Other unallocated assets				11,693
Consolidated total assets				2,531,027
LIABILITIES				
Segment liabilities	1,246,757	437,331	1,684,088	
Unallocated deferred tax liabilities				6,072
Loan from a non-controlling shareholder				27,437
Other unallocated liabilities				20,760
Consolidated total liabilities				1,738,357

Other information

For the year ended 31 December 2010

	Financial services HK$'000	**Retailing HK$'000**	**Reportable segment total HK$'000**	**Unallocated amount HK$'000**	**Total HK$'000**
Amounts included in the measure of segment profit or loss or segment assets:					
Interest income	**33,577**	**-**	**33,577**	**-**	**33,577**
Write-down on inventories	**-**	**(2,095)**	**(2,095)**	**-**	**(2,095)**
Depreciation	**(9,160)**	**(17,274)**	**(26,434)**	**(21,244)**	**(47,678)**
Finance costs	**(10,702)**	**(4,375)**	**(15,077)**	**(1,670)**	**(16,747)**
Gain (loss) on disposal of property and equipment	**48**	**(85)**	**(37)**	**(60)**	**(97)**
Impairment loss on other receivables	**-**	**(7)**	**(7)**	**-**	**(7)**
Bad debt on accounts receivable and loans receivable recovered	**59**	**-**	**59**	**-**	**59**
Addition to non-current assets	**10,189**	**25,894**	**36,083**	**2,575**	**38,658**

For the year ended 31 December 2009

	Financial services HK$'000 (restated)	Retailing HK$'000 (restated)	Reportable segment total HK$'000 (restated)	Unallocated amount HK$'000 (restated)	Total HK$'000 (restated)
Amounts included in the measure of segment profit or loss or segment assets:					
Interest income	25,492	-	25,492	-	25,492
Write-down on inventories	-	(1,569)	(1,569)	-	(1,569)
Depreciation	(9,412)	(7,696)	(17,108)	(17,718)	(34,826)
Finance costs	(7,398)	(2,160)	(9,558)	(4,402)	(13,960)
Loss on disposal of property and equipment	(555)	(223)	(778)	-	(778)
Impairment loss on other receivables	(176)	(94)	(270)	-	(270)
Impairment of goodwill	(2,719)	-	(2,719)	-	(2,719)
Bad debt on accounts receivable and loans receivable recovered	136	-	136	-	136
Addition to non-current assets	22,223	392,291	414,514	64,721	479,235

Entity-wide disclosures

The Group's operations are located in Hong Kong and the People's Republic of China ("PRC").

The Group's segment revenue from external customers and information about its non-current assets (excluding financial instruments and deferred tax assets) by geographical location of the assets are detailed below:

	Revenue from external customers		**Non-current assets**	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong (Place of domicile)	**1,294,203**	705,480	**550,414**	474,865
PRC	**-**	-	**216,504**	288,217
Total	**1,294,203**	705,480	**766,918**	763,082

There were no customers for the years ended 31 December 2010 and 2009, contributing over 10% of the Group's total revenue.

(4) Income tax expense

	2010	2009
	HK$'000	HK$'000
Current tax:		
- Hong Kong Profits Tax	**13,434**	6,682
(Over)underprovision in prior years	**(2,078)**	1,094
Deferred tax	**(3,171)**	6,072
Total income tax expense	**8,185**	13,848

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

Taxation arising in other jurisdiction is calculated at the rates prevailing in jurisdiction. No provision for the PRC income tax has been made as they incurred tax losses in both years.

Under the Law of the People's Republic of China on Enterprise Income Tax ("EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

(5) Earnings (loss) per share

The calculation of basic and diluted earnings (loss) per share attributable to the ordinary equity holders of the Company for the year is based on the following data:

	2010 HK$'000	2009 HK$'000 (restated)
Profit (loss) for the purposes of basic and diluted earnings (loss) per share	**63,390**	(22,075)

	2010	2009 (restated)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share	**3,168,561,275**	2,793,342,385
Effect of dilutive potential ordinary shares: share options	**26,794,737**	-
Weighted average number of ordinary shares for the purpose of diluted earnings (loss) per share	**3,195,356,012**	2,793,342,385

The weighted average number of ordinary shares for the purpose of basic earnings (loss) per share has been adjusted retrospectively for the share split on 23 December 2010.

For the year ended 31 December 2009, the computation of loss per share does not assume the conversion of the Company's outstanding share options and convertible notes since their exercise would result in a decrease in loss per share.

(6) Accounts receivable

	2010 HK$'000	2009 HK$'000
Accounts receivable arising from the business of dealing in securities and leveraged foreign exchange contracts:		
Clearing houses, brokers and dealers	**49,989**	27,842
Cash clients	**66,698**	68,060
Margin clients	**369,598**	272,209
Accounts receivable arising from the business of dealing in futures and options:		
Clients	**142**	180
Clearing houses, brokers and dealers	**218,630**	134,570
Commission receivable from brokerage of mutual funds and insurance-linked investment products	**1,099**	1,794
Accounts receivable arising from the business of provision of corporate finance services	**920**	650
	707,076	505,305

The settlement terms of accounts receivable arising from the business of dealing in securities are two days after trade date or at specific terms agreed with clearing houses, brokers and dealers, and accounts receivable arising from the business of dealing in futures and options and leveraged foreign exchange contracts are one day after trade date or at specific terms agreed with clearing houses, brokers and dealers.

Accounts receivable from margin and cash clients arising from the business of dealing in securities are repayable on demand subsequent to settlement date. No aged analysis is disclosed as in the opinion of directors, the aged analysis does not give additional value in view of the nature of broking business.

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

	2010 **HK$'000**	2009 HK$'000
0 - 30 days	**833**	1,362
31 - 60 days	**165**	353
61 - 90 days	**84**	141
Over 90 days	**937**	588
	2,019	2,444

(7) Accounts payable

	2010 **HK$'000**	2009 HK$'000
Accounts payable arising from the business of dealing in securities :		
Clearing houses	**5,748**	30,076
Cash clients	**495,768**	548,749
Margin clients	**217,260**	212,654
Accounts payable to clients arising from the business of dealing in futures and options	**299,030**	228,823
Accounts payable to clients arising from the business of dealing in leveraged foreign exchange contracts	**1,191**	863
Trade creditors arising from retailing business	**153,597**	136,790
	1,172,594	1,157,955

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

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

The accounts payable amounting to HK$697,060,000 (2009: HK$765,112,000) were payable to clients and other institutions in respect of the trust and segregated bank balances received and held for clients and other institutions in the course of the conduct of regulated activities. However, the Group does not have a currently enforceable right to offset these payables with the deposits placed.

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

The following is an aged analysis (from trade date) of trade creditors arising from retailing business at reporting date:

	2010 **HK$'000**	2009 HK$'000
0 - 30 days	**66,556**	70,548
31 - 60 days	**37,518**	38,562
61 - 90 days	**14,419**	10,983
Over 90 days	**35,104**	16,697
	153,597	136,790

(8) Dividends

	2010 **HK$'000**	2009 HK$'000
Dividends recognized as distribution during the year:		
2010 Interim - HK 2 cents per share	**12,342**	-

The interim dividend of HK 2 cents per share based on 617,108,107 shares in respect of the year ended 31 December 2010 (2009: nil in respect of the year ended 31 December 2009) was paid during 2010.

The final dividend of HK 0.4 cent per share based on 3,538,250,535 shares in respect of the year ended 31 December 2010 (2009: nil in respect of the year ended 31 December 2009) has been proposed by the directors. In addition, the directors proposed the share dividend offered to shareholders on the basis of one bonus share for every ten existing shares. Both final dividend and share dividend are subject to the approval by the shareholders in annual general meeting.

(9) Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debt, which includes the bank borrowings and loan from a non-controlling shareholder, and equity attributable to owners of the Company, comprising issued share capital, retained earnings and other reserves. The management reviews the capital structure by considering the cost of capital and the risks associated with each class of capital. In view of this, the Group will balance its overall capital structure through the payment of dividends, new share and options issues as well as the issue of new debt or the redemption of existing debt. The Group's overall strategy remains unchanged throughout the year.

Certain group entities are regulated by the Hong Kong Securities and Futures Commission ("SFC") and are required to comply with the financial resources requirements according to the Hong Kong Securities and Futures (Financial Resources) Rules ("SF(FR)R"). The Group's regulated entities are subject to minimum paid-up share capital requirements and liquid capital requirements under the SF(FR)R. Management closely monitors, on a daily basis, the liquid capital level of these entities to ensure compliance with the minimum liquid capital requirements under the SF(FR)R. The Group's regulated entities have complied with the capital requirements imposed by the SF(FR)R throughout both years.

(10) Financial instruments

Categories of financial instruments

	2010 HK$'000	2009 HK$'000
Financial assets		
Fair value through profit or loss		
- held-for-trading	**42,435**	37,214
Loans and receivables (including cash and cash equivalents)	**1,852,670**	1,649,662
Financial liabilities		
Amortised cost	**1,655,944**	1,637,889

Financial risk management objectives and policies

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

Market risk

Equity price risk

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

Interest rate risk

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

The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank borrowings, loans receivable, loans to margin clients and bank balances. The Group currently does not have a cash flow interest rate hedging policy. However, management is closely monitoring its exposure arising from margin financing and other lending activities undertaken by allowing an appropriate margin on the interest received and paid by the Group.

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of Hong Kong Prime Rate and HIBOR arising from the Group's variable interest rate instruments.

Foreign currency risk

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

Credit risk

As at 31 December 2010, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

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

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

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

Liquidity risk

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

DIVIDEND AND BONUS ISSUE OF SHARE

The Board recommends the payment of 2010 final dividend of HK 0.4 cent per share based on 3,538,250,535 shares (2009: nil). The Board also proposes a bonus issue to shareholders on the basis of one (1) bonus share for every ten (10) existing shares by way of capitalisation of amounts in the share premium account. Subject to the approval of the 2010 final dividend and bonus issue of shares by the shareholders at the forthcoming annual general meeting, it is expected that the final dividend will be paid and the share certificates for the bonus shares will be despatched to shareholders on 25 May 2011. Shareholders whose names appear on the register of members on 16 May 2011 will be entitled to proposed final dividend and bonus issue of shares. Further details regarding the bonus issue will be set out in the circular to be despatched to the shareholders of the Company.

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from 16 May 2011 (Monday) to 18 May 2011 (Wednesday) (both days inclusive). In order to establish entitlements to the proposed final dividend and bonus issue of shares, all transfers accompanied by the relevant share certificates must be lodged with the Company's share registrars, Tricor Standard Limited, at 26/F Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:30 pm on 13 May 2011 (Friday).

REVIEW AND OUTLOOK

Financial Review

For the year ended 31 December 2010, the Group recorded revenue of HK$1,294.2 million, representing an increase of 83.4% as compared to HK$705.5 million for the previous year. The increase in revenue was mainly attributable to the full-year contribution of CASH Retail Management (HK) Limited and its subsidiaries ("Retail Group", the retail management division) which were acquired in the second half of 2009. Overall, the Group recorded a turnaround net profit of HK$64.9 million for the year ended 31 December 2010 as compared to a net loss of HK$20.6 million last year.

Financial Services Group

The robust recovery in the stock market in last year could no longer be sustainable in early 2010. The local and global stock markets became to turn sluggish soon after the news relating to Europe's sovereign debt crisis first came to light. The public finances of the five European countries including Greece which had deteriorated badly in recent years led to their credit ratings lowered and triggered worries about another new credit crunch that might result from their huge debts not being met when falling due. While the worry that a double dip recession caused by this new round of financial crisis had badly hit the local stock market, it was further battered by the harsh austerity measures adopted by the Chinese government to rein in rising inflation and to slash sky-high property prices across the country. The drops in both liquidity and market turnover had reflected the investors' cautious reaction to China's several increases to banks' reserve requirement ratios since the beginning of the year. However, the quantitative easing policies and economic stimulus measures adopted by the central banks in several developed countries aiming at stimulating the economy ultimately caused an abundant influx of fund into Asian region including Hong Kong. The excessive capital influx was driving up the assets and commodities prices. In the second half of the year under review, there was a sharp rebound in the trading volume of the local stock market. The trading volume of the local stock market in the year under review was about 10.9% higher that that of the previous year. Furthermore, fund-raising and mergers and acquisitions activities in Hong Kong were vigorous during the year under review and Hong Kong had successfully maintained its position as the largest listing market by fund-raising size in the world with about a record-high HK$445 billion raised in 2010. For the year ended 31 December 2010, the Group's financial services group recorded revenue of HK$283.0 million as compared to HK$249.0 million for the previous year. The increase in revenue during the year under review was mainly attributable to the remarkable performance of our Investment Banking Division. During the year under review, the Group's financial services group recorded a profit of HK$32.6 million as compared to HK$8.4 million for the previous year.

Retail Management - Retail Group

Thanks to the quantitative easing monetary policies and economical stimulus measures adopted by the governments all over the world, the overall economic performance in Hong Kong had remained positive throughout the year under review amid the uncertainties in the external business environment including the recent financial turmoil in the euro zone countries having adversely affected the pace of the growth in exports to the region. The improvement in the city's labour market had kept the same pace with the economic recovery with the unemployment rate in Hong Kong falling to its recent record low of 4.0% by the end of 2010 after reaching its recent peak of 5.4% in June 2009. To ride on the gradual improvement of the local economy and the resilience of the labour market, the Retail Group has accelerated its growth strategies to expand its retail network in Hong Kong by opening 7 new stores during the year to 35 stores at the end of the year. The boom in the local property market recently had also in part accounted for the growth in the Retail Group's revenue, especially the sales of its great value-for-money furnishing products. All-year-round products plan of the Retail Group had made its time-to-market sales strategy fruitful during the year under review. In particular, the unexpected prolonged humid season in the spring of the year helped boost the sales performance of the electronic appliance products. In addition, the Retail Group has received a one-off compensation from the Urban Renewal Authority for the early termination of tenancy of our store located in Kwun Tong Town Centre to make way for the Kwun Tong Redevelopment Project. Together with our introduction of recent brand rejuvenation, consistent improvement in our customer services, stringent product quality control and operational effectiveness, the Retail Group was pleased to record revenue of HK$1,011.2 million, representing a notable 19.1% growth as compared to HK$849.1 million last year. For the year ended 31 December 2010, the Retail Group recorded a profit of HK$47.7 million as a result of the substantial growth in revenue largely contributed by the aforesaid factors.

Liquidity and Financial Resources

The Group's total equity amounted to HK$944.7 million as at 31 December 2010 as compared to HK$792.7 million at the end of the previous year. The change was the combined result of the increase in retained earnings due to the reported profit for the year and the placing of 70 million new shares to investors in October 2010, raising net proceeds of approximately HK$73.9 million during the year.

As at 31 December 2010, the Group had total bank borrowings of approximately HK$436.7 million, comprising bank loans of HK$342.6 million and overdrafts of HK$94.1 million.

Among the above bank borrowings, HK$215.3 million were collateralised by its margin clients' securities pledged to the Group. Other bank loans totally of HK$148.6 million were secured by the investment properties, property in Hong Kong and pledged deposits respectively. The remaining bank borrowings were unsecured.

As at 31 December 2010, our cash and bank balances including the trust and segregated accounts totalled HK$1,102.2 million as compared to HK$1,106.1 million at the end of the previous year.

Total deposits of HK$0.6 million were pledged as securities for a standby letter of credit facility and bank guarantees granted by banks to the Group. In addition, pursuant to a letter of undertaking provided by the Group to a bank, the Group undertakes to maintain deposits of not less than HK$15.0 million with the bank as a pre-condition for an overdraft facility of HK$15.0 million granted by this bank. Accordingly, a bank deposit of approximately HK$17.1 million was held for this purpose.

The liquidity ratio as at 31 December 2010 remained healthy at 1.2 times, as compared to 1.1 times as at 31 December 2009. The gearing ratio as at 31 December 2010, which represents the ratio of interest bearing borrowings of the Group divided by the total equity, decreased to 46.3% from 53.3% as at 31 December 2009. The decrease was due to the strengthened capital base after the aforesaid placing. On the other hand, we have no material contingent liabilities at the end of the year.

Foreign Exchange Risks

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

Material Acquisitions and Disposals

In January 2011, subsequent to the reporting date, the Group announced a possible spin-off of Pricerite Stores Limited and its fellow subsidiaries (part of the Retail Group) for a separate listing on the Main Board of the Stock Exchange. The possible spin-off is in progress.

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

Capital Commitment

As at 31 December 2010, the Group did not have any material outstanding capital commitment.

Material Investments

As at 31 December 2010, the Group was holding a portfolio of listed investments with market values of approximately HK$42.4 million and net gain on listed investments and unlisted investment funds totally of HK$71.4 million was recorded for the year.

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

Industry and Business Review

Financial Services Group

Industry Review

Two-thousand-and-ten continued to be a year of recovery for both the global economy and equity markets. Global GDP is now back to its pre-crisis level. However, the phase and pace of recovery varies considerably across different regions. Western economies remained sluggish in contrast to the buoyant East. During 2010, the emerging economies, which represent approximately one-third of the world's GDP, accounted for more than two-thirds of the global growth. Against this backdrop, these countries experienced an abundant influx of funds that fuelled asset and commodity prices. A number of fast-growing countries including China, India, and Brazil have hiked interest rates to curb local inflation.

In the Mainland, the Central Government promptly increased the banks' reserve ratio and interest rates when CPI hit the 4% threshold. It also introduced a series of administrative measures to contain the surging housing prices, while home affordability has consistently become the most burning issue in all forums. These policies include limiting home ownership per family to one unit in twenty major cities and reducing the loan-to-value ratio for financing the second or third property purchase. Some of these policies have helped slow down the growing pace in tier-one cities. Meanwhile, stock market sentiment was sluggish with the Shanghai Composite index ending the year at 2,940, a decline of 14.5% since the beginning of the year.

The Hang Seng index rebounded moderately with a 5.3% gain to conclude the year at 23,035. In terms of market capitalisation, the index rose HK$17.87 trillion since the beginning of this year and ended the year with an increase of 18% to HK$21.08 trillion. The average daily turnover was at HK$69 billion, 10.9% higher compared to the previous year.

While the market turnover and index level held steady, 2010 marked another record year for total funds raised in Hong Kong. After a historical year of 2009, the corporate finance activities continued to grow quickly following the quantitative easing adopted by various developed countries. Both primary and secondary fund-raising, mergers and acquisitions activities were vigorous and aggregated HK$850 billion of new funds. For example, the world largest dually-listed IPO in 2010, Agricultural Bank of China, raised HK$171 billion. Hong Kong listed 113 companies and raised HK$445 billion to finish the year first in the world.

Business Review

The local stock market turnover for the year was 10.9% higher than that in 2009. The Group's financial services group recorded a revenue of HK$283.0 million, an increase of 13.6% compared to HK$249.0 million last year.

Securities Broking

Trading volume of the Hong Kong securities market showed a moderate growth compared to 2009. Yet the Group experienced a significant rise in trading volume thanks to the successful strategy of the year for strengthening the institutional sales force, establishing a team of client relationship manager to serve the premium clients, developing trading models, strategies and tools to cater for the rapidly changing market environment and increasingly sophisticated trading requirements of various investor categories.

The income for the margin financing business rebounded quickly due mainly to the record-breaking IPO activities and the differential pricing for various investors during the year under review. To capture opportunities that arose from the sharp increase in IPOs, we introduced a differential interest rate scheme for clients who have different borrowing requirements. The new programme offers reduced funding rates for IPO financing for clients with low gearing. The new pricing strategy helped bring in new clients with different IPO funding needs.

On the back of the quantitative easing adopted in several major developed countries, the commodities market experienced strong inflows of funds and significant price increases to mark a record-breaking year. Both the broking and margin financing income displayed a healthy recovery in 2010.

While the number of our frontline sales agents remained steady, the average age of the group has been increasing throughout the past years. To maintain the vitality of the team, we made special efforts to attract younger talents and provide additional guidance and training. We believe this strategy will help replenish the retiring workforce as well as rejuvenate the team. In addition, the sales force for institutional clients has been strengthened to capture the increasing demand from institutional investors and fund raising for private equity and PIPE deals.

Wealth Management

While competition was more intense than ever during the year under review, we managed to maintain a steady turnover thanks to the adaptive strategies adopted in the early part of the year. In 2010, the business unit expanded its presence in China by relocating seasoned managers to the headquarters in Shanghai. This relocation strategy has helped instill financial planning concepts into the local staff who are now better equipped to serve clients with wealth management needs.

In an effort to control the increasing overheads, the unit streamlined the department structure and moved into a new office to ensure a more efficient operation and cohesive working environment in the last quarter.

With an objective to smooth out revenue volatility and increase income diversity, the unit set up an advisory team with strengthened service and research capability to serve high-value clients. Under this prestige programme, clients will receive active portfolio management and valued-added services. The new offering will help retain and attract new funds from both within and outside the existing business system.

Positioned as a total solution wealth management service provider, our frontline sales professionals are equipped with multiple tools that cater to clients' diverse investment needs, including MPFs, general insurance, asset management and securities broking. Looking ahead, the unit will continue to recruit qualified agents and provide systematic training on product knowledge and marketing skills to enhance productivity.

To further enhance the service scope and capability of the advisory team, the unit will strengthen the fund research and investment advisory content to support the introduction of model portfolio service. This new product will serve to complement our third-party offerings. The objective is to provide unique and personalized service to suit the needs of our clients and deepen the firm-client relationships.

One of the key strategies in 2011 is to devote more resources to the development of the China market with a view to significantly increasing its new business volume in the coming year. In so doing, it will leverage on the existing platform in China and expand its presence in Southern provinces.

Asset Management

As an important driver of our strategy of product and income diversification, the asset management business achieved a 30% growth in the second half of 2010, outperforming the increase in Hang Seng Index and Hang Seng China Enterprises Index, thanks to the recovery of the stock market, abundant flows of capital via Hong Kong to the China market, and more importantly our persistent efforts to achieve higher risk-adjusted returns for clients. The result reinforces our belief in the benefits derived from this business model: a growing opportunity to increase the base income and earn incentive fees when we achieve superior investment returns for our clients.

To promote the asset management service, the division took every opportunity to work with financial media to gain exposure and enhance corporate brand throughout the year. Our research and commentaries are now well followed by the market.

We expect while excess liquidity to stay in the foreseeable in China, the government will continue to implement various monetary tightening policies to combat inflation. That said, attractive valuations and long term growth prospects will support the continued recovery of the market. We are confident that the business unit will be able to capitalize on the momentum and achieve an above-average growth in 2011.

On the service level, the unit is contemplating the introduction of a new fee structure for different market segments. The combination of reduced management fee and higher performance fee appeals to the fee sensitive individuals. This fee structure is popular in China and we believe it will help attract new business from this market.

Investment Banking

The corporate finance activities in the world were vigorous in 2010. With the help of the year's largest IPO Agricultural Bank of China, Hong Kong was again ranked top in terms of funds raised in the year. Against this backdrop, the business unit maintained its strategy to focus on financial advisory and corporate transactions. It participated in a number of transactions in the capacity of placing agent, underwriter and financial adviser and made a remarkable profit contribution in the year. By taking a proactive approach, the business achieved good success in fund raising for clients via IPO, rights issue, share placing and equity line of credit. It has also secured sponsorship mandates for IPO in 2011. The effective implementation of the strategy helped the business expand its income as well as client base.

In light of the steaming IPOs and the secondary market activities locally, 2011 is expected to be another robust year for capital market transactions in Hong Kong. The investment banking business will continue to seek fund-raising and IPO opportunities in addition to financial advisory services for mergers and acquisition activities and corporate transactions. The division will also serve as a source and agent to line up fund-seeking corporations and investors.

China Development

One of the Group's key strategies in recent years is to focus on the positioning of our footing for business development in China. With that, the Group continued to dedicate more resources to China in 2010 with a view to enhancing the driving force of the development. In so doing, we set up two new offices in Xiamen and Xi'an in addition to the existing locations in Beijing, Chongqing, Shenzhen, and the head office in Shanghai. Each office actively participated in investment seminars organized by local operators and media to provide educational information on wealth management and investment. These joint events were effective in gaining market exposure and promoting our brand to prospective clients. After joining WTO, China was going through tremendous change both in terms of government polices for the financial markets and investor's behaviour. The chance to meet the investing public face-to-face in exhibitions and seminars helped us reinforce our local strengths. The offices in China also serve as the local contacting points for business associates and partners for the Group.

In addition to brand marketing and positioning for future development, the setup in China also functions as a back and support office. It has assumed a good part of the operational work for the Group, freeing up resources in Hong Kong to focus on client servicing and location-specific tasks. This original cost savings project has now elevated to a need-based strategy as the Hong Kong market becomes more China-focused. An increasing number of companies and amount of market information are now drawn from China. The local offices function more effectively in terms of data gathering and produce more market-based research.

As part of the network building strategy, we formed two alliances with local institutions to promote our brand and services. With Zhongcai Futures, an established futures dealing company in Eastern China, we provided training and published research on index futures. We believe investors' education is an important element in developing a healthy investment environment. Along this belief, we set up a training centre with Northwestern University of Xi'an to facilitate on-the-job training for finance graduates. We believe this is part of our corporate social responsibilities to educate the general public about investment and promote a regulated investment society. While fulfilling our corporate responsibility, these collaborations have also enhanced our brand awareness among the local sophisticated investing public. We believe brand recognition is crucial for the development of our business.

We plan to expand our coverage network by opening new offices in cities which we believe present significant potential for business development due to their concentrated or emerging high-net-worth market in the medium terms. Special attention will be given to the business development in the Pearl River Delta where the GDP growth and securities trading volume ranked top in the country. Our objective is to continue to build networks and connections in preparation for the eventual opening up of the market.

New Business

In recent years, there has been a strong demand for immigration advice to people interested in obtaining the Hong Kong resident status. In response to the appealing business opportunity, the Group set up an immigration advisory service division in late 2009. The qualified investment under the Capital Investment Entrant Scheme has recently been restricted to financial assets only. This new policy will help divert funds under the Scheme to financial institutions like CFSG. The investment in financial assets under the Scheme generates attractive revenue and recurring fee income throughout the investment period. The business unit will take advantage of this policy change and work more closely with the investment advisory team to promote the immigration service.

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

Other Development

CASH SNS is the world's first comprehensive social networking website of its kind in the financial community. To promote benefits and usage of the site, we launched a series of simulated trading competitions in Hong Kong and Mainland China which received overwhelming responses from the investing community. The website includes a wide array of features. One can find not only financial news, but also games, video sharing, celebrity blogs and etc. All in all, it is a web space where investors meet friends who share the same interest and exchange stock tips and trading ideas.

To provide convenient and technologically advanced features to our clients, we collaborated with SmarTone-Vodafone to launch the first and only mobile IPO application service in Hong Kong. The application allows users to apply for IPOs, view stock quotes and news on the mobile device anytime anywhere.

As an ongoing effort to improve service experience, we launched iPhone App CASH RTQ, the first one-stop real time stocks and index futures quotation application which at the same time offers placing orders and portfolio information. We were in the top position of iPhone App download (finance category) quickly after the launch. Through CASH RTQ, users can easily access real-time snapshot or streaming quotes, do trading and manage their portfolio. The application is connected to the 3G mobile trading platform which enables users to capture every investment opportunity in the market.

In recent years, the demand for RMB-denominated investment products has been growing substantially as the Hong Kong stock market is increasingly related to that of China and RMB savings are rapidly accumulating locally. In an effort to prepare for the introduction of RMB-denominated products, we have modified our trading platform and settlement system for the new development.

Outlook

Asia, led by the fast-growing China, will continue to fuel global economic growth in 2011. Neighboring economies like Taiwan and Hong Kong will benefit from their privileged access to the Mainland, be it trade, tourism, or capital markets. In Hong Kong, the real GDP is expected to show a growth of 4% - 5% as it continues to benefit from the local real estate boom, tourism and offshore RMB centre strategy.

With the excess liquidity worldwide and expected asset and consumer price inflation in East, interest rates in emerging economies will likely continue to rise over the course of next 12 months. Yet, the US will likely embark on another round of quantitative easing, forcing it to keep interest rates at almost zero for longer. The risk lies in the West. With many government and bank debts due for renewal in the near term, the ability to refinance these debts is a concern. Many Western economies are experiencing slow growth domestically with stagnant wages and falling real estate prices offset by imported inflation as a result of rising commodity prices. The mixed forces make the policy direction more complex. Premature or delayed policy tightening could hamper the already fragile recovery.

After achieving a double-digit GDP growth two years in a row, the Mainland government proved to the world China's economic resilience. While 2011 will be the first year of the 12th Five Year Plan, the ability of the economy to maintain a high digit growth is almost certain. Against a backdrop of higher-than-expected inflation in 2010 especially that of real estate, food and wages, the government has switched from a growth-focus to a stable-oriented economic policy. It will likely combine monetary and administrative measures to stabilise economic growth.

Corporate Strategy

The Group is generally optimistic about the economic outlook for 2011. Corporate earnings continue to look favorable against a backdrop of strong economic growth in China. The Group believes the economy will continue to recover but at a lower rate compared to 2010. That said, real wages in recent years have remained nearly static but property, and food costs have been increasing at double digits and more. Consequently, the living index of salaried people is deteriorating. The combination of loose liquidity and rising inflation is a main challenge ahead that could diminish the global and local market confidence.

The Group took an aggressive stance in 2010 to focus on "profitability and growth" in its business propositions, in particular in the development of new businesses and China. The Board believes that the 21st century is the century of China. China is a growth engine and offers a once-in-a-lifetime window of opportunities to the world. China's development in the next 10 years will bring profound impact to the world. More importantly, the Group has built a strong platform that positions itself favorably as it aims to accelerate the pace of growth.

Two-thousand-and-eleven will be a year where we focus on expanding our growth through client acquisition. In addition to reactivating dormant accounts and converting prospects into clients, we will leverage on our existing client base to further develop the enterprise client base.

Leading the pack with advanced technology attributes that provide convenient service will continue to be an objective for platform development. We believe infrastructure is a core component of our business operation, which supports our client relationship management systems, dealing systems and product databases. We will keep on investing in infrastructure that is key to our positioning as a boundary-less service provider.

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

With the PRC market as our future expansion focus, we aim to equip our platform with multi-faceted and diversified capabilities in preparation for the eventual opening up of the financial markets. In the meantime, we will continue to work with Mainland securities and brokerage firms for referral opportunities.

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

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

Retail Management - Pricerite

Riding on the economic recovery in 2010, Pricerite has accelerated its growth strategies in 2010. During the year, we have opened 7 new stores and successfully managed to renew most of the existing stores, expanding our sales area in Hong Kong at a satisfactory pace.

Continuing the rejuvenation programme from previous years, we have fully implemented revamped store format, by new store design and new concept, in all new stores and existing stores with lease renewal during the period. Such store revamp including new store interiors covering fixtures and racks, lightings, flooring and display settings, new corporate logo as well as enhancement in store operating system.

Benefiting from both better buying sentiment and our expansion strategies, we have achieved a significant growth in store traffic, transaction size and average sales ticket size. Year to year sales growth, in particular, has outperformed industry statistics published in overall retail sales level and furniture and fixtures category level.

Store Revamp

Our new corporate logo was widely adopted at Pricerite stores. The new corporate identity together with the introduction of revamped store format has created a more comfortable and cozy shopping environment with a feel of home. In the newly opened Pricerite stores in 2010, we have increased area of room setting and introduced a new idea of home-setting display to provide more home decorative ideas to customers, helping them better visualize the mix-and-match effect of our home furnishing items. In addition, we have added iProduct corners in some new stores to demonstrate our new digital product catalogues using iPad devices. Customers can use the iPad device to view detailed product information and latest promotion offers at their fingertips.

New Corporate Identity

With the adoption of new corporate logo in late 2009 to better convey our core values and operating philosophies, namely, people and customer focus, rejuvenation by innovation and commitment in green, we have launched a TV campaign to promote our “Service from the heart” and caring cultures in early 2010. The TV campaign featured our stringent control in quality assurance and our “One-to-one customer service”. Our brand promises in exceptional value were not now only delivered through great products and cozy shopping environment, but also through our differentiated services.

Service Differentiation

Our "One-to-one customer service" set the new standard in the home-furnishing retail market that it benchmarks the personalized service agents provide to their own clients in financial service industry. Each of our specialized furniture salesperson is committed to serving customers beyond sales floor. For every furniture transaction, each specialized salesperson will present a name card with dedicated mobile number to customers for any enquiry before and after product delivery. We believe such end-to-end shopping experience could save our customers lot of hassle and enhance the entire shopping experience.

Macau home delivery service was another new service initiative in 2010. With increasing customer enquiries about product delivery to Macau, we have during the year offered door to door furniture delivery service to Macau customers, aiming to deliver customers a more convenient shopping experience.

Another Year of Service Excellence

Our excellence in customer services was further recognized when we won the 2010 Service & Courtesy Award in both Supervisory Level and Junior Frontline Level (under Furniture & Home Accessories Category) organized by Hong Kong Retail Management Association. The award is highly respected as the Oscars of the retail trade in Hong Kong. Among the keen participating retail practitioners, Pricerite have occupied 7 out of the 9 finalists in the Award programme. Earlier in the year, we have also won service awards including 42nd Distinguished Salesperson Award (DSA) organized by The Hong Kong Management Association, The Hong Kong Top Service Brand Award, Certification Trade Mark - Quality Tourism Service Scheme, Q-Mark Service Certification, Business Super Brands & Super Brands, 2009 Customer Service Excellence Award - Bronze Award (Counter Service) and 活力之星 organized by FACE Magazine Marketing Limited.

Product Innovation

During the year, we rolled out Tailor Size Furniture, which offered customers minor size tailoring service (and colors in some models) in most of our wooden furniture, sofas and mattress according to their requirements.

On the other hand, further to the launch of Tailor Made Furniture (TMF) in 2009, we have increased our TMF counters and specialized consultants at selected stores, facilitating TMF service processing.

We have also adjusted of our product mix to cater for changes in economic situation and customer preferences. Following the economy recovery, we have introduced more furniture series with such quality material as full Italian leather or wood veneer. Our aims remain to offer stylish products with high quality and practicality at affordable prices.

To cope with the business expansion, we have strengthened our merchandising and product development team and accelerated our development in household product ranges. Different sustainable materials were explored and applied in new product development.

Corporate Awards

In early 2010, Pricerite received the Silver Award of the 2009 Hong Kong Awards for Environmental Excellence - Sectoral Awards, being the highest award granted by The Hong Kong Awards for Environmental Excellence (HKAEE) in the year under Retailers sector. We also received Wastewi$e Label in Excellence Class organized by HKAEE. The awards demonstrated that we have put continuous effort in developing sustainable green measures and put them in practices.

Other awards we won included ERB Manpower Developer Award Scheme - The honour of Manpower Developer 1st, for our professional training & development to staff; Hong Kong Corporate Citizenship Award - Enterprise sector in services industry & Hong Kong Corporate Citizenship Award - Outstanding Corporate volunteer team; as well as Caring Company - 5 Years Plus, for being a caring brand for 5 consecutive years. We were delighted to see that our commitment in being a caring and social responsible organization was once again recognized by the market.

Outlook

Year 2011 is unquestionably another year of challenges and opportunities. The ongoing rising of rental, the statutory minimum wage (SMW) rate and the inflationary pressure of all other aspects will unavoidably increase the operating expenses. Yet, we believe that we will continue to benefit from the vigorous momentum generated in 2010 for further business growth.

More importantly, Pricerite regard 2011 a right moment to realize China market development plan. We have planned in develop retail network in Guangdong province and are currently preparing our first store in Guangzhou. Outside Guangdong Province, we had during the year entered into a franchising arrangement with OrientHome, one of the largest distributor and retailer of building materials, home furnishings and lawn & gardening equipments in China. We are excited that such expansion strategies will enable us to build retail presence and capture market share in China within a short period of time.

EMPLOYEE INFORMATION

As at 31 December 2010, the Group had 1,379 employees. Our employees were remunerated according to their performance, working experience and market conditions. The total amount of remuneration cost of employees of the Group for the year under review was approximately HK$222.6 million.

Benefits

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

Training

The Group has implemented various training policies and organised a number of training programs aimed specifically at improving the skills of its employees and generally to increase the competitiveness, productivity and efficiency of the Group including training in areas such as product knowledge, customer service, selling techniques, team building, communication, languages, presentation, coaching, quality management and also professional regulatory training programs as required by regulatory bodies. The Group also arranges for relevant staffs, who are licensed persons under the SFO, to attend the requisite training courses to fulfill/comply with the continuous professional training as prescribed in the SFO. The Group conducts an initial staff orientation for new employees in order to familiarise them with the Group's history and strategy, corporate culture, quality management measures, rules and regulations. This orientation aims to prepare the new employees for the positions by establishing a sense of belongingness and cooperation; by supplying necessary information that resolves an employee's concerns; and by removing any potential barriers for job effectiveness and continuous learning.

CORPORATE GOVERNANCE

The Board has adopted a set of corporate governance principles ("Principles") which aligns with the requirements set out in the Code on Corporate Governance Practices ("CG Code") and the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") contained in the Listing Rules. The Board had also in writing made specific enquiry to each executive director and independent non-executive director in respect of the due compliance of the rules and principles relevant to the Model Code. During the financial year ended 31 December 2010, the Company had duly complied with the Principles, the CG Code and the Model Code and the Board is not aware of any deviations from them.

REVIEW OF RESULTS

The Group's audited consolidated results for the year ended 31 December 2010 have been reviewed by the Audit Committee of the Company.

PURCHASE, REDEMPTION OR SALE OF THE COMPANY'S SECURITIES

During the year ended 31 December 2010, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

SCOPE OF WORK OF DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2010 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

On behalf of the Board
Bankee P Kwan
Chairman

Hong Kong, 11 March 2011

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

Executive directors:

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

Independent non-executive directors:

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