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

(Incorporated in Bermuda with limited liability)

Stock Code: 111

5 years+ 商界展關懷 caringcompany

Awarded by The Hong Kong Council of Social Service 香港社會服務聯會頒發

2011 Annual Report

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Corporate Information

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

Chairman's Statement

Year 2011 was clouded by the sovereign debt crisis in the developed countries, and caused slowdown in global economic recovery. The deterioration of the European debt crisis imposed great impact on the financial market, which led to deterioration in the global investment environment and as a result, investors became more prudent. Apart from the international economic and financial impacts, Hong Kong was also influenced by the adjustment in China's economic structure and tightening monetary policy. The securities industry was under greater pressure, resulted from a wave of competitive commission reduction in the industry and high inflation. Cinda International was inevitably affected.

Amidst such challenging economic environment, we stick to the prudent principle in our operation and had adopted necessary adjustment accordingly. We re-commenced our asset management business during the year, and have established an associate with a team led by the former senior management in the Asia-Pacific Region of an international investment bank, and set up two private equity funds. We also expanded into the fund management business in the Mainland at the end of the year by establishing a private equity fund management company. Apart from the above, we have stream-lined the structures of the investment banking and broking business. To strengthen our capital base, we announced the Rights Issue in March which was well received with the pro rata subscription by almost 99% of shareholders, while over 100 times over-subscription was recorded for the remaining 1% Right Shares. The above measures have probably laid down a solid foundation for our future development.

Last year was the first full financial year of China Cinda Asset Management Co., Ltd ("China Cinda"), our parent company, after transforming into a joint stock company, and it had achieved a very promising result. Building on the distressed asset business, China Cinda has developed into a comprehensive financial group with wide coverage in regulated businesses such as investment banking, securities, futures, insurance, trust and financial leasing. Cinda International as a Hong Kong listed company, and with its knowledge and experience in the foreign markets (especially the Hong Kong market), are in a privileged position to assist our parent company in developing foreign business and going international while benefiting the development of our business.

Last year was the first year of the "Twelfth Five Year" Plan of China. The "Twelfth Five Year" Plan emphasizes the importance of the change in China's model of economic growth with the adjustment of the economic structure by boosting innovation and domestic demand. The economic growth target of the "Twelfth Five Year" Plan remains at an average of over 7% a year. For this year, China had determined the target of maintaining an economic growth rate of 7.5%. Hence, we are full of confidence about the future development of China.

Notwithstanding a difficult year in which we faced with an overall recessing investment market in 2011, we are confident in overcoming different challenges after our adjustments and capital enhancement, the support from China Cinda and the economic development of China. Lastly, I would like to take this opportunity to express my gratitude to our shareholders, staff and business partners for their continuous support.

Chen Xiaozhou
Chairman

Hong Kong, 28th March 2012

Management Discussion and Analysis

OVERALL PERFORMANCE

The investment sentiment in 2011 has been hugely affected by the fear surrounding the European debt crisis. The threat of defaults on European sovereign debts has spread to some countries with previously high ratings such as France and Italy. Fears that systemic risk from the defaults could lead to the collapse of the financial system in Europe has caused a contraction in credit. As a result, the money supply in Europe has shrunk. In addition, the tightening monetary policy from the increase of the deposit reserve ratios for banks in the People's Republic of China ("PRC") did not stop until December 2011 when The People's Bank of China announced a reduction in the deposit reserve ratios to release liquidity. The investment market, which largely depends on market liquidity, was therefore severely affected. Possibly the most lucrative business was for money lenders or liquidity providers.

In 2011, the Hang Seng Index opened at 23,135 and closed at 18,434, representing a 20 percent decrease on a year-on-year basis. However, the most shocking drop was the Hang Seng Index's tumble from 20,975, the highest in September 2011, to 16,170 in early October 2011, representing a decrease of 23 percent in about a month. Most retail customers sustained a loss. The market turned sour in the last quarter, with average daily market turnover falling to HK$46 billion in December, the lowest for the year. In addition, we also saw some sizeable companies withdrawing or delaying their initial public offerings ("IPOs") due to poor market response.

As a player focusing on the equity market, our income was inevitably negatively affected. In addition, inflation in Hong Kong remained high despite the unfavourable news permeating the market. The cost of operations increased, mainly due to the high cost of staff and rental. As a result of economic downturn and high cost of operations, our total revenue was HK$84.5 million (2010: HK$103.8 million), representing a decrease of 19 percent. Operating expenses, excluding commission payouts, were HK$90.5 million (2010: HK$87.8 million), representing a 3 percent increase. Taking into account the share of losses in associates, a resultant loss of HK$31.1 million (2010: profit of HK$11.4 million) was recorded.

CORPORATE FINANCE

This segment experienced restructuring during the year. The Group recognised the importance of human resources in this business and recruited a new team with investment banking and equity capital market experts to strengthen our business. Our focus has also turned to IPOs and primary market deals in conjunction with the established financial advisory business. In spite of the poor market, we succeeded in solely sponsoring one IPO listed on the Main Board in the last quarter. Turnover decreased to HK$34.2 million (2010: HK$46.7 million), representing a fall of 27 percent. Segment loss before interest and tax was recorded as HK$3.6 million (2010: profit of HK$4.6 million).

SECURITIES BROKING

Competition in the retail broking market remained fierce. We not only saw brokerage commission drop to as low as several dollars per trade, but also credit policy loosened to attract retail customers. An imbalanced situation appeared, with rising risk on the one hand and thinning returns on the other. The transaction volume in the market in 2011 advanced only 1 percent from 2010. The effects of reductions in commission could not be compensated for by an increase in volume. Moreover, the requirement of advanced information technology systems, as well as the tightening regulatory requirements further increased the pressure on the cost of operations. Consequentially, turnover decreased to HK$23.3 million (2010: HK$50.2 million), while the segment results showed a loss of HK$10 million (2010: profit of HK$7.5 million).

Management Discussion and Analysis

ASSET MANAGEMENT

The Group has successfully attracted powerful partners to develop business in asset management. Leveraging the experience and background of our partners, the fund management business resumed in the middle of the year with the formation of an associate engaged in managing private funds. An absolute return fund and an equity fund were established during the year. The Company invested US$10 million into the absolute return fund to foster its growth. In addition, to extend our coverage of the asset management market in the PRC, an associate will be formed in Xiamen with Sino-Rock (an associate of the Company) and a local governmental corporation to manage a private equity ("PE") fund which is yet to be established. The PE fund aims to capture opportunities emerging from the "Three Linkages" between Taiwan and the mainland. As the associates were in their early stages, they hardly contributed to the Company's results. Sino-Rock's business was stable, but it was not immune to the poor sentiment. The decrease in fair value of financial assets held by Sino-Rock has led to the share of loss from this associate. However, as the PE investments held by the associate are of high quality, we believe they will contribute positive earnings to the Group in the future. In addition, our asset management team continued to explore investment opportunities for the Group to bolster returns. The segment recorded turnover of HK$8.1 million (2010: Nil) which was mainly derived from advisory fee from the associate engaged in managing private funds and incurred a loss of HK$2 million (2010: loss of HK$1.1 million).

COMMODITIES AND FUTURES BROKING

As for securities broking, the commodities and futures broking business faced severe price competition too. Some peers in the market bundled commodities and futures broking with securities broking so they could offer extremely low commission to customers. Commissions for a Hang Seng Index contract could often be found to be HK$10 or lower. Commission for contracts in overseas markets was also at a very low level despite the risk being higher. The cost of operations was in no way reduced because of the high inflation. As a result, although income in this segment increased to HK$4.6 million (2010: HK$3.8 million), loss grew to HK$3.9 million (2010: loss of HK$3.1 million).

FINANCIAL PLANNING AND INSURANCE BROKING

The fluctuation and downward adjustment in the equity market in the third quarter of the year negatively affected the investors' appetite for personal financial products, such as the investment linked insurance products on which this segment focused. We only saw a small increase in turnover in the second half of the year as compared to that of the first half. Turnover for the year was HK$5.6 million (2010: HK$9.9 million). The reason for the drop was the unsatisfactory business volume recorded in the second half of the year. Segment loss was HK$2 million (2010: loss of HK$1.4 million).

FINANCIAL RESOURCES

The Group did not have any borrowings and its assets were liquid, with its current assets being over nine times its current liabilities. The Group companies licensed by the Securities and Futures Commission ("SFC") met the promulgated financial resource requirements. In order to provide funding to the Group to expand its asset management business and replenish the Group's working capital, the Company issued 106,867,600 new shares on the basis that one new share would be allocated to every five existing shares held on 15th April 2011. The subscription price was HK$1.1 per new share. Net proceeds raised were approximately HK$116.5 million, and these have been utilised accordingly.

FLUCTUATION IN FOREIGN EXCHANGE

The Group's assets were mainly denominated in Hong Kong dollars ("HKD") and Renminbi ("RMB"), whilst its liabilities of accrual and accounts payable were denominated in HKD. In light of the continuous, mild appreciation of the RMB against the HKD, the Group is confident that the exposure to foreign exchange will not have a material impact on its financial position.

Management Discussion and Analysis

REMUNERATION AND HUMAN RESOURCES DEVELOPMENT

The core of the Group's remuneration policy is to motivate its staff to achieve their business objectives and to retain high calibre staff. Certain staff members were remunerated with a fixed salary and performance-based bonus. Sales personnel were rewarded according to the income they generated. Apart from remuneration, fringe benefits and ongoing training were offered to staff of different levels. During the year, the Group reshuffled its staff structure and recruited new staff to its major business units. In line with the market situation, the Group increased its general staff's basic salaries during the year.

CONTINGENT LIABILITIES

Other than the corporate guarantees given to financial institutions or brokers to secure banking facilities for certain wholly owned subsidiaries, the Group has not entered into any guarantees or surety agreements. At the end of the reporting period, none of these facilities had been utilised. The directors considered it unlikely that any material claims would arise. Outstanding litigation cases are considered on a case-by-case basis. Should any case embody economic outflow, provision will be made accordingly.

LOOKING FORWARD

Worries about the European debt crisis, the lowering of the PRC's economic growth target and the bubble in property prices indicate the probability of an economic downturn in Europe and the PRC in the following year. In December 2011, the equity market was sluggish, creating a pessimistic atmosphere for 2012. However, the United States' economic figures are improving, even though the whole economy has not yet recovered. China has also lowered the deposit reserve rate to increase market liquidity. The default risk of Greece's debts has been mitigated. Hence, the overall performance of the equity market has recently started to pick up. It is generally believed that the worst has passed, although recovery might be slow.

The Group itself will continue to expand its three core business segments — corporate finance, asset management and brokerage — but will complement these with some short to medium term investment and financing opportunities to enhance the returns on equity. After the new corporate finance team has settled down, we are confident that we will succeed in sponsoring some IPOs. The asset management team is striving to outperform the market to attract new subscribers aiming to increase the size of its assets under management. For the brokerage business, we will also enhance our system and streamline our procedures to increase our efficiency to confront the keen competition.

Our parent company, China Cinda has finished its transformation and has reported very good performance in its commercialised operations. We envisage having marvellous opportunities in the PRC by leveraging our relationship with China Cinda. Furthermore, as the listed flagship in Hong Kong, we are in a privileged position to assist China Cinda in going international. We believe the integration of China Cinda's financial resources and our knowledge and experience in the international market will provide much benefit to the Group.

The coming year will be a volatile one with many uncertain factors surrounding the world's major economies. We understand that the road ahead will be hard, but we trust that we can overcome the difficulties and bring satisfactory returns to the shareholders.

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Chen Xiaozhou, aged 49, was appointed as an executive director and the Chairman of the Company on 2nd December 2008. Mr. Chen is the Chairman and an executive director of Well Kent International Investment Company Limited (a substantial shareholder of the Company within the meaning of Part XV of the SFO), the Chairman and a non-executive director of Silver Grant International Industries Limited (stock code: 171) (a substantial shareholder of the Company within the meaning of Part XV of the SFO) which shares are listed on The Stock Exchange of Hong Kong (the "Stock Exchange"), and the Chairman and an executive director of Sino-Rock Investment Management Company Limited (an associated company of the Company). Mr. Chen was a non-executive director of China National Materials Company Limited (stock code: 1893, the H-shares of which are listed on the Stock Exchange) from 31 July 2007 to 12 July 2011.

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

Mr. Gao Guanjiang, aged 59, was appointed as an executive director and the Deputy Chairman of the Company on 2nd December 2008 and 18th January 2009 respectively. He is also the Chairman of the Nomination Committee of the Company. Mr. Gao is currently the Chairman of Cinda Securities Co., Ltd., a company controlled by China Cinda (a substantial shareholder of the Company within the meaning of Part XV of the SFO).

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

Mr. Gu Jianguo, aged 49, was appointed as an executive director of the Company on 2nd December 2008. Mr. Gu is currently Assistant Chief Executive of China Cinda and an executive director of Silver Grant International Industries Limited (stock code: 171) (a substantial shareholder of the Company within the meaning of Part XV of the SFO) which shares are listed on the Stock Exchange.

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

Mr. Zhao Hongwei, aged 45, was appointed as an executive director and the Managing Director of the Company on 2nd December 2008 and 18th January 2009 respectively. He is also a director of certain subsidiaries of the Company and a director of Cinda Plunkett International Holdings Limited (an associated company of the Company).

Mr. Zhao obtained a Bachelor Degree in Science from Beijing Normal University, a Master Degree in Economics from Renmin University of China, a Ph. D Degree in Economics from the Chinese Academy of Social Sciences in 1989, 1993 and 1996 respectively. He has over 15 years of experience in investment banking, business administration and securities and finance.

Mr. Gong Zhijian, aged 45, was appointed as an executive director of the Company on 2nd December 2008. He is the Deputy General Manager of the Group and a director of certain subsidiaries of the Company. Mr. Gong has worked and held management positions in China Construction Bank Corporation (Xiamen Branch), the Accounts Department of China Construction Bank Corporation (Head Office), China Construction Bank Corporation (Shenzhen Branch) and Well Kent International Holdings Company Limited.

Mr. Gong graduated from Lujiang University and Zhongnan University of Economics and Law in 1987 and 2004 respectively. He has over 20 years of experience in commercial banking, investment banking, corporate finance and accounting management.

Biographical Details of Directors and Senior Management

Mr. Lau Mun Chung, aged 47, was appointed as an executive director of the Company on 3rd March 2007. He is the Deputy General Manager of the Group, a director and/or a secretary of certain subsidiaries or associated companies of the Company and the Company Secretary of the Company. Mr. Lau graduated from the University of Hong Kong with a Bachelor Degree in Social Science. Mr. Lau is a fellow member of the Association of Chartered Certified Accountants, an associate member of the Hong Kong Institute of Certified Public Accountants and a graduate of The Hong Kong Institute of Chartered Secretaries. Prior to joining the Group in 1999, Mr. Lau had already gained extensive experience in accounting, finance and taxation.

NON-EXECUTIVE DIRECTOR

Mr. Chow Kwok Wai, aged 45, was appointed as a non-executive director of the Company on 2nd December 2008. He is the Chairman of the Remuneration Committee of the Company. Mr. Chow is an executive director, a Deputy General Manager and the Qualified Accountant of Silver Grant International Industries Limited (stock code: 171) (a substantial shareholder of the Company within the meaning of Part XV of the SFO) which shares are listed on the Stock Exchange. Mr. Chow has worked in Price Waterhouse, which is now known as PricewaterhouseCoopers, and accumulated valuable audit experience there. Mr. Chow received his Bachelor Degree in Social Sciences from the University of Hong Kong in 1990. He is a Fellow Member of the Association of Chartered Certified Accountants, a Fellow CPA of the Hong Kong Institute of Certified Public Accountants and a Fellow Member of The Taxation Institute of Hong Kong ("TIHK"). Mr. Chow is also a registered Certified Tax Adviser of the TIHK effective from 7 September 2010. Mr. Chow has over 20 years of experience in accounting, financial management and corporate finance. He is also an independent non-executive director of Lijun International Pharmaceutical (Holding) Co., Ltd. (stock code: 2005) which shares are listed on the Stock Exchange, and an independent non-executive director of Youyuan International Holdings Limited (stock code: 2268) which shares are also listed on the Stock Exchange.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wang Tongsan, aged 63, was appointed as an independent non-executive director of the Company on 2nd December 2008. He is a member of the Audit Committee and the Nomination Committee of the Company. Mr. Wang is currently a member of the Chinese Academy of Social Sciences. Mr. Wang obtained his Master degree and Doctorate degree in Economics from the Chinese Academy of Social Sciences in 1985 and 1990 respectively. Mr. Wang has involved in the drafting of the State's reports and documents, and was the ex Dean at the Institute of Quantitative and Technical Economics, Chinese Academy of Social Sciences, and also the ex Chairman of the Chinese Association of Quantitative Economics.

Mr. Chen Gongmeng, aged 47, was appointed as an independent non-executive director of the Company on 2nd December 2008. He is a member of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company. Mr. Chen is currently the President of China Equity Investment Research Institute and Professor of Finance at the School of Economics and Management of the Shanghai Jiaotong University. He received his MBA degree and Ph D. in Finance from the University of Texas at Dallas in the USA in 1991 and 1995 respectively. Mr. Chen has over 14 years of teaching experience as a professor teaching various subjects including Financial Management, International Finance, Advanced Financial Management, Chinese Communication and Corporate Finance as well as supervising research students. During his teaching career, he developed and implemented numerous academic and professional programs.

Biographical Details of Directors and Senior Management

Mr. Hung Muk Ming, aged 47, was appointed as an independent non-executive director of the Company on 2nd December 2008. He is the Chairman of the Audit Committee and a member of the Remuneration Committee of the Company. Mr. Hung is a Certified Public Accountant (Practising) and is a Fellow CPA of the Hong Kong Institute of Certified Public Accountants. He is also a fellow member of the Association of Chartered Certified Accountants, a fellow of the Hong Kong Institute of Directors, an associate of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators. He is a Certified Tax Adviser and a member of The Taxation Institute of Hong Kong. Mr. Hung received his Bachelor Degree in Social Sciences from the University of Hong Kong in 1990, and a Master Degree in Corporate Governance from the Hong Kong Polytechnic University in 2008. From 23rd December 2004 till now, Mr. Hung is an independent non-executive director of Silver Grant International Industries Limited (stock code: 171) (a substantial shareholder of the Company within the meaning of Part XV of the SFO) which shares are listed on the Stock Exchange. He has over 20 years of experience in the accounting and audit sector.

SENIOR MANAGEMENT

Ms. Lau Yuk Ping, aged 46, is the Deputy General Manager of the Group responsible for overseeing the divisions of compliance and internal audit function, human resources and administration of the Group. Prior to joining the Group in August 1999, Ms. Lau worked in the compliance division of the Stock Exchange. Ms. Lau holds a Bachelor Degree in Business from Monash University, Australia and is a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants. She has over 19 years of experience in regulatory and compliance matters.

Mr. Liu Jialin, aged 49, is the Managing Director of the Group's asset management department responsible for overseeing the operation of various funds. He is also a shareholder and a director of Cinda Plunkett International Holdings Limited, an associated company of the Company and an independent non-executive director of Far East Horizon Limited (stock code: 3360) which shares are listed on the Stock Exchange. Prior to joining the Group in February 2011, Mr. Liu worked for Morgan Stanley group of companies and once served as a member of the Management Committee and Asia Executive Committee as well as a Managing Director in the Fixed Income Division in Hong Kong between 1992 to 2007. In 2008, Mr. Liu established Shelter Cove Capital Limited (now known as Voras Capital Management (HK) Limited). Mr. Liu has over 20 years of experience in finance and securities industry.

Mr. Liu obtained a bachelor's degree in science from Peking University and master of science in Physics from Massachusetts Institute of Technology.

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICE

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

Throughout the financial year 2011, the Group fully complied with the Code Provisions. The board of directors (the "Director(s)") of the Company (the "Board") continues to monitor and review the Group's corporate governance practices to ensure compliance.

BOARD OF DIRECTORS

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

Composition

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

Chairman and Chief Executive Officer

The roles of the Chairman and the Chief Executive Officer are separate and performed by different individuals.

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

Mr. Zhao Hongwei is the Managing Director of the Company who is responsible for the overall operation of the Group and performs the role of Chief Executive Officer.

Non-Executive Directors

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

The current non-executive Director and the three independent non-executive Directors of the Company are appointed for a term of two years and are subject to rotation in accordance with the provisions in the bye-laws of the Company. The Board had received annual written confirmation from all the independent non-executive Directors for the year 2011 and is satisfied that all independent non-executive Directors were acting independently throughout the year. No independent non-executive Director has served the Company for more than nine years.

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

Corporate Governance Report

Board Meetings

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

The attendance record of the board meetings held during the financial year 2011 is set out below:

Name of Director	**Number of meetings attended**	**Attendance rate**
Executive Directors		
Mr. Chen Xiaozhou *(Chairman)*	4/4	100%
Mr. Gao Guanjiang *(Deputy Chairman)*	4/4	100%
Mr. Gu Jianguo	4/4	100%
Mr. Zhao Hongwei *(Managing Director)*	4/4	100%
Mr. Gong Zhijian	4/4	100%
Mr. Lau Mun Chung	4/4	100%
Non-executive Director		
Mr. Chow Kwok Wai	4/4	100%
Independent Non-executive Directors		
Mr. Wang Tongsan	4/4	100%
Mr. Chen Gongmeng	4/4	100%
Mr. Hung Muk Ming	4/4	100%

In case Directors are unable to meet together, issues are resolved through written resolutions in the manner prescribed under the bye-laws of the Company. Materials are circulated and commented mainly through electronic mail.

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

Rotation of Directors

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

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules as its code of conduct for Directors dealing in its shares. All Directors confirmed that they had complied with the required standards at all times throughout the financial year 2011.

Corporate Governance Report

DIRECTORS' REMUNERATION

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

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

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

The Remuneration Committee held one meeting in the financial year 2011. The following is the attendance record:

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

In case members are unable to meet together, issues are resolved through written resolutions in the manner prescribed under the bye-laws of the Company. Materials are circulated and commented mainly through electronic mail.

NOMINATION OF DIRECTORS

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

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

The Nomination Committee had not held any meeting in the financial year 2011.

AUDITORS' REMUNERATION

The Group has appointed KPMG as the Group's external auditors who offer both audit and non-audit services to the Group. In the financial year 2011, the audit fees paid to KPMG and other external auditors totalled HK$1.75 million. For non-audit services, the fees amounted to HK$0.83 million for a review of the Group's interim financial report, acting as the reporting accountants of the Group's rights issue and other services.

Corporate Governance Report

AUDIT COMMITTEE

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

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

The Audit Committee held two meetings during 2011. Representatives from the executive Directors and the head of compliance and internal audit ("CAIA") are answerable in the Audit Committee meetings. After each Audit Committee meeting, a private session between the auditors and the independent non-executive Directors is held immediately. The following is the attendance record of the meetings held by the Audit Committee for the year:

Name of Committee Members	**Number of meetings attended**	**Attendance rate**
Mr. Hung Muk Ming *(Chairman)*	2/2	100%
Mr. Wang Tongsan	2/2	100%
Mr. Chen Gongmeng	2/2	100%

A summary of the work performed by the Audit Committee during the financial year 2011 is listed below:

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

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

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

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

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

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

ACCOUNTABILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledged their responsibilities for the preparation of financial statements for the Company which gives a true and fair view of the state of affairs of the Company as at 31st December 2011, and its loss and the cash flows for the year ended. The financial statements are prepared on the assumption of going concern and are in accordance with the statutory requirements and applicable accounting and financial reporting standards. The Directors also ensure that the publication of the financial statements of the Group is done in a timely manner.

The statements of the Directors and the auditor of the Company regarding their respective responsibilities on the financial statements of the Company are set out in the Independent Auditor's Report on pages 22 to 23 of this annual report.

Corporate Governance Report

INTERNAL CONTROL

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

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

OTHER CORPORATE GOVERNANCE PRACTICE

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

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

COMMUNICATION WITH SHAREHOLDERS

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

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

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

CORPORATE SOCIAL RESPONSIBILITY

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

Report of the Directors

The Directors submitted their report together with the audited financial statements of the Company and the Group for the year ended 31st December 2011.

PRINCIPAL ACTIVITIES AND SEGMENTAL ANALYSIS OF OPERATION

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

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated income statement on page 24.

No interim dividend has been declared for the year (2010: Nil). The Directors do not recommend the payment of a final dividend in respect of the year ended 31st December 2011 (2010: Nil).

SHARE CAPITAL

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

Rights Issue

On 29th March 2011, the Company proposed the Rights Issue of 106,867,600 Rights Shares on the basis of one Right Share for every five existing Shares held by qualifying shareholders of the Company on 15th April 2011 at the subscription price of HK$1.10 per Right Share. 105,683,031 Right Shares representing approximately 98.9% of the total number of Right Shares have been taken up by the eligible shareholders. The balance 1,184,569 being unsold Right Shares were oversubscribed approximately 110 times by qualifying shareholders. On 16th May 2011, a total of 106,867,600 new ordinary shares were allotted and issued by the Company to the qualified shareholders who had successfully taken up Rights Shares under the Rights Issue. The net proceeds from the Rights Issue, of approximately HK$116.5 million, was applied as to approximately HK$80 million for the development of asset management business of the Group and the remaining balance for the general working capital of the Company.

The details are set out in the announcements of the Company dated 29th March 2011 and 13th May 2011 and prospectus of the Company dated 19th April 2011.

RESERVES

Movements in the reserves of the Group and of the Company during the year are set out in page 28 and Note 24 to the financial statements respectively.

Distributable reserves of the Company as at 31st December 2011 calculated under the Company Act 1981 of Bermuda (as amended) amounted to HK$47,694,000 (2010: HK$64,476,000). Details are set out in Note 24 to the financial statements.

DONATIONS

Charitable donations made by the Group during the year amounted to HK$25,000 (2010: Nil).

FIXED ASSETS

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

FIVE-YEAR FINANCIAL SUMMARY

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

Report of the Directors

DIRECTORS

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

Chairman

Mr. Chen Xiaozhou

Deputy Chairman

Mr. Gao Guanjiang

Executive Directors

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

Non-executive Director

Mr. Chow Kwok Wai

Independent Non-executive Directors

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

In accordance with bye-law 87 of the Company, Mr. Chen Xiaozhou, Mr. Gu Jianguo and Mr. Gong Zhijian shall retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

DIRECTORS' SERVICE CONTRACT

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

DIRECTORS' INTERESTS IN CONTRACTS

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

Report of the Directors

CONTINUING CONNECTED TRANSACTION

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

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

The Company's auditor was 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. The Directors have received a letter from the auditors containing their findings and conclusions in respect of the continuing connected transactions disclosed by the Group in accordance with Rule 14A.38 of the Listing Rules.

CONNECTED TRANSACTION

On 23rd December 2011, a wholly-owned subsidiary of the Group, Cinda International Capital Management Limited ("CICM") entered into a JV Framework Agreement (the "Agreement") with 厦門金圓投資集團有限公司 (Xiamen Jin Yuan Investment Group Co., Ltd.) ("Xiamen Jin Yuan"), 杭州漢石投資管理服務有限公司 (Hang Zhou Sinorock Investment Management Service Limited) ("Hang Zhou Sinorock") and a city level branch of a licensed bank established in the PRC (the "Bank") (collectively the "Partners"), in which the Partners agreed to set up a fund (the "Fund") and a management company (the "Management Company") to manage the Fund. The Management Company will be established in Xiamen, Fujian, the PRC by CICM, Xiamen Jin Yuan and Hang Zhou Sinorock in the shareholding proportion of 35%, 25% and 40% respectively and the registered capital of which would be RMB50 million (equivalent to approximately HK$61 million) payable in full in cash by the Partners based on the proportion of their respective shareholdings upon the establishment. The total commitment of the Company to the Management Company amounted to RMB17.5 million (equivalent to HK$21,350,000). The Fund will be registered in Xiamen, Fujian, the PRC with the commitment amount of RMB102.5 million (equivalent to approximately HK$125 million) from the Management Company and Xiamen Jin Yuan in the amount of RMB40 million and RMB62.5 million respectively. The Fund size will be RMB1 billion. The balance of the capital contribution in the Fund will be raised by the Bank from qualified individual and institutional investors.

Hang Zhou Sinorock is a wholly-owned subsidiary of Sino-Rock Investment Management Company Limited which is indirectly owned as to 40% by the Group and as to 30% by Well Kent International Investment Company Limited, a substantial shareholder of the Company. Accordingly, Hang Zhou Sinorock is an associate (as defined under the Listing Rules) of the Company's substantial shareholder and is a connected person (as defined under the Listing Rules) of the Company.

Report of the Directors

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31st December 2011, the Directors of the Company who held office and their respective associates did not hold any interest or short position in the shares and underlying shares or debentures of the Company, its holding company, subsidiaries and other associated corporations (within the meaning of the Securities and Futures Ordinance ("SFO")) as recorded in the register of directors' interests and short positions required to be kept under section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules.

INFORMATION ON SHARE OPTIONS

The share option scheme currently in force was adopted in the 2006 annual general meeting of the Company held on 29th May 2006. No option has been granted in the year ended 31st December 2011 and as at 31st December 2011, there were no outstanding share options granted under the scheme.

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

1	Purpose of the Scheme	(a) Provide incentives or rewards to participants for their contribution to the Group. (b) Recruit and retain high-calibre employees and attract human resources that are valuable to the Group.
2	Participants of the Scheme	(a) Employees including executive Directors of the Group and its invested entities (b) Other persons who have made contributions to the Group as determined by the Board.
3	Total number of shares available for issue under the Scheme and percentage of issued share capital that it represents as at 31st December 2011	41,413,000 shares, equivalent to approximately 6.46% of the issued share capital of the Company as at 31st December 2011.
4	Maximum entitlement of each participant under the Scheme	No options may be granted to any participant, which if exercised in full would result in the total number of shares issued and to be issued upon exercise of the options already granted or to be granted to such participant under the Scheme or any other schemes of the Company (including exercised, cancelled and outstanding share options) in the 12-month period up to and including the date of such new grant exceeding 1% of the issued share capital as at the date of such new grant. Any grant of further options above this limit shall be subject to the approval of the shareholders of the Company in a general meeting.

Report of the Directors

5	Period within which the securities must be taken up under an option	The Directors may determine the period but this shall not end on a date later than ten years from the date of grant.
6	Minimum period for which an option must be held before it can be exercised	There is no such requirement, but the Directors can determine the period of holding.
7	Amount payable on application or acceptance of the option and the periods within which payments or calls must be made or loans made for such purposes must be repaid	Within 28 days from the date of the offer letter, the grantee must accept the offer in writing and remit in favour of the Company HK$10 per option, irrespective of the number of shares covered by the option.
8	Basis of determining the exercise price	The exercise price is determined by the Directors and it must be no less than the highest of: (a) the closing price of the Company's shares in the Stock Exchange's daily quotations sheet on the date of the grant of the relevant options (b) an amount equivalent to the average closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant of the relevant options (c) the nominal value of the Company's shares.
9	Remaining life of the scheme	The Scheme shall end on 29th May 2016.

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

As at 31st December 2011, so far as was known by the Directors and the chief executives of the Company, the following are details of the persons (other than Directors or chief executives of the Company) who had, or were deemed to have, interests or short positions in the shares or underlying shares of the Company which need to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Long position

Name of substantial shareholder	**Capacity**	**Number of shares or underlying shares held**	**Approximate percentage of the Company's issued share capital**
Sinoday Limited	Beneficial owner	403,546,200 *(Note 1)*	62.94%
Well Kent International Investment Company Limited ("WKII")	Interest through a controlled corporation	403,546,200 *(Note 1)*	62.94%
China Cinda Asset Management Co., Ltd ("China Cinda")	Interest through a controlled corporation	403,546,200 *(Note 1)*	62.94%
Silver Grant International Securities Investment Limited ("Silver Grant")	Beneficial owner	48,026,400 *(Note 2)*	7.49%
Silver Grant Securities Investment (BVI) Limited ("Silver Grant BVI")	Interest through a controlled corporation	48,026,400 *(Note 2)*	7.49%

Report of the Directors

Name of substantial shareholder	Capacity	Number of shares or underlying shares held	Approximate percentage of the Company's issued share capital
Silver Grant International Industries Limited ("Silver Grant International")	Interest through a controlled corporation	48,026,400 *(Note 2)*	7.49%
CCB International Asset Management Limited ("CCBIAM")	Investment manager	60,811,200 *(Note 3)*	9.48%
CCB International Assets Management (Cayman) Limited	Interest held by a controlled corporation	60,811,200 *(Note 3)*	9.48%
CCB International (Holdings) Limited	Beneficial owner	60,811,200 *(Note 3)*	9.48%
CCB Financial Holdings Limited	Interest held by a controlled corporation	60,811,200 *(Note 3)*	9.48%
CCB International Group Holdings Limited	Interest held by a controlled corporation	60,811,200 *(Note 3)*	9.48%
China Construction Bank Corporation	Interest held by a controlled corporation	60,811,200 *(Note 3)*	9.48%
Central Huijin Investment Ltd.	Interest held by a controlled corporation	60,811,200 *(Note 3)*	9.48%
Atlantis Capital Holdings Limited ("Atlantis")	Interest held through controlled corporations	50,500,000 *(Note 4)*	7.88%
Liu Yang	Interest held through a controlled corporation	50,500,000 *(Note 4)*	7.88%

Notes:

(1) These shares were held by Sinoday Limited. The issued share capital of Sinoday Limited was wholly owned by WKII which was a wholly-owned subsidiary of China Cinda. By virtue of the provisions of the SFO, WKII and China Cinda were deemed to be interested in all the shares in which Sinoday Limited was interested.

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

(3) These shares were held by CCBIAM in the capacity of an investment manager for the beneficial owner, CCB International (Holdings) Limited. CCBIAM is a wholly-owned subsidiary of CCB International Assets Management (Cayman) Limited which in turn is a wholly-owned subsidiary of CCB International (Holdings) Limited. CCB International (Holdings) Limited is a wholly-owned subsidiary of CCB Financial Holdings Limited which in turn is wholly owned by CCB International Group Holdings Limited. CCB International Group Holdings Limited is a wholly-owned subsidiary of China Construction Bank Corporation which in turn 57.10% of its interest is owned by Central Huijin Investment Ltd. Accordingly, CCB International Assets Management (Cayman) Limited, CCB Financial Holdings Limited, CCB International Group Holdings Limited, China Construction Bank Corporation and Central Huijin Investment Ltd. were deemed to be interested in 60,811,200 ordinary shares in the Company by virtue of the provisions of the SFO. Since 20 February 2012, CCB International Assets Management (Cayman) Limited ceased to be interested in the said shares.

(4) These shares were controlled by Atlantis Capital through the controlled corporations namely Atlantis Fund Management (Ireland) Limited, Atlantis Investment Management (London) Limited and Atlantis Investment Management (Hong Kong) Limited. Atlantis Capital is 100% owned by Liu Yang. By virtue of the provisions of the SFO, Liu Yang is deemed to be interested in all the shares in which Atlantis Capital was interested.

Report of the Directors

PRE-EMPTIVE RIGHTS

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

MANAGEMENT CONTRACTS

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

MAJOR CUSTOMERS AND SUPPLIERS

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

— the largest customer	26.31%
— the five largest customers combined	40.82%

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

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

PURCHASE, SALE OR REDEMPTION OF SHARES

Save as disclosed, the Company has not redeemed any of its shares during the year ended 31st December 2011. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year ended 31st December 2011.

SUFFICIENCY OF PUBLIC FLOAT

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

AUDITORS

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

By order of the Board

Chen Xiaozhou
Chairman

Hong Kong, 28th March 2012

Independent Auditor's Report

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

We have audited the consolidated financial statements of Cinda International Holdings Limited ("the Company") and its subsidiaries (together "the Group") set out on pages 24 to 83, which comprise the consolidated and Company statements of financial position as at 31st December 2011, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement 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.

AUDITOR'S RESPONSIBILITY

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

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

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

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

Independent Auditor's Report

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31st December 2011 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

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

28th March 2012

Consolidated Income Statement

For the year ended 31st December 2011

	Note	2011 HK$'000	2010 HK$'000
Continuing operations			
Turnover	5	**75,776**	98,413
Other revenue	5	**5,362**	861
Other net income	5	**3,395**	4,545
		84,533	103,819
Staff costs	6	**51,565**	44,418
Commission expenses		**12,434**	20,550
Operating leases for land and buildings		**13,797**	10,773
Other operating expenses	7	**24,939**	22,957
Total operating expenses		**102,735**	98,698
Operating (loss)/profit		**(18,202)**	5,121
Finance costs	8	**(7)**	(187)
		(18,209)	4,934
Share of (losses)/profits of associates	17	**(12,775)**	15,070
(Loss)/profit before taxation		**(30,984)**	20,004
Income tax credit/(expense)	9	**45**	(533)
(Loss)/profit for the year from continuing operations		**(30,939)**	19,471
Discontinued operations			
Loss for the year from discontinued operations	10	**(168)**	(8,056)
(Loss)/profit for the year		**(31,107)**	11,415
Attributable to:			
Equity holders of the Company		**(31,107)**	11,415
(Loss)/earnings per share			
Basic and diluted			
— From continuing and discontinued operations	13	**(HK5.17 cents)**	HK2.13 cents
— From continuing operations	13	**(HK5.14 cents)**	HK3.64 cents
— From discontinued operations	13	**(HK0.03 cents)**	(HK1.51 cents)

The notes on pages 30 to 83 form part of these financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31st December 2011

	Note	2011 HK$'000	2010 HK$'000
(Loss)/profit for the year		**(31,107)**	11,415
Other comprehensive income for the year:			
Share of associate's investment revaluation reserve			
— Change in fair value		**1,869**	11,297
— Transfer to profit or loss on disposal		**(6,844)**	(100)
Net movement in investment revaluation reserve		**(4,975)**	11,197
Share of associate's exchange reserve:			
— Exchange differences on translation of the financial statements of operations in the People's Republic of China		**2,290**	3,009
	17	**(2,685)**	14,206
Total comprehensive income for the year		**(33,792)**	25,621
Total comprehensive income attributable to:			
Equity holders of the Company		**(33,792)**	25,621

The notes on pages 30 to 83 form part of these financial statements.

Consolidated Statement of Financial Position

As at 31st December 2011

	Note	2011 HK$'000	2010 HK$'000
Non-current assets			
Intangible assets	*14*	**1,439**	1,439
Fixed assets	*15*	**7,637**	5,270
Interests in associates	*17*	**212,698**	152,158
Other assets	*18*	**7,428**	8,171
		229,202	167,038
Current assets			
Financial assets at fair value through profit or loss	*20*	**—**	23,935
Trade and other receivables	*21*	**93,189**	139,353
Bank balances and cash	*22*	**261,718**	223,311
		354,907	386,599
Current liabilities			
Trade and other payables	*25*	**37,355**	89,055
Taxation payable	*19*	**—**	533
		37,355	89,588
Net current assets		**317,552**	297,011
Total assets less current liabilities		**546,754**	464,049
NET ASSETS		**546,754**	464,049
Capital and reserves			
Share capital	*23*	**64,121**	53,434
Other reserves	*24*	**475,391**	372,266
Retained earnings	*24*	**7,242**	38,349
TOTAL EQUITY		**546,754**	464,049

Approved and authorised for issue by the Board of Directors on 28th March 2012.

Zhao Hongwei
Director

Lau Mun Chung
Director

The notes on pages 30 to 83 form part of these financial statements.

Statement of Financial Position

As at 31st December 2011

	Note	2011 HK$'000	2010 HK$'000
Non-current assets			
Intangible assets	*14*	**120**	120
Investment in subsidiaries	*16*	**272,102**	292,323
Investment in an associate	*17*	**78,000**	—
		350,222	292,443
Current assets			
Financial assets at fair value through profit or loss	*20*	—	23,056
Other receivables	*21*	**32,107**	400
Amounts due from subsidiaries	*16(a)*	**199,675**	176,326
Bank balances and cash	*22*	**78,899**	48,013
		310,681	247,795
Current liabilities			
Other payables	*25*	**625**	289
Amounts due to subsidiaries	*16(a)*	**127,044**	106,130
		127,669	106,419
Net current assets		**183,012**	141,376
Total assets less current liabilities		**533,234**	433,819
NET ASSETS		**533,234**	433,819
Capital and reserves			
Share capital	*23*	**64,121**	53,434
Other reserves	*24*	**496,910**	391,400
Accumulated losses	*24*	**(27,797)**	(11,015)
TOTAL EQUITY		**533,234**	433,819

Approved and authorised for issue by the Board of Directors on 28th March 2012.

Zhao Hongwei
Director

Lau Mun Chung
Director

The notes on pages 30 to 83 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31st December 2011

		Attributable to equity holders of the Company						
	Note	Share capital	Share premium	Capital reserve 24(a)	Investment revaluation reserve 24(c)	Exchange reserve 24(d)	Retained earnings	Total
		HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Balance at 1st January 2010		53,434	315,909	42,579	(449)	21	29,926	441,420
Profit for the year		—	—	—	—	—	11,415	11,415
Other comprehensive income		—	—	—	11,197	3,009	—	14,206
Total comprehensive income for the year		—	—	—	11,197	3,009	11,415	25,621
Transfer of available-for-sale investment by the Group's associate to the Social Security Fund	*24(f)*	—	—	—	—	—	(2,992)	(2,992)
Balance at 31st December 2010		53,434	315,909	42,579	10,748	3,030	38,349	464,049
Balance at 1st January 2011		53,434	315,909	42,579	10,748	3,030	38,349	464,049
Loss for the year		—	—	—	—	—	(31,107)	(31,107)
Other comprehensive income		—	—	—	(4,975)	2,290	—	(2,685)
Total comprehensive income for the year		—	—	—	(4,975)	2,290	(31,107)	(33,792)
New shares issued	*23, 24*	10,687	105,510	300	—	—	—	116,497
Balance at 31st December 2011		64,121	421,419	42,879	5,773	5,320	7,242	546,754
At 31st December 2011								
Company and subsidiaries		64,121	421,419	42,879	—	—	7,327	535,746
Associates		—	—	—	5,773	5,320	(85)	11,008
		64,121	421,419	42,879	5,773	5,320	7,242	546,754
At 31st December 2010								
Company and subsidiaries		53,434	315,909	42,579	—	—	25,659	437,581
Associates		—	—	—	10,748	3,030	12,690	26,468
		53,434	315,909	42,579	10,748	3,030	38,349	464,049

The notes on pages 30 to 83 form part of these financial statements.

Consolidated Statement of Cash Flows

For the year ended 31st December 2011

	Note	2011 HK$'000	2010 HK$'000
Net cash (outflow)/inflow from operating activities	29	**(26,109)**	82,636
Investing activities			
Purchase of fixed assets	15	**(5,516)**	(2,757)
Purchase of intangible assets	14	**—**	(120)
Sale of fixed assets		**—**	1
Sale of financial assets at fair value through profit or loss		**28,349**	36,499
Dividends received from listed securities	5	**—**	68
Dividends received from an associate	17	**6,000**	—
Purchase of financial assets at fair value through profit or loss		**(1,817)**	(53,017)
Acquisition of associates	17	**(82,000)**	—
Net cash outflow from investing activities		**(54,984)**	(19,326)
Financing activities			
Interest paid		**(7)**	(187)
Proceeds from new shares issued		**116,497**	—
Net cash inflow/(outflow) from financing activities		**116,490**	(187)
Increase in cash and cash equivalents		**35,397**	63,123
Cash and cash equivalents at 1st January		**211,303**	148,180
Cash and cash equivalents at 31st December	22	**246,700**	211,303
Analysis of balances of cash and cash equivalents			
Bank balances — general accounts and cash	22	**246,700**	211,303

The notes on pages 30 to 83 form part of these financial statements.

Notes to the Financial Statements

1 GENERAL INFORMATION

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

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

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

These consolidated financial statements are presented in thousands of units of Hong Kong dollars (HK$'000) unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 28th March 2012.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of compliance

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

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

2.2 Basis of preparation

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

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

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

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

Notes to the Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.3 Consolidation

The consolidated financial statements for the year ended 31st December 2011 comprise the Company and all its subsidiaries (together referred to as the "Group") and the Group's interest in associates.

(a) Subsidiaries and non-controlling interests

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

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

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

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

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

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

Notes to the Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.3 Consolidation *(continued)*

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

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

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

(b) Associates

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

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

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

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

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

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

Notes to the Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.4 Segment reporting

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

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

2.5 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

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

(c) Group companies

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

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

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

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

Notes to the Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.5 Foreign currency translation *(continued)*

(c) Group companies (continued)

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

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

2.6 Fixed assets

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

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

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

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

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

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

Notes to the Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.7 Intangible assets

(a) Goodwill

Goodwill represents the excess of

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

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

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

(b) Trading rights

Trading rights held in The Stock Exchange of Hong Kong Limited and Hong Kong Futures Exchange Limited (the "Stock Exchange trading rights" and "Futures Exchange trading right" respectively) are classified as intangible assets. Trading rights have an indefinite useful life and are carried at cost less accumulated impairment losses (see note 2.8).

2.8 Impairment of assets

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

Notes to the Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.9 Investments

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

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

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

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

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

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

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

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

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

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

(b) Loans and receivables

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

(c) Held-to-maturity investments

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

Notes to the Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.9 Investments *(continued)*

(d) Available-for-sale financial assets

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

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

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

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

2.10 Trade and other receivables

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

Notes to the Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.11 Cash and cash equivalents

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

2.12 Trade and other payables

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

2.13 Share capital

Ordinary shares are classified as equity.

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

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

2.14 Income tax

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

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

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

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

Notes to the Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.14 Income tax *(continued)*

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

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

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

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

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

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

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

  — the same taxable entity; or

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

Notes to the Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.15 Employee benefits

(a) Employee leave entitlements

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

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

(b) Pension obligations

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

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

2.16 Provisions, contingent liabilities and contingent assets

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

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

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

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

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

Notes to the Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.17 Financial guarantees issued

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

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

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

2.18 Revenue recognition

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

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

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

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

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

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

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

Notes to the Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.19 Leases

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

(a) Operating lease

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

(b) Finance lease

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

2.20 Dividend distribution

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

2.21 Related parties

(a) A person, or a close member of that person's family, is related to the group if that person:

(i) has control or joint control over the group;

(ii) has significant influence over the group; or

(iii) is a member of the key management personnel of the group or the group's parent.

(b) An entity is related to the group if any of the following conditions applies:

(i) The entity and the group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

Notes to the Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.21 Related parties *(continued)*

(v) The entity is a post-employment benefit plan for the benefit of employees of either the group or an entity related to the group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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

2.22 Finance costs

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

2.23 Borrowings

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

2.24 Financial instruments not recognised in the statement of financial position

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

2.25 Fiduciary activities

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

2.26 Discontinued operations

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

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

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

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

Notes to the Financial Statements

3 CHANGES IN ACCOUNTING POLICIES

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

- HKAS 24 (revised 2009), *Related party disclosures*

- Improvements to HKFRSs (2010)

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. The impacts of the above developments are discussed below:

- HKAS 24 (revised 2009) revises the definition of a related party. As a result, the Group has re-assessed the identification of related parties and concluded that the revised definition does not have any material impact on the Group's related party disclosures in the current and previous period.

- *Improvements to HKFRSs (2010)* omnibus standard introduces a number of amendments to the disclosure requirements in HKFRS 7, *Financial instruments: Disclosures*. The disclosures about the Group's financial instruments in notes 32 have been conformed to the amended disclosure requirements. These amendments do not have any material impact on the classification, recognition and measurements of the amounts recognised in the financial statements in the current and previous years.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

4.1 Income taxes

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

4.2 Litigation

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

Notes to the Financial Statements

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(continued)*

4.3 Estimation of fair values

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

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

	2011 **HK$'000**	2010 HK$'000
From continuing operations		
Turnover		
Fees and commission	**68,319**	53,526
Net premium income from insurance broking	**401**	421
Interest income	**4,346**	5,191
Underwriting commission	**2,710**	39,275
	75,776	98,413
Other revenue		
Loan interest income	**4,436**	—
Dividend income from listed securities	**—**	68
Other income	**926**	793
	5,362	861
Other net income		
Net revenue from foreign currency option trading	**—**	(33)
Swap interest and foreign exchange trading revenue	**—**	(157)
Net exchange gains/(losses)	**813**	(191)
Net gains on financial assets at fair value through profit or loss	**2,582**	4,926
	3,395	4,545
	84,533	103,819

Notes to the Financial Statements

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

	2011 **HK$'000**	2010 HK$'000
From discontinued operations		
Turnover		
Fees and commission	—	680
Net revenue from foreign currency option trading	—	163
Swap interest and foreign exchange trading revenue	—	1,993
Interest income	—	12
	—	2,848
Other revenue		
Other income	—	3
	—	3
Other net income/(loss)		
Net exchange losses	—	(20)
Interest income	**1**	—
Net gains on financial assets at fair value through profit or loss	**15**	—
	16	(20)
	16	2,831

Notes to the Financial Statements

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

Segment information

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

Continuing operations:

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

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

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

4. Financial planning and insurance broking in Hong Kong — acting as an agent for the sale of savings plans, general and life insurance and other investment linked insurance products.

5. Asset management — managing private funds.

Discontinued operations:

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

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

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

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

Notes to the Financial Statements

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

Segment information *(continued)*

Year ended 31st December 2011

	Continuing operations						Discontinued operations	
	Corporate finance HK$'000	Securities broking HK$'000	Commodities and futures broking HK$'000	Financial planning/ insurance broking in Hong Kong HK$'000	Asset management HK$'000	Sub-total HK$'000	Leveraged foreign exchange trading/ broking in Hong Kong HK$'000	Total HK$'000
Turnover from external customers	33,931	23,309	4,638	5,615	—	67,493	—	67,493
Turnover from an associate	—	—	—	—	8,116	8,116	—	8,116
Inter-segment turnover	300	28	—	—	—	328	—	328
Reportable segment turnover	34,231	23,337	4,638	5,615	8,116	75,937	—	75,937
Reportable segment results (EBIT)	(3,604)	(9,982)	(3,900)	(1,992)	(1,965)	(21,443)	(168)	(21,611)
Interest income from bank deposits	13	31	—	—	—	44	1	45
Interest expense	—	(7)	—	—	—	(7)	—	(7)
Depreciation for the year	(136)	(822)	(215)	(8)	(12)	(1,193)	—	(1,193)
Reportable segment assets	47,753	160,483	25,270	3,070	6,632	243,208	72	243,280
Additions to non-current segment assets during the year	3	678	339	—	—	1,020	—	1,020
Reportable segment liabilities	10,099	19,874	12,990	1,418	319	44,700	60	44,760

Notes to the Financial Statements

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

Segment information *(continued)*

Year ended 31st December 2010

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

Notes to the Financial Statements

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

Reconciliation of reportable turnover

	2011 HK$'000	2010 HK$'000
Turnover		
From continuing operations		
Reportable segment turnover	**75,937**	110,519
Elimination of inter-segment turnover	**(328)**	(12,112)
Unallocated head office and corporate turnover	**167**	6
	75,776	98,413
From discontinued operations		
Reportable segment turnover	**—**	2,849
Elimination of inter-segment turnover	**—**	(1)
	—	2,848
Consolidated turnover	**75,776**	101,261

Notes to the Financial Statements

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

Reconciliation of reportable results

	2011 **HK$'000**	2010 HK$'000
Results		
From continuing operations		
Reportable segment (loss)/profit	**(21,443)**	6,324
Elimination of inter-segment profits	**(300)**	—
Reportable segment (loss)/profit derived from Group's external customers	**(21,743)**	6,324
Share of (losses)/profits of associates	**(12,775)**	15,070
Finance costs	**(7)**	(187)
Unallocated head office and corporate income/(expenses)	**3,541**	(1,203)
	(30,984)	20,004
From discontinued operations		
Reportable segment loss	**(168)**	(7,270)
Elimination of inter-segment profit	**—**	(786)
Reportable segment loss derived from Group's external customers	**(168)**	(8,056)
Finance costs	**—**	—
	(168)	(8,056)
Consolidated (loss)/profit before taxation	**(31,152)**	11,948

Notes to the Financial Statements

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

Reconciliation of reportable assets and liabilities

	2011 HK$'000	2010 HK$'000
Assets		
Reportable segment assets	**243,280**	331,020
Elimination of inter-segment receivables	**(5,057)**	(13,840)
	238,223	317,180
Interests in associates	**212,698**	152,158
Unallocated head office and corporate assets	**133,188**	84,299
Consolidated total assets	**584,109**	553,637
Liabilities		
Reportable segment liabilities	**44,760**	106,216
Elimination of inter-segment payables	**(9,213)**	(18,042)
	35,547	88,174
Unallocated head office and corporate liabilities	**1,808**	1,414
Consolidated total liabilities	**37,355**	89,588

Geographic information

The following table sets out information about the geographical location of (i) the Group's turnover from external customers and (ii) the Group's fixed assets, intangible assets and interests in associates ("specified non-current assets"). The geographical location of customers is based on the location at which the services were provided. The geographical location of the specified non-current assets is based on the physical location of the asset, in the case of fixed assets, the location of the operations to which they are allocated, in the case of intangible assets, and the location of operations, in the case of interests in associates.

	Turnover from external customers		Specified non-current assets	
	2011 HK$'000	2010 HK$'000	2011 HK$'000	2010 HK$'000
Hong Kong	**67,493**	101,255	**86,286**	6,709
Mainland China	**—**	—	**135,488**	152,158
	67,493	101,255	**221,774**	158,867

Notes to the Financial Statements

6 STAFF COSTS

	Continuing operations		Discontinued operations		Total	
	2011	2010	**2011**	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Salaries and allowances	**50,537**	43,415	**—**	1,657	**50,537**	45,072
Defined contribution plans *(note 26)*	**1,028**	1,003	**—**	53	**1,028**	1,056
	51,565	44,418	**—**	1,710	**51,565**	46,128

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

7 OTHER OPERATING EXPENSES

	2011	2010
	HK$'000	HK$'000
From continuing operations:		
Auditors' remuneration		
— Audit service	**1,750**	1,253
— Non-audit services	**826**	350
Bad debts written off/(back)	**1,193**	(211)
Impairment loss recognised	**327**	—
Depreciation	**3,149**	2,523
Equipment rental expenses	**4,242**	4,328
Loss on disposal of fixed assets	**—**	27

	2011	2010
	HK$'000	HK$'000
From discontinued operations:		
Auditors' remuneration		
— Audit service	**—**	160
Depreciation	**—**	448
Equipment rental expenses	**—**	190
Loss on disposal of fixed assets	**—**	98

8 FINANCE COSTS

	2011	2010
	HK$'000	HK$'000
From continuing operations:		
Interest on bank loans	**7**	187

Notes to the Financial Statements

9 INCOME TAX

Current year's taxation represents over-provision in respect of prior years. No Hong Kong profits tax provision has been made for the current year as the Group's companies either sustained a loss for taxation purposes or their tax losses brought forward exceeded their estimated assessable profits for the current year. Hong Kong profits tax had been provided at the rate of 16.5% on the estimated assessable profits for the prior year.

The amount of taxation charged to the consolidated income statement:

	Continuing operations		**Discontinued operations**		**Total**	
	2011 HK$'000	2010 HK$'000	**2011 HK$'000**	2010 HK$'000	**2011 HK$'000**	2010 HK$'000
Current taxation — Hong Kong profits tax						
— Provision for the year	**—**	533	**—**	—	**—**	533
— Over-provision in respect of prior years	**(45)**	—	**—**	—	**(45)**	—
	(45)	533	**—**	—	**(45)**	533

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

	Continuing operations		**Discontinued operations**		**Total**	
	2011 HK$'000	2010 HK$'000	**2011 HK$'000**	2010 HK$'000	**2011 HK$'000**	2010 HK$'000
(Loss)/profit before taxation (excluding share of (losses)/profits of associates)	**(18,209)**	4,934	**(168)**	(8,056)	**(18,377)**	(3,122)
Notional tax on (loss)/profit before taxation, calculated at the Hong Kong profits tax rate of 16.5%	**(3,005)**	814	**(28)**	(1,329)	**(3,033)**	(515)
Tax effect of income not subject to taxation purposes	**(297)**	(192)	**—**	(2)	**(297)**	(194)
Tax effect of expenses not deductible for taxation purposes	**513**	45	**—**	682	**513**	727
Utilisation of previously unrecognised tax losses	**(590)**	(1,356)	**—**	—	**(590)**	(1,356)
Tax losses for which no deferred income tax assets were recognised	**3,379**	1,209	**28**	497	**3,407**	1,706
Over-provision in respect of prior year	**(45)**	—	**—**	—	**(45)**	—
Others	**—**	13	**—**	152	**—**	165
Taxation (credit)/expenses	**(45)**	533	**—**	—	**(45)**	533

Notes to the Financial Statements

10 DISCONTINUED OPERATIONS

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

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

	Note	**2011 HK$'000**	2010 HK$'000
Turnover	*5*	**—**	2,848
Other revenue	*5*	**—**	3
Other net income/(loss)	*5*	**16**	(20)
		16	2,831
Staff costs	*6*	**—**	1,710
Commission expenses		**—**	1,187
Operating leases for land and buildings		**—**	1,839
Other operating expenses		**184**	6,151
Total operating expenses		**184**	10,887
Operating loss		**(168)**	(8,056)
Finance costs		**—**	—
		(168)	(8,056)
Loss before taxation		**(168)**	(8,056)
Income tax	*9*	**—**	—
Loss for the year		**(168)**	(8,056)

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

	2011 HK$'000	2010 HK$'000
Operating activities	**(18,879)**	(32,476)
Investing activities	**1**	1,445
Financing activities	**—**	—
Net cash outflow	**(18,878)**	(31,031)

Notes to the Financial Statements

11 LOSS ATTRIBUTABLE TO SHAREHOLDERS

The loss attributable to shareholders is dealt with in the financial statements of the Company to the extent of HK$16,782,000 (2010: loss of HK$6,887,000).

12 DIVIDENDS

The directors do not recommend the payment of the final dividend for the year ended 31st December 2011 (2010: nil).

13 (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the (loss)/profit attributable to ordinary equity shareholders of the Company of HK$31,107,000 (2010: profit of HK$11,415,000) and the weighted average of ordinary shares 601,679,000 (2010: 534,338,000 ordinary shares) in issue during the year, calculated as follows:

(i) (Loss)/profit attributed to ordinary equity shareholders of the Company

	2011 **HK$000**	2010 HK$000
(Loss)/earnings for the year from continuing operations	**(30,939)**	19,471
Loss for the year from discontinued operations	**(168)**	(8,056)
(Loss)/earnings for the year attributable to equity holders of the Company	**(31,107)**	11,415

(ii) Weighted average number of ordinary shares

	2011	2010
Issued ordinary shares at 1st January	**534,338,000**	534,338,000
Effect of new shares issued during the year	**67,341,000**	—
Weighted average number of ordinary shares at 31st December	**601,679,000**	534,338,000

(b) Diluted (loss)/earnings per share

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

Notes to the Financial Statements

14 INTANGIBLE ASSETS

	Group			
	Stock Exchange trading rights HK$000	**Futures Exchange trading right** HK$000	**Club membership** HK$000	**Total** HK$000
Cost				
At 1 January 2010	913	406	—	1,319
Additions	—	—	120	120
At 31st December 2010	913	406	120	1,439
At 1st January 2011 and 31st December 2011	913	406	120	1,439
Carrying amount				
At 31st December 2011 and 31st December 2010	913	406	120	1,439

	Company	
	Club membership HK$000	**Total** HK$000
Cost		
At 1st January 2011 and 31st December 2011	120	120

Notes to the Financial Statements

15 FIXED ASSETS

	Group				
	Leasehold improvements HK$'000	**Furniture & fixtures** HK$'000	**Office & computer equipment** HK$'000	**Motor vehicles** HK$'000	**Total** HK$'000
Cost					
At 1st January 2010	4,150	2,212	10,158	1,849	18,369
Additions	633	86	2,038	—	2,757
Disposals	(2,565)	(383)	(348)	—	(3,296)
At 31st December 2010 and 1st January 2011	2,218	1,915	11,848	1,849	17,830
Additions	1,511	130	3,875	—	5,516
Disposals	—	(10)	(289)	—	(299)
At 31st December 2011	3,729	2,035	15,434	1,849	23,047
Accumulated depreciation					
At 1st January 2010	3,518	1,316	6,269	1,656	12,759
Charge for the year	703	337	1,738	193	2,971
Disposals	(2,512)	(363)	(295)	—	(3,170)
At 31st December 2010 and 1st January 2011	1,709	1,290	7,712	1,849	12,560
Charge for the year	741	356	2,052	—	3,149
Disposals	—	(10)	(289)	—	(299)
At 31st December 2011	2,450	1,636	9,475	1,849	15,410
Net book value					
At 31st December 2011	1,279	399	5,959	—	7,637
At 31st December 2010	509	625	4,136	—	5,270

Notes to the Financial Statements

16 INVESTMENT IN SUBSIDIARIES

	Company	
	2011	2010
	HK$'000	HK$'000
Investment at cost, unlisted shares	**345,160**	345,160
Less: impairment loss	**(73,058)**	(52,837)
	272,102	292,323

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

(b) The following is the list of subsidiaries at 31st December 2011:

Name	Place of incorporation	Principal activities and place of operation	Particulars of issued share capital	Interest held directly	Interest held indirectly
Cinda International Capital Limited ("CICL")	Hong Kong	Corporate finance services in Hong Kong	14,000,100 ordinary shares of HK$1 each, and 21,000,000 non-voting deferred shares of HK$1 each	—	100%
Cinda International Securities Limited ("CISL")	Hong Kong	Securities broking and margin financing services in Hong Kong	100,000,100 ordinary shares of HK$1 each, and 50,000,000 non-voting deferred shares of HK$1 each	—	100%
Cinda International Futures Limited ("CIFL")	Hong Kong	Commodities and futures broking in Hong Kong	40,000,100 ordinary shares of HK$1 each, and 10,000,000 non-voting deferred shares of HK$1 each	—	100%
Cinda International Asset Management Limited ("CIAM")	Hong Kong	Asset management in Hong Kong	12,000,100 ordinary shares of HK$1 each, and 2,000,000 non-voting deferred shares of HK$1 each	—	100%
Cinda Asset Management (Cayman) Limited ("CAMCL")	Cayman Islands	Dormant/inactive	1 ordinary share of US$1 each	—	100%
Cinda International Wealth Management Advisor Limited ("CIWM")	Hong Kong	Financial planning and insurance broking in Hong Kong	2,500,000 ordinary shares of HK$1 each	—	100%

Notes to the Financial Statements

16 INVESTMENT IN SUBSIDIARIES *(continued)*

Name	Place of incorporation	Principal activities and place of operation	Particulars of issued share capital	Interest held directly	Interest held indirectly
Chinacorp Nominees Limited ("CNL")	Hong Kong	Provide administrative support services in Hong Kong	100 ordinary shares of HK$1 each and 10,000 non-voting deferred shares of HK$1 each	—	100%
Cinda Strategic (BVI) Limited ("CSBVIL")	British Virgin Islands	Investment holding in Hong Kong	50,000 ordinary shares of US$1 each	100%	—
Cinda (BVI) Limited ("CBVIL")	British Virgin Islands	Investment holding in Hong Kong	7 ordinary shares of US$1 each	100%	—
Cinda International Direct Investment Limited ("CIDI")	British Virgin Islands	Investment holding in Hong Kong	1,000 ordinary shares of US$1 each	100%	—
Cinda International Research Limited ("CIRL")	Hong Kong	Provision of research services in Hong Kong	1,000,000 ordinary shares of HK$1 each	—	100%
Cinda International Nominees Limited ("CINL") (formerly known as Cinda International Currency Investment Limited)	Hong Kong	Provide administrative support services in Hong Kong	100,000 ordinary shares of HK$1 each	—	100%
Cinda International Consultant Limited ("CICON")	Hong Kong	Investment holding in Hong Kong	120,000 ordinary shares of HK$1 each	—	100%
Cinda International Capital Management Limited ("CICM")	British Virgin Islands	Investment holding in PRC	1 ordinary shares of US$1 each	—	100%
信達國際(上海)投資管理有限公司	Shanghai, PRC	Provision of Consultancy services in PRC	HK$5,000,000	—	100%
Cinda International FX Limited ("CIFX")	Hong Kong	Inactive	100 ordinary shares of HK$1 each, and 100,000,000 non-voting deferred shares of HK$1 each	—	100%
Cinda International Investment Consultant Limited ("CIIC")	Hong Kong	In members' voluntary liquidation	3,000,100 ordinary shares of HK$1 each, and 5,500,000 non-voting deferred shares of HK$1 each	—	100%

Notes to the Financial Statements

17 INTERESTS IN ASSOCIATES

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Unlisted shares, at cost			**78,000**	—
Share of net assets at 1st January	**152,158**	125,874		
Acquisition of associates	**82,000**	—		
Share of associates' results for the year	**(12,775)**	15,070		
Share of associates' other comprehensive income for the year	**(2,685)**	14,206		
Dividend income from an associate	**(6,000)**	—		
Transfer of available-for-sale investments by the Group's associate to the Social Security Fund	**—**	(2,992)		
	(21,460)	26,284		
Share of net assets at 31st December	**212,698**	152,158		

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

Name	**Particulars of issued shares held**	**Country of incorporation**	**Effective equity interest to the Group**
Sino-Rock Investment Management Company Limited ("Sino-Rock")	18,000,000 ordinary shares of HK$1 each	Hong Kong	40%
Cinda Plunkett International Holdings Limited ("CPHL")	4,000,000 ordinary shares of HK$1 each	Cayman Islands	40%
Cinda Plunkett International Asia Absolute Return Fund ("CPIAAR Fund")	100,000 units of US$100 each	Cayman Islands	33%

Notes to the Financial Statements

17 INTERESTS IN ASSOCIATES *(continued)*

Summary financial information on associate	As at 31st December 2011 Assets HK$'000	Liabilities HK$'000	Year ended 31st December 2011 Revenue HK$'000	Profit/(loss) after tax HK$'000
Sino-Rock				
100 per cent	**473,237**	**134,514**	**152,778**	**65,362**
Group's effective interest	**189,294**	**53,806**	**48,423**	**(7,985)**
CPHL				
100 per cent	**7,802**	**5,000**	**1,253**	**(7,198)**
Group's effective interest	**3,121**	**2,000**	**501**	**(2,879)**
CPIAAR Fund				
100 per cent	**277,036**	**46,711**	**984**	**(3,675)**
Group's effective interest	**91,758**	**15,669**	**328**	**(1,911)**
Total				
100 per cent	**758,075**	**186,225**	**155,015**	**54,489**
Group's effective interest	**284,173**	**71,475**	**49,252**	**(12,775)**

	As at 31st December 2010 HK$'000	HK$'000	Year ended 31st December 2010 HK$'000	HK$'000
Sino-Rock				
100 per cent	531,963	151,569	121,965	51,886
Group's effective interest	212,785	60,627	43,102	15,070

18 OTHER ASSETS

	Group 2011 HK$'000	2010 HK$'000
Stock Exchange stamp duty deposit	**75**	150
Stock Exchange Fidelity Fund deposit	**100**	100
Stock Exchange Compensation Fund deposit	**100**	100
Guarantee Fund deposits with the Hong Kong Securities Clearing Company Limited	**100**	100
Statutory deposits and deposits with the Hong Kong Futures Exchange Limited ("HKFE")	**1,500**	2,079
Statutory deposits with the Hong Kong Securities and Futures Commission ("SFC")	**—**	50
Reserve fund deposit with the SEHK Options Clearing House Limited ("SEOCH")	**1,867**	2,160
Rental deposits	**3,586**	3,332
Others	**100**	100
	7,428	8,171

Notes to the Financial Statements

19 INCOME TAX IN THE STATEMENT OF FINANCIAL POSITION

(a) Current taxation

	Group		Company	
	2011 **HK$'000**	2010 HK$'000	**2011** **HK$'000**	2010 HK$'000
Provision for Hong Kong Profits Tax for the year	—	533	—	—

(b) Deferred income tax

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

	Group		
	Accelerated tax depreciation HK$'000	**Tax losses** HK$'000	**Total** HK$'000
At 1st January 2010	436	(436)	—
Charged/(credited) to income statement	214	(214)	—
At 31st December 2010	650	(650)	—
Charged/(credited) to income statement	213	(213)	—
At 31st December 2011	863	(863)	—

Unrecognised tax losses and temporary differences arising from depreciation of fixed assets in excess of related depreciation allowances at 31st December 2011 are HK$78,191,604 (2010: HK$61,497,197) and HK$269,389 (2010: HK$320,965) respectively. The tax losses do not expire under current tax legislation.

20 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group		Company	
	2011 **HK$'000**	2010 HK$'000	**2011** **HK$'000**	2010 HK$'000
Equity securities listed in Hong Kong, at market value	—	3,920	—	3,041
Term loan with embedded exchangeable rights, at fair value	—	20,015	—	20,015
	—	23,935	—	23,056

In prior year, the term loan was extended to an independent third party which was convertible to the shares of a company whose shares are listed in Hong Kong before maturity of the loan. The Group and the Company converted the term loans to the shares of that company and subsequently disposed all of the shares during the current year.

Notes to the Financial Statements

21 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade receivables from clients *(note (c))*	**21,161**	93,031	**—**	—
Margin and other trade related deposits with brokers and financial institutions *(note (d))*	**12,414**	8,119	**—**	—
Margin loans *(note (e))*	**21,568**	32,257	**—**	—
Trade receivables from clearing houses	**1,196**	1,657	**—**	—
Less: impairment allowance for trade receivables *(note (b))*	**(327)**	—	**—**	—
Total trade receivables *(note (a))*	**56,012**	135,064	**—**	—
Loan receivable *(note (f))*	**27,999**	—	**27,999**	—
Deposits	**429**	2,109	**—**	—
Prepayments and other receivables *(note (g))*	**8,831**	2,262	**4,108**	400
Less: impairment allowance for other receivables *(note (b))*	**(82)**	(82)	**—**	—
Total trade and other receivables	**93,189**	139,353	**32,107**	400

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

(a) As at 31st December 2011, the aging analysis of trade receivables is as follows:

	Group	
	2011	2010
	HK$'000	HK$'000
Current	**52,127**	125,346
30–60 days	**1,414**	2,493
Over 60 days	**2,471**	7,225
	56,012	135,064

Notes to the Financial Statements

21 TRADE AND OTHER RECEIVABLES *(continued)*

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

	Group	
	2011	2010
	HK$'000	HK$'000
At 1st January	**82**	82
Impairment loss recognised	**327**	—
At 31st December	**409**	82

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

(d) The Group executes client trades on overseas commodities and futures contracts with local or overseas brokers as appropriate. Trade receivables at 31st December 2011 and 2010 comprise commodities and futures trading with brokers and are considered current.

(e) The margin clients of the securities broking business are required to pledge their shares to the Group for credit facilities for securities trading. The amount of credit facilities granted to them is determined by the discounted value of shares acceptable by the Group. The fair value of shares accepted as collateral amounted to HK$72,791,373 (2010: HK$54,475,190). No securities held as collateral have been repledged to secure the Group's bank facilities (2010: Nil).

(f) During the year, the Group granted an interest bearing loan to an independent third party. The loan carried a fixed interest and matured before the reporting date. The loan was subsequently extended upon its maturity. The extended loan carries a fixed interest and is repayable before the next reporting date.

(g) Other receivables for the Group and the Company included loan interest receivable from an independent third party and a shareholder loan of HK$2,000,000 advanced to an associate.

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

(i) The Group maintains designated accounts with the SEOCH and HKFE Clearing Corporation Limited ("HKFECC") as a result of its normal business transactions. At 31st December 2011, the designated accounts with SEOCH and HKFECC not otherwise dealt with in these accounts amounted to HK$1,098,267 (2010: HK$7,080,605) and HK$16,023,067 (2010: HK$14,443,527) respectively.

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

(k) The effective interest rate charged on trade receivables from clients and margin loans as at the end of the reporting period ranged from 8% to 13% per annum (2010: 8% to 13%). The effective interest rate for margins and other trade related deposits is 0.01% per annum (2010: 0.01%).

Notes to the Financial Statements

22 BANK BALANCES AND CASH

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash in hand	**15**	15	**—**	—
Bank balances				
— pledged	**15,018**	12,008	**—**	—
— general accounts	**246,685**	211,288	**78,899**	48,013
	261,703	223,296	**78,899**	48,013
	261,718	223,311	**78,899**	48,013
By maturity:				
Bank balances				
— current and savings accounts	**221,469**	211,288	**68,899**	48,013
— fixed deposits (maturing within three months)	**40,234**	12,008	**10,000**	—
	261,703	223,296	**78,899**	48,013

As at 31st December 2011, bank deposits amounting to HK$15,017,546 (2010: HK$12,007,616) have been pledged to banks as security for the provision of HK$70 million (2010: HK$50 million) securities broking facility.

Certain subsidiaries of the Group maintained segregated trust accounts with authorised institutions as a result of their respective business activities. As at 31st December 2011, segregated trust accounts not otherwise dealt with in these financial statements amounted to HK$181,531,877 (2010: HK$271,601,647).

Cash and cash equivalents

	Group	
	2011	2010
	HK$'000	HK$'000
Cash in hand	**15**	15
Bank balances		
— pledged	**15,018**	12,008
— general accounts	**246,685**	211,288
Cash and cash equivalents in the consolidated statement of financial position	**261,718**	223,311
Bank balances		
— pledged	**(15,018)**	(12,008)
Cash and cash equivalents in the consolidated statement of cash flow	**246,700**	211,303

Notes to the Financial Statements

23 SHARE CAPITAL

	2011		2010	
	No. of shares ’000	**Nominal value HK$’000**	No. of shares ’000	Nominal value HK$’000
Authorised				
Ordinary shares of HK$0.10 each	**1,000,000**	**100,000**	1,000,000	100,000
Issued and fully paid				
Ordinary shares of HK$0.10 each				
At 1st January	**534,338**	**53,434**	534,338	53,434
New shares issued during the year	**106,868**	**10,687**	—	—
At 31st December	**641,206**	**64,121**	534,338	53,434

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

On 16th May 2011, the Company completed a rights issue to raise HK$117,554,000 by issuance of 106,867,600 shares at a price of HK$1.10 per share. After deducting the incremental costs directly attributable to the rights issue amounting to HK$1,057,000, the net proceeds from issue of ordinary shares is HK$116,497,000. HK$10,687,000 was credited to the share capital and the balances of HK$105,510,000 and HK$300,000 were credited to share premium and capital reserve in the consolidated financial statements respectively. The amount of HK$300,000 represents a service fee charged by a subsidiary of the Company in respect of the rights issue.

Capital management

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

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

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

Notes to the Financial Statements

23 SHARE CAPITAL *(continued)*

The Group did not have any loan outstanding as at 31st December 2011 (2010: HK$nil). The Group also strived to maintain highly liquid assets to prepare for any unexpected sudden changes in the market. As at the end of the reporting period, the current ratio was 950.0% (2010: 431.5%).

The net debt-to-adjusted capital ratios at 31st December 2011 and 2010 are as follows:

	Note	**2011 HK$'000**	2010 HK$'000
Current liabilities:			
Trade and other payables	*25*	**37,355**	89,055
Total debt		**37,355**	89,055
Less: Cash and cash equivalents	*22*	**(246,700)**	(211,303)
Excess cash and cash equivalents		**(209,345)**	(122,248)
Total equity and adjusted capital		**546,754**	464,049
Net debt-to-adjusted capital ratio		**N/A**	N/A

24 RESERVES

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

		The Company				
	Note	**Share premium** HK$'000	**Capital reserve** HK$'000	**Contributed surplus** HK$'000	**Accumulated losses** HK$'000	**Total** HK$'000
At 1st January 2010		315,909	22,468	53,023	(4,128)	387,272
Loss for the year	*11*	—	—	—	(6,887)	(6,887)
At 31st December 2010		315,909	22,468	53,023	(11,015)	380,385
Loss for the year	*11*	—	—	—	(16,782)	(16,782)
Shares issued		105,510	—	—	—	105,510
At 31st December 2011		421,419	22,468	53,023	(27,797)	469,113

Notes to the Financial Statements

24 RESERVES *(continued)*

(a) Capital reserve

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

(b) Contributed surplus

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

(c) Investment revaluation reserve

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

(d) Exchange reserve

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

(e) Distributable reserves

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

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

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

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

In prior year, pursuant to regulations of the People's Republic of China ("PRC"), certain available-for-sale investments held by the Group's associate were transferred to National Council for Social Security Fund, a government agency of the PRC at no consideration as the Group's ultimate holding company is controlled by the Ministry of Finance, a government agency of the PRC. The transfer of share was regarded as transactions with shareholders and accordingly the Group's share of the total costs of such investments transferred amounting to $2,992,000 has been charged directly to equity. There is no such transfer during 2011.

Notes to the Financial Statements

25 TRADE AND OTHER PAYABLES

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade payable to securities trading clients	**12,726**	55,309	**—**	—
Margin and other deposits payable to clients	**12,265**	7,863	**—**	—
Trade payable to brokers and clearing houses	**4,677**	13,938	**—**	—
Total trade payables	**29,668**	77,110	**—**	—
Accruals and other payables	**7,687**	11,945	**625**	289
Total trade and other payables	**37,355**	89,055	**625**	289

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

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

The effective interest rate paid on trade payables as at the end of the reporting period is 0.01% per annum (2010: 0.01%).

26 DEFINED CONTRIBUTION PLANS — MPF SCHEME

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

	2011	2010
	HK$'000	HK$'000
Gross employer's contributions charged to income statement	**1,081**	1,056
Less: Forfeited contribution utilised to offset employer's contribution for the year	**(53)**	—
Net employer's contributions charged to income statement	**1,028**	1,056

Notes to the Financial Statements

27 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' and senior management's emoluments

The remuneration of the directors for the year ended 31st December 2011 is set out below:

Name of Director	Fee HK$'000	Basic salaries, other allowances and benefits in kind HK$'000	Discretionary bonuses HK$'000	Employer's contribution to pension scheme HK$'000	Total HK$'000
Chen Xiaozhou	**300**	**—**	**—**	**—**	**300**
Gao Guanjiang	**300**	**—**	**—**	**—**	**300**
Gu Jianguo	**240**	**—**	**—**	**—**	**240**
Zhao Hongwei	**300**	**2,400**	**—**	**12**	**2,712**
Gong Zhijian	**240**	**1,800**	**—**	**12**	**2,052**
Lau Mun Chung	**240**	**1,560**	**—**	**12**	**1,812**
Chow Kwok Wai	**240**	**—**	**—**	**—**	**240**
Hung Muk Ming	**240**	**—**	**—**	**—**	**240**
Chen Gongmeng	**240**	**—**	**—**	**—**	**240**
Wang Tongsan	**240**	**—**	**—**	**—**	**240**
	2,580	**5,760**	**—**	**36**	**8,376**

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

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

Notes to the Financial Statements

27 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS *(continued)*

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included three directors (2010: three) whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two (2010: two) individuals during the year are as follows:

	2011 HK$'000	2010 HK$'000
Basic salaries, other allowances and benefits in kind	**2,791**	2,172
Bonus	**—**	672
Defined contribution plans	**21**	24
	2,812	2,868

The emoluments of the remaining two (2010: two) individuals fell within the following bands:

	Number of individuals	
	2011	2010
Emolument bands		
HK$1,000,001–HK$1,500,000	**2**	1
HK$1,500,001–HK$2,000,000	**—**	1
	2	2

28 EQUITY-SETTLED SHARE-BASED TRANSACTIONS

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

During the year ended 31st December 2011 and 2010, no share options were granted.

Notes to the Financial Statements

29 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOW

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

	2011 **HK$'000**	2010 HK$'000
(Loss)/profit before taxation from continuing operations	**(30,984)**	20,004
Loss before taxation from discontinued operations	**(168)**	(8,056)
Operating (loss)/profit before taxation	**(31,152)**	11,948
Depreciation	**3,149**	2,971
Appreciation in value of financial assets at fair value through profit or loss	**—**	(1,637)
Profit on disposal of financial assets at fair value through profit or loss	**(2,597)**	(3,289)
Interest expenses	**7**	187
Dividend income from listed securities	**—**	(68)
Share of losses/(profits) of associates	**12,775**	(15,070)
Loss on disposal of fixed assets	**—**	125
Write off of bad and doubtful debts	**1,193**	—
Impairment loss recognised	**327**	—
Increase in pledged deposits	**(3,010)**	(7)
Operating loss before working capital changes	**(19,308)**	(4,840)
Decrease/(increase) in other assets	**743**	(4,005)
Decrease in trade and other receivables	**44,644**	90,723
(Decrease)/increase in trade and other payables	**(51,700)**	758
Cash (outflow)/inflow from operations	**(25,621)**	82,636
Hong Kong profits tax paid	**(488)**	—
Net cash (outflow)/inflow from operating activities	**(26,109)**	82,636

Notes to the Financial Statements

30 CONTINGENT LIABILITIES

30.1 Outstanding litigation cases

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

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

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

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

30.1.2 On 10th August 2010, the Company received a High Court writ of summons (the "Writ") issued by Mr. Tang and HHIL (the "plaintiffs"). The plaintiffs alleged that, in breach of the Agreement, the Company settled with the Securities and Futures Commission ("SFC") regarding the compliance issues of HIL (Hantec International Limited, currently known as Cinda International FX Limited). The plaintiffs further alleged that the release of the Company's announcement dated 2nd August 2010 caused damage to their reputation. In the Writ, Mr. Tang claimed against, inter alia, the Company for HK$700,000 being his remuneration of being a responsible officer for the Group's asset management company since 28th May 2009, service charge of HK$50,000 per month from the date of issue of the Writ and further damages in reputation. HHIL also claimed for damages of losing the chance of challenging the allegations of the SFC against two former responsible officers of HIL and HIL and damages in goodwill. However, no specific amount of damages was stated in the Writ. The Board together with other defendants of the Writ has filed a defense and a counter claim for the penalty levied by the SFC together with all associated cost. A mediation session was held during the year among the plaintiffs and defendants, but the parties failed to reach any settlement in mediation. The pleading of the case had been closed. The parties will have to prepare respective witness statements for exchange and filing to the Court, and attend an adjourned case management conference hearing before the substantial hearing.

Notes to the Financial Statements

30 CONTINGENT LIABILITIES *(continued)*

30.2 Financial guarantees issued

(a) As at the end of the reporting period, a subsidiary of the Company engaging in securities broking and providing securities margin financing has secured banking facilities from certain authorised institutions for a total amount of HK$228 million (2010: HK$208 million). The Company has issued corporate guarantees for a total principal amount of HK$176 million (2010: HK$156 million) for these facilities. As at 31st December 2011, the subsidiary has not utilised any of these aggregate banking facilities (2010: HK$nil).

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

31 LEASE AND CAPITAL COMMITMENTS

(a) Lease commitments

At 31st December 2011, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	Land and buildings	
	2011	2010
	HK$'000	HK$'000
Within one year	**12,784**	10,703
After one year but within five years	**6,384**	15,792
	19,168	26,495

(b) Capital commitments

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

	Group	
	2011	2010
	HK$'000	HK$'000
Contracted but not provided for	**26,531**	1,639

In 2011, the Group entered into a joint venture framework agreement with a subsidiary of one of the Group's associate and an independent third party to set up a private equity fund and a fund management company in Xiamen to manage the Fund. The Group's capital commitment on this investment is RMB17,500,000. As at the end of the reporting period, the private equity fund and the fund management company have not yet been established.

Notes to the Financial Statements

32 FINANCIAL RISK MANAGEMENT

32.1 Financial risk factors

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

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

(a) Foreign exchange risk

The Group is exposed to foreign exchange risk primarily arising from trade and other receivables denominated in foreign currency. The currencies giving rise to this risk are primarily Renminbi and the United States Dollar.

The treasury function of the Group is responsible for managing the foreign exchange risk. The RMC reviews the exposures from time to time to cope with changes in volatility in the market.

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

	Japanese Yen HK$'000	United States Dollars HK$'000	Renminbi HK$'000	Euro HK$'000	Australian Dollar HK$'000	Others HK$'000
At 31st December 2011						
Trade and other receivables	157	12,284	31,598	—	—	—
Cash and cash equivalents	—	8,668	735	23	—	—
Trade and other payables	(156)	(12,281)	(85)	—	—	—
Net exposure arising from recognised net assets	1	8,671	32,248	23	—	—
Overall net exposure	1	8,671	32,248	23	—	—

Notes to the Financial Statements

32 FINANCIAL RISK MANAGEMENT *(continued)*

32.1 Financial risk factors *(continued)*

(a) Foreign exchange risk (continued)

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

Sensitivity analysis

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

	2011 Appreciation/ depreciation of foreign currencies	**2011** Effect on profit before tax HK$'000	2010 Appreciation/ depreciation of foreign currencies	2010 Effect on profit before tax HK$'000
RMB	**+ 10%**	**3,225**	+ 10%	6
	– 10%	**(3,225)**	– 10%	(6)

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

Notes to the Financial Statements

32 FINANCIAL RISK MANAGEMENT *(continued)*

32.1 Financial risk factors *(continued)*

(a) Foreign exchange risk (continued)

Sensitivity analysis (continued)
The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the end of next annual reporting period. In this respect, it is assumed that the pegged rate between the Hong Kong Dollars and the United States Dollars would be materially unaffected by any changes in movement in value of the United States Dollars against other currencies. Results of the analysis as presented in the above table represent an aggregation of the effects on each of the Group entities' profit before tax and equity measured in the respective functional currencies, translated into Hong Kong Dollars at the exchange rate ruling at the end of the reporting period for presentation purposes. The analysis is performed on the same basis for 2010.

(b) Price risk

In prior year, the Group was exposed to equity price changes arising from equity investments classified as trading securities and financial assets designated at fair value through profit or loss (see note 20). The Group's equity price risk is concentrated on listed equity instruments quoted on the Stock Exchange of Hong Kong and an unlisted term loan with embedded exchangeable rights. The Group does not have significant exposure to price risk in the current year.

At 31st December 2011, it is estimated that an increase/(decrease) of 10% (2010: 10%) in the relevant stock price, with all other variables held constant, would have increased/decreased the Group's profit after tax as follows:

The Group

Change in the relevant equity price risk variable:	**2011**	**Effect on profit after tax HK$'000**	2010	Effect on profit after tax HK$'000
Increase	**10%**	**—**	10%	2,461
Decrease	**(10%)**	**—**	(10%)	(2,210)

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

Notes to the Financial Statements

32 FINANCIAL RISK MANAGEMENT *(continued)*

32.1 Financial risk factors *(continued)*

(c) Credit risk

The Group's credit risk is primarily attributable to loan, trade and other receivables. It has policies in place to ensure that credits are granted to customers with an appropriate credit history and/or collateral deposited with the Group. For loan receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluation focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which customer operates. For futures trading, normally an initial margin will be collected before opening of trading positions. Moreover, the Group has no significant concentration of credit risk as credits are granted to a large population of clients. Derivative counterparties and cash transactions are limited to high-credit-quality financial institutions and only brokers having sound credit ratings will be accepted. The Group has maintained relationship with various financial institutions, and has policies that limit the amount of credit exposure to any financial institution. Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade receivables are set out in note 21(a).

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

(d) Liquidity risk

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

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

	Carrying amount HK$'000	**Total contractual undiscounted cash flow** HK$'000	**Within 1 year or on demand** HK$'000
At 31st December 2011			
Trade and other payables	**37,355**	**37,355**	**37,355**
At 31st December 2010			
Trade and other payables	89,055	89,055	89,055

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

Notes to the Financial Statements

32 FINANCIAL RISK MANAGEMENT *(continued)*

32.1 Financial risk factors *(continued)*

(e) Interest rate risk

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

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

	2011 Effective interest rate	**2011** HK$'000	2010 Effective interest rate	2010 HK$'000
Assets				
Bank balances	**0.01%**	**139,705**	0.01%	145,104
Margin loans	**8%**	**21,568**	8%	32,257
Term loan with embedded exchangeable rights		**—**	35.93%	20,015
		161,273		197,376
Sensitivity analysis				
Assume interest rate increased by		**0.25%**		0.25%
Profit before tax increased by		**403**		453

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for both derivative and non-derivative financial instruments in existence at that date. The 25 basis points increase (2010: 25 basis point increase) represents management's assessment of a reasonably possible change in interest rates over the period until the end of the next annual reporting period.

Notes to the Financial Statements

32 FINANCIAL RISK MANAGEMENT *(continued)*

32.2 Fair values

(a) *Financial instruments carried at fair value*

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

- Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments

- Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data

- Level 3 (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data

At 31st December 2011, the Group and the Company did not have any financial investments carried at fair value.

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

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

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

The carrying amounts of the Group's and the Company's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31st December 2011 and 2010.

(c) *Fair value estimation*

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

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

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

Notes to the Financial Statements

33 RELATED PARTY AND CONNECTED PARTY TRANSACTIONS

33.1 Related party and connected party transactions

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

	2011 **HK$'000**	2010 HK$'000
Commission income *(note (a))*	**20**	256
Commission expenses *(note (b))*	**(222)**	—
Advisory service income *(note (c))*	**8,116**	—
Placing commission income *(note (d))*	**—**	437
License fee for software programs *(note (e))*	**—**	(350)

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

(b) An immediate holding company charged an underwriting commission to the Group for the rights issue of shares.

(c) During the year, the Group received advisory service income from its associates for providing administrative supporting services.

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

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

(f) In the normal course of the Group's business, the Group undertakes with certain entities directly or indirectly owned by the PRC government, including but not limited to making bank deposits and rendering and receiving other services. The Group is of the opinion that none of these transactions are material related party transactions that require separate disclosures.

33.2 Compensation of key management personnel

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

	Group	
	2011 **HK$'000**	2010 HK$'000
Salaries and other short-term employee benefits	**13,478**	14,908

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

Notes to the Financial Statements

34 IMMEDIATE AND ULTIMATE HOLDING COMPANY

At 31st December 2011, the directors consider the immediate parent and ultimate controlling party of the Group to be Sinoday Limited and China Cinda Asset Management Co., Ltd, which are incorporated in the British Virgin Islands and the People's Republic of China respectively. These entities do not produce financial statements available for public use.

35 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31ST DECEMBER 2011

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and five new standards which are not yet effective for the year ended 31 December 2011 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKFRS 7, *Financial instruments:* Disclosures — *Transfers of financial assets*	1 July 2011
Amendments to HKAS 12, *Income taxes — Deferred tax: Recovery of underlying assets*	1 January 2012
Amendments to HKAS 1, *Presentation of financial statements — Presentation of items of other comprehensive income*	1 July 2012
HKFRS 9, *Financial instruments*	1 January 2013
HKFRS 10, *Consolidated financial statements*	1 January 2013
HKFRS 11, *Joint arrangements*	1 January 2013
HKFRS 12, *Disclosure of interests in other entities*	1 January 2013
HKFRS 13, *Fair value measurement*	1 January 2013
HKAS 27, *Separate financial statements* (2011)	1 January 2013
HKAS 28, *Investments in associates and joint ventures*	1 January 2013
Revised HKAS 19, *Employee benefits*	1 January 2013

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

Five Year Financial Summary

Year ended 31st December

Results	**2011** **HK$'000**	2010 HK$'000	2009 HK$'000 (restated)	2008 HK$'000	2007 HK$'000
(Loss)/profit attributable to equity shareholders	**(31,107)**	11,415	(19,022)	(11,023)	40,357

As at 31st December

Assets and liabilities	**2011** **HK$'000**	2010 HK$'000	2009 HK$'000	2008 HK$'000	2007 HK$'000
Total assets	**584,109**	553,637	529,717	292,656	911,687
Total liabilities	**(37,355)**	(89,588)	(88,297)	(65,274)	(519,246)
Total equity	**546,754**	464,049	441,420	227,382	392,441

Notes:

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

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