THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt about this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Celestial Asia Securities Holdings Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

This circular appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities.

CELESTIAL ASIA SECURITIES HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 1049)

MAJOR AND CONNECTED TRANSACTIONS PROPOSED ISSUE OF A CONVERTIBLE NOTE AND PROPOSED ACQUISITION OF THE PROPERTIES IN HONG KONG AND THE PRC

Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders

Grand Vinco Capital Limited

Wholly-owned subsidiary of Vinco Financial Group Limited

A notice convening a special general meeting of Celestial Asia Securities Holdings Limited to be held at 21/F The Center, 99 Queen's Road Central, Hong Kong on 12 February 2009 (Thursday) at 9:30 am is set out on pages 215 to 216 of this circular. A letter from the Independent Financial Adviser (as defined herein) containing its advice to the Independent Board Committee (as defined herein) and the Independent Shareholders (as defined herein) in relation to the Convertible Note Agreement (as defined herein) and the S&P Agreement (as defined herein) is set out on pages 30 to 47 of this circular. Whether or not you are able to attend the meeting, please complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible and in any event by no later than 48 hours before the time appointed for the holding of the meeting or any adjourned meeting. Completion and return of a form of proxy will not preclude you from attending and voting at the meeting should you so wish.

21 January 2009

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

"Accountants"	TING HO KWAN & CHAN, Certified Public Accountants (Practising) and the reporting accountants of the Company
"Acquisition"	the acquisition of the Sale Share and the Sale Debt under the S&P Agreement
"Adjustment"	the adjustment to the final Consideration, notwithstanding up or down, for a maximum amount of HK$1,000,000 in accordance with the actual amount of the net asset value of the Sale Share and the actual amount of the Sale Debt as at the date of Completion, as more particularly described in the sub-section of "Consideration" under the section of "The S&P Agreement" in this circular
"Announcement"	the announcement made by the Company on 11 November 2008 in respect of, among other things, the entering into the Convertible Note Agreement and the S&P Agreement
"Associates"	has the same meaning ascribed in the Listing Rules
"Board"	the board of Directors
"Cash Guardian" or "Subscriber"	Cash Guardian Limited, a company incorporated in the British Virgin Islands with limited liability, with principal business activity of investment holding. It is the controlling Shareholder, and is a company controlled by the Vendor and an Associate of the Vendor
"CFSG"	CASH Financial Services Group Limited (stock code: 510), a company incorporated in Bermuda with limited liability and whose shares are listed on the main board of the Stock Exchange. CFSG is a non-wholly-owned subsidiary of the Company
"CIGL"	Celestial Investment Group Limited, a company incorporated with limited liability in the British Virgin Islands, and is a wholly-owned subsidiary of the Company

"Company"	Celestial Asia Securities Holdings Limited (stock code: 1049), a company incorporated in Bermuda with limited liability and whose securities are listed on the main board of the Stock Exchange
"Completion"	completion of the Convertible Note Agreement and the S&P Agreement, as particularly described in the sub-section of "Completion" under the section of "The S&P Agreement" in this circular
"Conditions"	the conditions of the Convertible Note Agreement and the S&P Agreement as set out in the sub-section of "Conditions" under the section of "S&P Agreement" in this circular
"Consideration"	approximately HK$42.8 million (subject to a maximum adjustment amount, notwithstanding up or down, for HK$1,000,000) as particularly described in the sub-section of "Consideration" under the section of "S&P Agreement" in this circular
"Conversion Price"	HK$1 (subject to adjustment) per Conversion Share
"Conversion Share(s)"	the new Shares issuable upon the conversion of any part of the Convertible Note
"Convertible Note"	the proposed convertible note of approximately HK$42.8 million (subject to a maximum adjustment amount, notwithstanding up or down, for HK$1,000,000) to be issued at the Completion
"Convertible Note Agreement"	the conditional subscription agreement entered into between the Company and Subscriber on 11 November 2008 in relation to the proposed subscription of the Convertible Note, subject to the Conditions
"Director(s)"	director(s) of the Company
"Enlarged Group"	the Group including the Properties Group on the assumption that completion of the Acquisition had taken place

"Excelbright"	Excelbright Enterprises Limited, a company incorporated with limited liability in the British Virgin Islands, is beneficially 100%-owned by the Vendor. More information on Excelbright is set out in the section of "Business and Financial Information of Excelbright and the Properties Group" in this circular
"Fulfilment Date"	31 March 2009, the date (if not otherwise deferred) by which the Conditions shall be fulfilled
"Group"	the Company and its subsidiaries
"HKFRS"	the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	the independent board committee of the Company comprising the independent non-executive Directors, namely Mr Leung Ka Kui Johnny, Mr Wong Chuk Yan and Dr Chan Hak Sin
"Independent Shareholder(s)"	holder(s) of the Share(s) other than the controlling Shareholders, being the Vendor and his Associates
"Issue Date"	the date of issue of the Convertible Note
"Latest Practicable Date"	15 January 2009, being the latest practicable date prior to the printing of this circular for ascertaining certain information referred to in this circular
"Listing Rules"	Rules Governing the Listing of Securities on the Stock Exchange
"Model Code"	the required standards of dealings regarding securities transactions by Directors or the Model Code for Securities Transactions by Directors of Listed Issuers as set out in the Listing Rules

"Netfield"	Netfield Technology Limited, a company incorporated in the British Virgin Islands with limited liability, and is currently a wholly-owned subsidiary of the Company
"PRC"	the People's Republic of China, for the purpose of this circular, excludes Hong Kong
"Properties"	the three properties located in Hong Kong and the PRC, which are currently beneficially owned by Excelbright, as more particularly described in the section of "Business and Financial Information of Excelbright and the Properties Group"
"Properties Group"	Excelbright and its wholly-owned subsidiaries, being Go Lucky Investments Limited and Honest Joy Properties Limited
"Purchaser"	Excel Smart Profits Limited, a company incorporated with limited liability in the British Virgin Islands, and is a wholly-owned subsidiary of the Company
"Retail Group"	CASH Retail Management (HK) Limited and its subsidiaries, currently being wholly-owned subsidiaries of the Company, which mainly engage in the retail business in Hong Kong
"Sale Debt"	the interest-free shareholder's loan advanced by the Vendor to Excelbright, which amounted to approximately HK$35.7 million as at 31 October 2008, as at the date of Completion
"Sale Share"	1 share of US$1.00 each (being the entire issued share) in Excelbright
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"SGM"	the special general meeting of the Company to be held to approve the Convertible Note Agreement and the S&P Agreement and the transactions as contemplated thereunder

"Share(s)"	share(s) of HK$0.10 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"S&P Agreement"	a share purchase agreement entered into between the Purchaser and the Vendor on 11 November 2008 in relation to the proposed Acquisition, subject to the Conditions
"Takeovers Code"	The Hong Kong Code on Takeovers and Mergers
"Valuers"	B.I. Appraisals Limited, a firm of independent professional valuers
"Vendor" or "Mr Kwan"	Mr Kwan Pak Hoo Bankee, the Chairman and an executive Director of the Company, and is a controlling Shareholder. He beneficially owns the entire interest of Excelbright. He is a connected person of the Company as defined under the Listing Rules
"Vinco Capital" or "Independent Financial Adviser"	Grand Vinco Capital Limited, a wholly-owned subsidiary of Vinco Financial Group Limited, a licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders
"HK$"	Hong Kong dollar(s), the currency of Hong Kong

CELESTIAL ASIA SECURITIES HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 1049)

Board of Directors:

Executive:
KWAN Pak Hoo Bankee
LIN Che Chu George
LAW Ping Wah Bernard

Independent non-executive:
LEUNG Ka Kui Johnny
WONG Chuk Yan
CHAN Hak Sin

Registered office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head office and principal place of business:
21/F The Center
99 Queen's Road Central
Hong Kong

21 January 2009

To Shareholders

Dear Sir/Madam,

MAJOR AND CONNECTED TRANSACTIONS PROPOSED ISSUE OF A CONVERTIBLE NOTE AND PROPOSED ACQUISITION OF THE PROPERTIES IN HONG KONG AND THE PRC

INTRODUCTION

On 11 November 2008, the Board made the Announcement that, among other things, the Convertible Note Agreement was entered into between the Company and the Subscriber pursuant to which, subject to the Conditions, the Company has agreed to issue and the Subscriber has agreed to subscribe the Convertible Note.

The Board also announced in the Announcement that on 11 November 2008, the S&P Agreement was entered into between the Purchaser (a wholly-owned subsidiary of the Company) and the Vendor. Pursuant to the S&P Agreement, the Vendor agreed to sell and the Purchaser agreed to purchase, subject to the Conditions, the Sale Share (being the entire equity shareholding interest) and the Sale Debt (being the shareholder's loan interest) in Excelbright at the Consideration of approximately HK$42.8 million (subject to Adjustment), which will be fully settled by the issue of the Convertible Note at the Completion by the Company at principal value of the Consideration with Conversion Price of HK$1 per Conversion Share.

As the applicable percentage ratios exceed 25% but less than 100%, the Acquisition involving the issue of the Convertible Note constitutes a major transaction of the Company under the Listing Rules. Also, as the Vendor is a connected person of the Company (as defined under the Listing Rules), the issue of the Convertible Note and the Acquisition also constitute connected transactions of the Company under the Listing Rules. The issue of the Convertible Note and the Acquisition are conditional upon, inter alia, the approval of the Independent Shareholders at the SGM. The Vendor and his Associates who have material interests in the aforesaid transactions will abstain from voting at the SGM and the voting at the SGM must be taken by poll.

The Independent Board Committee has been established to consider the entering into of the Convertible Note Agreement and the S&P Agreement and the respective terms thereunder. Grand Vinco Capital Limited has been appointed as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in connection with the entering into of the Convertible Note Agreement and the S&P Agreement and the respective terms thereunder.

The purpose of this circular is to give you further information regarding the Convertible Note Agreement, the S&P Agreement and the notice of the SGM at which ordinary resolutions will be proposed to approve (i) the Convertible Note Agreement and the issue of Conversion Shares under a specific mandate, and (ii) the S&P Agreement.

CONVERTIBLE NOTE

Principal terms

The principal terms of the Convertible Note proposed to be issued are set out below.

Consideration: approximately HK$42.8 million (subject to a maximum adjustment amount, notwithstanding up or down, for HK$1,000,000), as full payment for the Consideration upon Completion.

Principal amount: approximately HK$42.8 million (subject to a maximum adjustment amount, notwithstanding up or down, for HK$1,000,000). The adjustment mechanism of the principal amount of the Convertible Note as at the date of Completion is the same as the Consideration under the S&P Agreement as set out in the section headed "The S&P Agreement" below.

Conversion Price: HK$1 per Conversion Share (subject to adjustments). The Conversion Price was determined on an arm's length basis between the Company and the Subscriber, being:

- about 14.9% premium over the closing price of HK$0.870 per Share as quoted on the Stock Exchange on 10 November 2008 (the last trading day prior to the date of the Announcement);

- about 13.1% premium over the average closing price of about HK$0.884 per Share based on the closing prices as quoted on the Stock Exchange for the 5 trading days ended on 10 November 2008;

- about 13.3% premium over the average closing price of about HK$0.883 per Share based on the closing prices as quoted on the Stock Exchange for the 10 trading days ended on 10 November 2008;

- about 4.2% premium over the closing price of HK$0.960 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and

- about 66.2% discount to the latest unaudited net asset value of HK$2.96 per Share based on the unaudited net asset value of the Company as at 30 June 2008.

The initial Conversion Price may be adjusted upon occurrence of events for (i) share consolidation, (ii) share subdivision, (iii) capitalisation of profits or reserves, (iv) capital distributions in cash or specie, (v) rights issues, (vi) issue of any securities which are convertible or exchangeable into Shares for cash at an effective price which is less than 90% of the market price at the date of announcement of terms of issue of such securities, (vii) the effective price of Shares receivable from the rights of conversion, exchange or subscription of such securities are modified to be less than 90% of the market price at the date of announcement of the proposed modification, (viii) issue of Shares at a price which is less than 90% of the market price at the date of the announcement of the terms of such issue, (ix) issue Shares for the acquisition of assets at an effective price which is less than 90% of the market price at the date of the announcement of the terms of such issue, and will in any event not be adjusted below the par value of a Share. The adjustment, when it takes place, will in appropriate circumstances be reviewed by approved merchant bank or financial adviser or auditor of the Company, and will be disclosed in the relevant announcement or annual report (as consider appropriate by the Board) of the Company.

The Conversion Price was determined with reference to the recent market closing prices of the Shares. The Board is of the opinion that the Conversion Price is fair and reasonable and in the interests of the Company and Shareholders as a whole.

Interest rate: 2% per annum on the outstanding principal amount of the Convertible Note, payable on a quarterly basis.

Conversion right and restrictions:	At the discretion of any of the Company or the Subscriber by serving on the other party the conversion notice (which shall be in conversion amount of integral multiple of HK$1 million) for conversion of the Convertible Note into Conversion Shares issued in the name of the Subscriber, provided that:– (i) the Company shall not exercise its right of conversion if the then trading price as quoted on the Stock Exchange is lower than the Conversion Price; and (ii) the Subscriber or the Company shall not exercise the right of conversion if immediately following such exercise there will be insufficient public float for the Shares (as required by the Listing Rules). In the event that immediately after the exercise of any conversion rights, an obligation to make a general offer in respect of the Shares of the Company under the Takeovers Code is triggered, the Vendor agrees and undertakes to the Company that he will forthwith comply with all the relevant provisions under the Takeovers Code.
Conversion period:	Any time after the expiry of 6 months from the issue date of Convertible Note and ending on the maturity date (as described below).
Maturity date:	31 December 2011, or any other date mutually agreed between the Company and the Subscriber, on which all outstanding principal amount of the Convertible Note shall be fully repaid.
Redemption right:	At the discretion of the Company only at any time after the Issue Date up to the maturity date, in full or in part, by giving the Subscriber redemption request not less than 3 business days' notice at the following redemption amount:– (i) if the redemption request is made within the period from the Issue Date up to 31 December 2009, the Company may redeem the Convertible Note at a redemption premium of 110% of the principal amount of the Convertible Note outstanding less all the coupon interest paid to the Subscriber up to the date of redemption;

(ii) if the redemption request is made within the period from 1 January 2010 up to 31 December 2010, the Company may redeem the Convertible Note at a redemption premium of 121% of the principal amount of the Convertible Note outstanding less all the coupon interest paid to the Subscriber up to the date of redemption; and

(iii) if the redemption request is made within the period from 1 January 2011 up to 31 December 2011, the Company may redeem the Convertible Note at a redemption premium of 133% of the principal amount of the Convertible Note outstanding less all the coupon interest paid to the Subscriber up to the date of redemption.

Transferability: the Convertible Note will be transferable with the consent of the Company (save for the 100%-owned companies of the Subscriber which shall not require the consent of the Company).

Conversion Shares to be issued upon conversion

The Conversion Shares to be issued upon conversion of the Convertible Note will rank pari passu in all respects with the Shares then in issue at the relevant dates of conversion. There is no pre-emptive rights for the Conversion Shares nor there is other restriction which applies to the subsequent sale of such Conversion Shares under the terms of the Convertible Note.

Assuming that the Convertible Note is issued at maximum principal amount of HK$43.8 million and the conversion of the Convertible Note is exercised in full, a maximum of approximately 43.8 million Conversion Shares, representing approximately 24.3% of the existing issued share capital of the Company, and approximately 19.5% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares, will be issued by the Company. The Conversion Shares will be issued under specific mandate to be sought at the SGM.

Voting rights of the holder of the Convertible Note

The holder of the Convertible Note will not have any right to vote at the general meetings of the Company by virtue of its being the holder of the Convertible Note.

Listing of the Convertible Note

No listing of the Convertible Note will be sought on the Stock Exchange or any other stock exchange. However, the Company has applied for the listing on the Stock Exchange of the Conversion Shares issuable upon the conversion of the Convertible Note.

The S&P AGREEMENT

Vendor:	Mr Kwan Pak Hoo Bankee (Chairman and controlling Shareholder of the Company), and is a connected person of the Company (as defined under the Listing Rules).
Purchaser:	Excel Smart Profits Limited, a wholly-owned subsidiary of the Company.
Acquisition:	The Vendor shall sell and the Purchaser shall purchase, subject to the Conditions, the Sale Share (being the entire equity shareholding interest) and the Sale Debt (being the shareholder's loan interest) in Excelbright at the Consideration. Excelbright is an investment holding company, which currently beneficially owns the entire interests of the Properties with a market value of approximately HK$108.3 million in aggregate in accordance with a valuation report of an independent valuer as at 31 October 2008 (as set out in Appendix IV to this circular). The valuation methodology adopted by independent valuer for valuation of the Properties is direct comparison approach.

Consideration: Being approximately HK$42.8 million (subject to Adjustment as described below), which is equivalent to the aggregate of the following as at the date of Completion (i) the net asset value of the Sale Share, which amounted to approximately HK$7.1 million as at 31 October 2008 as per the audited accounts of Excelbright as at 31 October 2008 as prepared in accordance with the HKFRS; and (ii) the Sale Debt, which amounted to approximately HK$35.7 million as at 31 October 2008. The Consideration will be settled in full by issue of Convertible Note at Completion.

The Consideration is subject to adjustment in accordance with the actual amount of the net asset value of the Sale Share and the actual amount of the Sale Debt as at the date of Completion in accordance with the management accounts of Excelbright made up to the date of Completion. The management accounts of Excelbright will be prepared in accordance with the HKFRS and as agreed by both the Purchaser and the Vendor.

In the event that the actual amounts of the Sale Share and the Sale Debt, in aggregate, are less than HK$42.8 million as at the date of Completion, the Consideration will be adjusted down by an amount representing the shortfall on a dollar to dollar basis, and the final Consideration will be round to the nearest thousand figures. In the event that the actual amounts of the Sale Share and the Sale Debt, in aggregate, are more than HK$42.8 million as at the date of Completion, the Consideration will be adjusted up by an amount representing the surplus on a dollar to dollar basis, and the final Consideration will be round to the nearest thousand figures. However, the adjustment amount, notwithstanding up or down, shall not be more than HK$1,000,000.

As the Consideration is agreed between the Vendor and the Purchaser on an arm's length basis with reference to the latest net asset value of Excelbright, which was determined in accordance with the HKFRS after taking into accounts the market values of the Properties by an independent valuer, the Board considers that the Consideration is fair and reasonable.

Conditions:	The Completion is conditional upon, among other things,:–

(a) the approval of the Convertible Note Agreement, the S&P Agreement and the transactions as contemplated thereunder by the Independent Shareholders at the SGM;

(b) the Listing Committee of the Stock Exchange granting listing of and permission to deal in the Conversion Shares; and

(c) if applicable, the granting of all consents from banks, other financial institutions or third parties, which are necessary in connection with the execution and performance of the Convertible Note Agreement and the S&P Agreement and any of the transactions contemplated thereunder.

The Convertible Note Agreement and the S&P Agreement are inter-conditional. The Conditions are required to be fulfilled on or before the Fulfilment Date, or such later date as may be agreed between the Vendor and the Purchaser. If the Conditions are not fulfilled by such date, the Convertible Note Agreement and the S&P Agreement will terminate without any clause of damages against each other of the parties to the Convertible Note Agreement and the S&P Agreement.

As at the Latest Practicable Date, none of the Conditions listed above has been fulfilled.

Completion: The completion of the Convertible Note Agreement and the S&P Agreement shall take place within 7 business days (or any extended period as agreed between the parties) after the Convertible Note Agreement and the S&P Agreement becoming unconditional.

SHAREHOLDING STRUCTURE

Currently, the Company does not have any existing convertible note in issue. The shareholding structures of the Company as at the Latest Practicable Date and after the full conversion of the Convertible Note (assuming the Convertible Note is issued at a maximum principal amount of HK$43.8 million) are as follows:

Shareholders	As at the Latest Practicable Date		Upon full conversion of the Convertible Note (assuming the Convertible Note is issued at a maximum principal amount)	
	Number of Shares	*%*	*Number of Shares*	*%*
Cash Guardian Limited *(Note)*	66,398,512	36.78	66,398,512	29.60
Vendor *(Note)*	0	0	43,800,000	19.53
Sub-total for the Vendor and his parties acting in concert	66,398,512	36.78	110,198,512	49.13
Other Directors of the Company				
– Mr Lin Che Chu George	5,230,000	2.90	5,230,000	2.33
– Mr Law Ping Wah Bernard	6,784,060	3.76	6,784,060	3.02
	12,014,060	6.66	12,014,060	5.35
Public holding	102,092,576	56.56	102,092,576	45.52
Total	180,505,148	100.00	224,305,148	100.00

Note: Cash Guardian, a company controlled by the Vendor, is also the Associate of the Vendor. As at the Latest Practicable Date, the Vendor and Cash Guardian control over the voting rights in respect of the 66,398,512 Shares they entitled to as disclosed above. The Vendor, Cash Guardian and their Associates have material interests in the subject transactions and will abstain from voting at the SGM pursuant to the Listing Rules.

The Board anticipates that the issue of the Convertible Note and the Acquisition will not result in a change of control of the Group.

BUSINESS AND FINANCIAL INFORMATION OF EXCELBRIGHT AND THE PROPERTIES GROUP

Excelbright is an investment holding company, which was incorporated in the British Virgin Islands with limited liability on 3 July 2008, and its entire issued share capital is beneficially 100%-owned by the Vendor.

The sole assets of Excelbright are its 100% shareholding interest in Go Lucky Investments Limited and Honest Joy Properties Limited. The Properties Group currently beneficially owns the entire interests of the Properties which are located at (i) House No. A8 (including its 2 car parking spaces), Regalia Bay, No. 88 Wong Ma Kok Road, Stanley, Hong Kong, (ii) Flat B, 3/F and Car Parking Spaces No. 25 on G/F Rose Gardens, No. 9 Magazine Gap Road, Peak, Hong Kong, and (iii) 中國上海市長寧區古北新區黃金城道688弄《御翠豪庭》18號18層2102室 (translated as Room 2102 on Level 18, Maison des artiste, No. 18 Lane 688, Huang Jin Cheng Road, Changning District, Shanghai, the PRC). The Properties are held for investment purpose and/or are leased out for rental incomes. The market value of the Properties was estimated at HK$108.3 million in aggregate in accordance with a valuation report of an independent valuer as at 31 October 2008, as set out in Appendix IV to this circular. The original purchase cost of the Properties of the Properties Group was approximately HK$99.0 million.

Excelbright is a newly incorporated company in July 2008. The consolidated audited net profits (both before and after taxation and extraordinary items) of the Properties Group for the preceding two years ended 31 December 2006 and 31 December 2007 were approximately HK$2.2 million and HK$2.9 million respectively. The consolidated audited net asset value of the Properties Group as at 31 October 2008 as per its audited accounts, which was prepared in accordance with the HKFRS, was approximately HK$7.1 million.

REASON FOR THE ISSUE OF THE CONVERTIBLE NOTE AND THE ACQUISITION

The Group is also engaged in investment holding and it has been the strategy of the Group to diversify its income stream. The proposed issue of the Convertible Note provides an opportunity to the Group to raise fund for the acquisition of the Properties. The Company intends to hold the Properties as investment properties and/or lease out the Properties for rental income. The Directors consider that the Acquisition allows the Group to enlarge its properties portfolio with high quality assets and provides a steady income stream for the Group. Upon Completion, Excelbright will become a wholly-owned subsidiary of the Company and its results will be consolidated into the accounts of the Company.

The Directors are of the view that the terms of the Convertible Note and the Acquisition are on normal commercial terms, and are fair and reasonable, and the issue of the Convertible Note and the Acquisition are in the interests of the Company and the Shareholders as a whole.

INFORMATION OF THE GROUP

The current principal activities of the Group consist of (a) financial services provided via CFSG including online and traditional brokerage of securities, options, futures and leveraged foreign exchange contracts as well as mutual funds and insurance-linked investment products, margin financing, corporate finance and other financial services; (b) retailing of furniture and household goods; (c) provision of online game services, sales of online game auxiliary products and licensing services; and (d) investment holding.

FINANCIAL INFORMATION OF THE GROUP

The audited consolidated net profits before and after taxation, minority interest and extraordinary items of the Group prepared in accordance with the generally acceptable accounting principles in Hong Kong for the year ended 31 December 2006 were about HK$59.3 million and HK$32.1 million respectively, and the audited consolidated net profits before and after taxation, minority interest and extraordinary items of the Group prepared in accordance with the generally acceptable accounting principles in Hong Kong for the year ended 31 December 2007 were about HK$169.7 million and HK$51.9 million respectively. The unaudited consolidated net loss before and after taxation, minority interest and extraordinary items of the Group for the half year ended 30 June 2008 were about HK$53.1 million and HK$80.3 million respectively. The audited consolidated net assets value of the Group as at 31 December 2006 and 31 December 2007 were about HK$307.5 million and HK$648.1 million respectively, and the unaudited consolidated net assets value of the Group as at 30 June 2008 were about HK$533.7 million.

FINANCIAL AND TRADING PROSPECTS OF THE ENLARGED GROUP

The Enlarged Group is principally engaged in financial services business through CFSG (including provision of financial services such as brokerage, margin financing, corporate finance, wealth management and asset management), retail business, online game business, property investment and other investments. The present difficult financial and economic conditions are having a negative impact on most aspects of the Enlarged Group's business. As shown in the 2008 interim report of the Company, CFSG (our financial services division) recorded a net operating profit of HK$42.4 million for the period. However, its profit and revenue were dropped as compared with the last corresponding period last year. For our retail business division, though the whole retail business group recorded operating loss for the period, Pricerite (the local retail business division) had recorded an operating profit of HK$12.9 million for the period. The effect of financial market turbulence and unfavourable economy situation on local retail business is not so severe as financial services business. The demand for economical and quality furniture and household products remains strong despite unfavourable economy. For our online game business division (Moli Group), it recorded a net operating loss of HK$42.1 million for the period. The online game business was also hard hit by the recent unfavourable economy which affected the consumption power of the players. The property investment and other investments as well as rental income also experienced a fall in value and rental income after the global financial crises.

In year 2009, the Board will focus on continuously improving the operating and management efficiency, the service standards and products quality, strengthening the platform capabilities and keeping a lean cost structure to continuously enhance our competitiveness for our diversified businesses covering financial services, retailing and online gaming. Upon the Acquisition, it is expected that the properties portfolio of the Enlarged Group will be enlarged with the Properties, and the Properties will provide a more stable income stream for the Enlarged Group amid the global financial crises. The financial position of the Enlarged Group remain solid and that the Enlarged Group is well-positioned to weather the current difficult environment, and to continue to capitalise any potential opportunities that will enhance shareholders value.

Material acquisitions and disposals

- On 31 January 2008, the transaction for issue of 60,000 new shares by Netfield to an independent third party at a consideration of US$6 million (approximately HK$46,800,000) was completed. The Company's shareholding interest in Netfield was diluted from 100% to 96.6% immediately after the completion.

- On 26 September 2008, the Company announced the entering into of the license agreements dated 18 September 2008 relating to the licensing of the online games "Tower of Druaga: the Recovery of BABYLIM" and "Pandora Saga" and their related software and marks from an online gaming developer in Japan. Such license agreement constituted a discloseable transaction for the Company under the Listing Rules.

- On 11 November 2008, the Company announced the Acquisition. The Acquisition constituted major and connected transactions of the Company under the Listing Rules.

- On 17 November 2008, the Company announced the entering into of a sale and purchase agreement dated the same date relating to acquisition of remaining 3.4% equity shareholding interest in Netfield at a consideration of HK$38 million from an independent third party. Such sale and purchase agreement constituted a discloseable transaction for the Company under the Listing Rules. Netfield became a wholly-owned subsidiary of the Group since then.

- On 19 December 2008, the Company announced, inter alia, the entering into of a sale and purchase agreement dated the same date relating to, inter alia, (i) the disposal of 60% of the equity interest in the Retail Group and the loan due from the Retail Group at the consideration of approximately HK$184 million (subject to adjustment) to CFSG, and (ii) the grant of the purchaser call option to CFSG to acquire the remaining 40% of the equity interest in the Retail Group at a consideration of approximately HK$116 million (subject to adjustment). The consideration has been settled as to HK$60 million in cash upon signing the sale and purchase agreement, and the balance of the consideration will be settled by the issue of convertible note(s) by CFSG subject to various conditions, including the approval by Shareholders and independent shareholders of CFSG at their respective special general meeting, to be fulfilled. Details of the transactions are stated in the joint announcement announced by the Company and CFSG on 19 December 2008.

As at 31 December 2007, the Group was holding a portfolio of listed and unlisted investments with a total value of approximately HK$60.3 million and a gain on such investments of HK$39.4 million was recorded for the year.

Save as aforesaid, the Group did not make any material acquisitions or disposals subsequent to the year ended 31 December 2007 and up to the Latest Practicable Date. There was no any other significant investment held. The Group does not have any future plans for material investments or capital assets.

Employee information

At 30 June 2008, the Group had 2,397 employees, of which 360 were at CFSG and its subsidiaries. Our employees were remunerated according to their performance, working experience and market conditions. The total amount of remuneration cost of employees of the Group for the six months ended 30 June 2008 was approximately HK$132.3 million.

Benefits

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

Training

The Group has implemented various training policies and organised a number of training programs aimed specifically at improving the skills of its employees and generally to increase the competitiveness, productivity and efficiency of the Group including training in areas such as product knowledge, customer service, selling techniques, supply management, team building, communication, presentation, coaching, retail management certificate programme and also professional regulatory training programs as required by regulatory bodies. The Group also arranges for relevant staff, who are licensed persons under the SFO to attend the requisite training courses to fulfill/comply with the continuous professional training as prescribed in the SFO.

The Group conducts an initial staff orientation for new employees in order to familiarise them with the Group's history and strategy, corporate culture, rules and regulations and safety measures. This orientation is designed to integrate the employees into the Group and, the Directors believe, helps improve productivity of new employees at an early stage.

MANAGEMENT DISCUSSION AND ANALYSIS OF THE PROPERTIES GROUP

Business and financial review for the year ended 31 December 2005

Business

The sole activity of the Properties Group was holding investment property for generating stable rental income and for long-term capital appreciation. The Properties Group owned the property located at House No. A8 (including its 2 car parking spaces), Regalia Bay, No. 88 Wong Ma Kok Road, Stanley, Hong Kong which was held for investment purpose (details of which are set out in Appendix IV to this circular).

Results

For the year ended 31 December 2005, the Properties Group did not record any revenue. The Properties Group recorded an audited consolidated net profit of approximately HK$1.4 million during the year under review, which was mainly generated from the gain on revaluation of the said investment property. The total shareholders' equity of the Properties Group amounted to approximately HK$1.0 million on 31 December 2005.

Financial resources and liquidity

The Properties Group relied principally on a shareholder's loan from the Vendor to fund its operations during the year under review and the loan was interest-free, unsecured and repayable on demand. The Properties Group did not have significant cash and bank balances as at 31 December 2005 and the bank borrowing of the Properties Group amounted to approximately HK$24.9 million on the same day, out of which approximately HK$24.0 million represented a mortgage loan and the said investment property was pledged as collateral for the loan. The liquidity ratio on 31 December 2005 was approximately 0.04 time.

Foreign exchange risks

As at 31 December 2005, the Properties Group did not have any material un-hedged foreign exchange exposure or interest rate mismatch.

Material investments, acquisitions and disposals

At 31 December 2005, the Properties Group was not holding any material investment other than the aforesaid investment property of Regalia Bay in Stanley, Hong Kong. During the year ended 31 December 2005, the Properties Group did not make any material acquisitions or disposals. The Properties Group was continuously seeking opportunities of acquiring high quality properties in both Hong Kong and the PRC so as to strengthen its property investment portfolio.

Capital commitments

The Properties Group did not have any material capital commitment nor contingent liabilities as at 31 December 2005.

Employee information

The Properties Group did not have any employee as at 31 December 2005.

Business and financial review for the year ended 31 December 2006

Business

During the year ended 31 December 2006, the Properties Group had not conducted any material business activity other than holding the aforesaid investment property of Regalia Bay in Stanley, Hong Kong. The said property was leased out for rental income.

Results

For the year ended 31 December 2006, the Properties Group recorded a revenue of approximately HK$0.8 million which was entirely generated from rental income. The Properties Group recorded an audited consolidated net profits of approximately HK$2.2 million during the year under review. The total shareholders' equity of the Properties Group amounted to approximately HK$3.2 million on 31 December 2006.

Financial resources and liquidity

The Properties Group relied principally on bank overdrafts and a shareholder's loan from the Vendor to fund its operations during the year under review and the loan was interest-free, unsecured and repayable on demand. The Properties Group did not have significant cash and bank balances as at 31 December 2006 and the total bank borrowings of the Properties Group amounted to approximately HK$34.4 million on the same day, out of which approximately HK$24.3 million was a mortgage loan and the said investment property was pledged as collateral for the loan. The liquidity ratio on 31 December 2006 was approximately 0.002 time.

Foreign exchange risks

As at 31 December 2006, the Properties Group did not have any material un-hedged foreign exchange exposure or interest rate mismatch.

Material investments, acquisitions and disposals

At 31 December 2006, the Properties Group was not holding any material investment other than the aforesaid investment property of Regalia Bay in Stanley, Hong Kong. During the year ended 31 December 2006, the Properties Group did not make any material acquisitions or disposals. The Properties Group was continuously seeking opportunities of acquiring high quality properties in both Hong Kong and the PRC so as to strengthen its property investment portfolio.

Capital commitments

As at 31 December 2006, the Properties Group had a capital commitment of HK$698,500 which represented a future minimum lease payment to a tenant under a non-cancellable operating lease in case of early termination of such lease. Save as disclosed herein, the Properties Group did not have any material capital commitment nor contingent liabilities as at 31 December 2006.

Employee information

The Properties Group did not have any employee as at 31 December 2006.

Business and financial review for the year ended 31 December 2007

Business

During the year ended 31 December 2007, the Properties Group was solely engaged in property investment holding. The Properties Group was cautiously optimistic with the development and growth potential of the property market in Hong Kong and acquired a new investment property which is located at Flat B, 3/F and Car Parking Spaces No. 25 on G/F Rose Gardens, No. 9 Magazine Gap Road, Peak, Hong Kong (details of which are set out in Appendix IV to this circular). The newly acquired property was held for investment purpose and the acquisition was completed in 2008. The main source of revenue of the Properties Group was rental income.

Results

For the year ended 31 December 2007, the Properties Group recorded a revenue of approximately HK$1.6 million which was entirely generated from rental income. The Properties Group recorded an audited consolidated net profit of approximately HK$2.9 million during the year under review. The total shareholders' equity of the Properties Group amounted to approximately HK$6.2 million on 31 December 2007.

Financial resources and liquidity

The Properties Group relied principally on a shareholder's loan from the Vendor to fund its acquisition of properties and operations during the year under review and the loan was interest-free, unsecured and repayable on demand. The Properties Group did not have significant cash and bank balances as at 31 December 2007 and the total bank borrowings of the Properties Group amounted to approximately HK$28.8 million on the same day, out of which approximately HK$24.0 million were mortgage loans and the said investment properties were pledged as collateral for the loans. The liquidity ratio on 31 December 2007 was approximately 0.004 time.

Foreign exchange risks

As at 31 December 2007, the Properties Group did not have any material un-hedged foreign exchange exposure or interest rate mismatch.

Material investments, acquisitions and disposals

At 31 December 2007, the Properties Group was not holding any material investment other than the two aforesaid investment properties of Regalia Bay and Rose Gardens in Hong Kong. During the year ended 31 December 2007, save as the newly acquired property of Rose Gardens, Hong Kong, the Properties Group did not make any material acquisitions or disposals. The Properties Group was continuously seeking opportunities of acquiring high quality properties in both Hong Kong and the PRC so as to strengthen its property investment portfolio.

Capital commitments

As at 31 December 2007, the Properties Group had a total capital commitment of approximately HK$41.0 million, out of which approximately HK$39.5 million represented an outstanding balance of the consideration for the purchase of the property of Rose Gardens, Hong Kong during the year under review and approximately HK$1.5 million represented a future minimum lease payment to a tenant under a non-cancellable operating lease in case of early termination of such lease. Save as disclosed herein, the Properties Group did not have any other material capital commitment nor contingent liabilities as at 31 December 2007.

Employee information

The Properties Group did not have any employee as at 31 December 2007.

Business and financial review for the period from 1 January 2008 to 31 October 2008

Business

During the period from 1 January 2008 to 31 October 2008, the Properties Group was solely engaged in property investment holding. The Properties Group was cautiously optimistic with the development and growth potential of the property market in the PRC and acquired a new investment property under construction which is located at 中國上海市長寧區古北新區黃金城道688弄《御翠豪庭》18號18層2102室 (translated as Room 2102 on Level 18, Maison des artiste, No. 18 Lane 688, Huang Jin Cheng Road, Changning District, Shanghai, the PRC) (details of which are set out in Appendix IV to this circular). The construction of such property is expected to be completed in September 2009 and is intended to be held for investment purpose. The main source of revenue of the Properties Group was rental income.

Results

For the period ended 31 October 2008, the Properties Group recorded a revenue of approximately HK$2.5 million which was entirely generated from rental income. The Properties Group recorded an audited consolidated net profit of approximately HK$1.0 million during the period under review. The total shareholders' equity of the Properties Group amounted to HK$7.1 million on 31 October 2008.

Financial resources and liquidity

The Properties Group relied principally on a shareholder's loan from the Vendor to fund its acquisition of properties and operations during the period under review and the loan was interest-free, unsecured and repayable on demand. The cash and bank balances of the Properties Group were approximately HK$88,000 as at 31 October 2008 and the total bank borrowings of the Properties Group amounted to HK$65.1 million on the same day, out of which HK$60.2 million were mortgage loans and the said investment properties were pledged as collateral for the loans. The liquidity ratio on 31 October 2008 was approximately 0.02 time.

Foreign exchange risks

As at 31 October 2008, the Properties Group did not have any material un-hedged foreign exchange exposure or interest rate mismatch.

Material investments, acquisitions and disposals

At 31 October 2008, the Properties Group was not holding any material investment other than the aforesaid two investment properties in Hong Kong and the property under construction in the PRC. During the period ended 31 October 2008, save as the newly acquired property of Maison des artiste in Shanghai, the PRC, the Properties Group did not make any material acquisitions or disposals. The Properties Group was continuously seeking opportunities of acquiring high quality properties so as to strengthen its property investment portfolio.

Capital commitments

The Properties Group did not have any material capital commitment nor contingent liabilities as at 31 October 2008.

Employee information

The Properties Group did not have any employee as at 31 October 2008.

EFFECTS OF THE ISSUE OF THE CONVERTIBLE NOTE AND THE ACQUISITION ON THE EARNINGS, ASSETS AND LIABILITIES OF THE GROUP

Based on the pro forma statement of assets and liabilities of the Enlarged Group as set out in Appendix III to this circular, as a result of the Acquisition and the issue of the Convertible Note, the Group's assets will be increased by the total assets of the Properties Group acquired which amounted to approximately HK$108.5 million, while the total liabilities of the Group will be also increased by approximately HK$102.8 million. Therefore, the net assets value of the Group will be increased by approximately HK$5.7 million, which represents the equity component of the Convertible Note. The Acquisition and the issue of the Convertible Note Agreement are not expected to have any material impact on the earnings of the Group.

Upon Completion, the Properties Group will be accounted for as wholly-owned subsidiaries of the Group whose assets, liabilities and results will be fully consolidated into the accounts of the Enlarged Group.

FUND RAISING OF THE COMPANY FOR THE PAST 12 MONTHS

The Company had no fund raising activity in the past 12 months.

GENERAL

Application has been made by the Company to the Listing Committee of the Stock Exchange for the listing of and permission to deal in the Conversion Shares.

As the applicable percentage ratios exceed 25% but less than 100%, the Acquisition involving the issue of the Convertible Note constituted a major transaction of the Company under the Listing Rules. Also, as the Vendor is a connected person of the Company (as defined under the Listing Rules), the issue of the Convertible Note and the Acquisition also constituted connected transactions of the Company under the Listing Rules. The issue of the Convertible Note and the Acquisition are conditional upon, inter alia, the approval of the Independent Shareholders at the SGM. The Vendor and his Associates who have material interests in the aforesaid transactions will abstain from voting at the SGM and the voting at the SGM must be taken by poll.

The Independent Board Committee has been established to consider the entering into of the Convertible Note Agreement and the S&P Agreement and the respective terms thereunder. Vinco Capital has been appointed as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in connection with the entering into of the Convertible Note Agreement and the S&P Agreement and the respective terms thereunder. At the SGM, ordinary resolutions will be proposed to consider and, if thought fit, to approve (i) the Convertible Note Agreement and the issue of Conversion Shares under a specific mandate, and (ii) the S&P Agreement and the transactions as contemplated thereunder.

SGM

Set out on pages 215 to 216 of this circular is a notice convening the SGM in which ordinary resolutions will be proposed to be considered and, if thought fit, be passed by the Independent Shareholders for approving (i) the Convertible Note Agreement and the issue of the Conversion Shares under a specific mandate, and (ii) the S&P Agreement. The Vendor and his Associates who have material interests in the aforesaid transactions will abstain from voting at the SGM for all the resolutions and all the resolutions will be voted by way of poll at the SGM.

A form of proxy for use at the SGM is enclosed with this circular. Whether or not you are able to attend the SGM, please complete and return the form of proxy in accordance with the instructions printed thereon as soon as possible and in any event by no later than 48 hours before the time appointed for the holding of the SGM. Completion and return of a form of proxy will not preclude you from attending and voting in the SGM should you so wish.

RECOMMENDATION

In relation to the Convertible Note Agreement and the S&P Agreement, the Directors (including all the independent non-executive Directors forming the Independent Board Committee) are of the opinion that the Convertible Note Agreement and the S&P Agreement and the respective terms thereunder are fair and reasonable and are in the interests of the Company and the Shareholders as a whole, and the Directors (including all the independent non-executive Directors forming the Independent Board Committee) therefore recommend the Independent Shareholders to vote in favour of the resolutions relating to (i) the Convertible Note Agreement and the issue of the Conversion Shares under a specific mandate, and (ii) the S&P Agreement at the SGM.

Your attention is also drawn to the letters from the Independent Board Committee and the Independent Financial Adviser and their respective recommendations set out on pages 28 to 47 of this circular.

ADDITIONAL INFORMATION

Your attention is also drawn to the information set out in the appendices to this circular.

Yours faithfully,
On behalf of the Board
Bankee P Kwan
Chairman

CELESTIAL ASIA SECURITIES HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 1049)

21 January 2009

To the Independent Shareholders

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTIONS PROPOSED ISSUE OF A CONVERTIBLE NOTE AND PROPOSED ACQUISITION OF THE PROPERTIES IN HONG KONG AND THE PRC

We refer to the circular dated 21 January 2009 of the Company ("Circular") of which this letter forms part. Terms defined in the Circular bear the same meanings herein unless the context otherwise requires.

We have been appointed to form an Independent Board Committee to consider the entering into of the Convertible Note Agreement and the S&P Agreement and the respective terms thereunder and to advise the Independent Shareholders whether, in our opinion, the entering into of the Convertible Note Agreement and the S&P Agreement and the respective terms thereunder are fair and reasonable so far as the Independent Shareholders as a whole are concerned and is in the interests of the Company and the Shareholders as a whole. The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the entering into of the Convertible Note Agreement and the S&P Agreement and the respective terms thereunder.

We wish to draw your attention to the letter from the Board set out on pages 6 to 27 of the Circular which contains, inter alia, information on the Convertible Note Agreement and the S&P Agreement and the letter from the Independent Financial Adviser set out on pages 30 to 47 of the Circular which contains its advice in respect of the respective terms of the Convertible Note Agreement and the S&P Agreement.

Having taken into account the advice of the Independent Financial Adviser, we consider the entering into of the Convertible Note Agreement and the S&P Agreement and the respective terms thereunder are on normal commercial terms, and are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the SGM to approve (i) the Convertible Note Agreement and the issue of the Conversion Shares under a specific mandate, and (ii) the S&P Agreement.

Yours faithfully
Independent Board Committee
Leung Ka Kui Johnny
Wong Chuk Yan
Chan Hak Sin
Independent non-executive Directors

The following is the text of a letter of advice from Grand Vinco Capital Limited to the Independent Board Committee and the Independent Shareholders in connection with the issue of the Convertible Note and the Acquisition which has been prepared for the purpose of incorporation in this circular:

VINCO 城高

Grand Vinco Capital Limited
Units 4909-4910, 49/F., The Center
99 Queen's Road Central, Hong Kong

21 January 2009

To the Independent Board Committee and
the Independent Shareholders of
Celestial Asia Securities Holdings Limited

Dear Sirs,

MAJOR AND CONNECTED TRANSACTIONS
PROPOSED ISSUE OF A CONVERTIBLE NOTE AND
PROPOSED ACQUISITION OF THE PROPERTIES IN
HONG KONG AND THE PRC

A. INTRODUCTION

We refer to our engagement as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in connection with regards to the terms of the Convertible Note Agreement and the S&P Agreement, details of which are set out in the section headed "Letter from the Board" in the circular ("Circular") issued by the Company to the Shareholders dated 21 January 2009 of which this letter forms part. Capitalized terms used in this letter shall have the same meanings ascribed to them in the Circular unless the context otherwise requires.

On 11 November 2008, the Company announced that the Company entered into the Convertible Note Agreement with the Subscriber pursuant to which, subject to the Conditions, the Company has agreed to issue and the Subscriber has agreed to subscribe the Convertible Note.

In addition, the Company also announced that the Purchaser, a wholly-owned subsidiary of the Company, entered into the S&P Agreement with the Vendor on 11 November 2008, pursuant to which, subject to the Conditions, the Vendor has agreed to sell and the Purchaser has agreed to purchase the Sale Share (being the entire equity shareholding interest) and the Sale Debt (being the shareholder's loan interest) in Excelbright at the Consideration of approximately HK$42.8 million (subject to Adjustment), which will be fully settled by the issue of the Convertible Note. The Convertible Note is thus in an aggregate principal amount of approximately HK$42.8 million (subject to Adjustment) and shall be, at the Completion, issued by the Company at principal value of the Consideration with the Conversion Price of HK$1 per Conversion Share.

Assuming the Convertible Note is issued at maximum principal amount and the conversion rights attaching to all Convertible Note are exercised in full at the initial Conversion Price, an aggregate of a maximum of approximately 43,800,000 Conversion Shares shall be allotted and issued (subject to adjustment to the initial Conversion Price), representing approximately 24.3% of the Company's existing issued share capital and 19.5% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares.

As the applicable percentage ratios (as calculated in accordance with Rule 14.07 of the Listing Rules) for the Acquisition exceed 25% but less than 100%, the Acquisition involving the issue of the Convertible Note constitutes a major transaction of the Company under Rule 14.06 of the Listing Rules. Besides, the Vendor is a chairman and a controlling Shareholder of the Company and is thus a connected person of the Company. Hence, the issue of the Convertible Note and the Acquisition also constitutes connected transactions of the Company under Chapter 14A of the Listing Rules and are subject to, inter alia, the approval of the Independent Shareholders taken by way of a poll at the SGM. Under the Listing Rules, the Vendor and his Associates, shall abstain from voting on the resolution to approve the issue of the Convertible Note and the Acquisition at the SGM.

The Independent Board Committee, comprising Mr Leung Ka Kui Johnny, Mr Wong Chuk Yan and Dr Chan Hak Sin, all being the independent non-executive Directors, has been formed to advise the Independent Shareholders on the issue of the Convertible Note and the Acquisition. We have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the issue of the Convertible Note and the Acquisition. In our capacity as the independent financial adviser to the Independent Board Committee and the Independent Shareholders for the purposes of the Listing Rules, our role is to give you an independent opinion as to whether the terms of the issue of Convertible Note and the Acquisition are on normal commercial terms, in the ordinary course of business, fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

B. BASIS OF OUR OPINION AND RECOMMENDATION

In forming our opinion and recommendation, we have relied on the information, facts and representations contained or referred to in the Circular and the information, facts and representations provided by, and the opinions expressed by the Directors, management of the Company and its subsidiaries. We have assumed that all information, facts, opinions and representations made or referred to in the Circular were true, accurate and complete at the time they were made and continued to be true, accurate and complete as at the date of the Circular and that all expectations and intentions of the Directors, management of the Company and its subsidiaries, will be met or carried out as the case may be. We have no reason to doubt the truth, accuracy and completeness of the information, facts, opinions and representations provided to us by the Directors, management of the Company and its subsidiaries. The Directors have confirmed to us that no material facts have been omitted from the information supplied and opinions expressed. We have no reason to doubt that any relevant material facts have been withheld or omitted from the information provided and referred to in the Circular or the reasonableness of the opinions and representations provided to us by the Directors, management of the Company and its subsidiaries.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement in the Circular misleading.

We have relied on such information and opinions and have not, however, conducted any independent verification of the information provided, nor have we carried out any independent investigation into the business, financial conditions and affairs of the Group or its future prospects.

Based on the foregoing, we confirm that we have taken all reasonable steps, which are applicable to the issue of the Convertible Note and the Acquisition, as referred to in Rule 13.80 of the Listing Rules (including the notes thereto).

This letter is issued for the information for the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the issue of the Convertible Note and the Acquisition and, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

C. PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation to the Independent Board Committee and the Independent Shareholders in relation to the issue of the Convertible Note and the Acquisition, we have considered the principal factors and reasons set out below:

1. Background of the Group

The Group is principally engaged in: (a) the financial services provided via CFSG including online and traditional brokerage of securities, options, futures and leveraged foreign exchange contracts as well as mutual funds and insurance-linked investment products, margin financing, corporate finance and other financial services; (b) the retailing of furniture and household goods; (c) the provision of online game services, sale of online game auxiliary products and licensing services; and (d) investment holding.

Set out below is a summary of the financial highlights for the two years ended 31 December 2007 and for the six months ended 30 June 2008 as extracted from the Group's annual report 2007 and interim report 2008:

	For the six months ended 30 June 2008	**For the year ended 31 December 2007**	**For the year ended 31 December 2006**
	HK$'000 (approximately)	*HK$'000* (approximately)	*HK$'000* (approximately)
Revenue	711,931	1,665,452	816,622
Segment Profit/(Loss) *(Note)*	(6,134)	217,602	28,912
Profit/(Loss) attributable to the Shareholders	(80,281)	51,902	32,057
Net assets value attributable to the equity-holders	533,654	648,001	304,955

Note: Segment profit/(loss) is generated from financial services, online game services and retailing for the six months ended 30 June 2008 and for the year ended 31 December 2007. For the year ended 31 December 2006, segment profit is generated from financial services, online game services, retailing and investment holding.

For the six months ended 30 June 2008, the Group's revenue was approximately HK$711,931,000 and the Group recorded a loss attributable to the Shareholders of approximately HK$80,281,000. For the year ended 31 December 2007, the Group's revenue recoded a substantial growth by approximately 103.94% to approximately HK$1,665,452,000 (2006: approximately HK$816,622,000). With the segment profits generated from the financial services and online game services, the Group recorded a net profit attributable to the Shareholders of approximately HK$51,902,000 for the year ended 31 December 2007 as compared to approximately HK$32,057,000 as recorded in the previous year. The Group recorded net assets value attributable to the equity-holders of approximately HK$648,001,000 as at 31 December 2007 (2006: approximately HK$304,955,000), representing a substantial increase of approximately 112.49%.

As disclosed in the annual report 2007 and the interim report 2008, as the Group foresees there is an enormous growth potential in Mainland China, the Group thus intends to take bold steps in the next decade to further develop the Mainland market by devoting more resources to it. In addition, the Group is engaged in investment holding and it has been the strategy of the Group to diversify its income stream. With the Acquisition, the Group would be able to enlarge its properties portfolio with high quality assets and provides stable income stream for the Group. As such, we are of the view that the Acquisition is partly in line with the Group's strategy as it may help further strengthening of the Group's interest through further acquisition of the properties in Hong Kong and the PRC.

2. Background of and reasons for the Acquisition

i. Information of Excelbright

Excelbright is an investment holding company, which was incorporated in the British Virgin Islands with limited liability on 3 July 2008, and its entire issued share capital is beneficially wholly-owned by the Vendor. Currently, the sole assets of Excelbright are its entire shareholding interest in Go Lucky Investments Limited and Honest Joy Properties Limited.

The Properties Group is currently beneficially owns the entire interests of the Properties which are located at (i) House No. A8 (including its 2 car parking spaces), Regalia Bay, No. 88 Wong Ma Kok Road, Stanley, Hong Kong, (ii) Flat B, 3/F and Car Parking Spaces No. 25 on G/F Rose Gardens, No. 9 Magazine Gap Road, Peak, Hong Kong, and (iii) 中國上海市長寧區古北新區黃金城道688弄《御翠豪庭》18號18層2102室 (translated as Room 2102 on Level 18, Maison des artiste, No. 18 Lane 688, Huang Jin Cheng Road, Changning District, Shanghai, the PRC). The Properties are held for investment purpose and/or are leased out for rental incomes. For the ten months ended 31 October 2008, the Properties Group recorded revenue and net profit (after taxation) of approximately HK$2,520,000 and approximately HK$951,496 respectively. In accordance with a valuation report of an independent valuer, the aggregate market value of the Properties was estimated at HK$108.3 million as at 31 October 2008. The original purchase cost of the Properties of the Properties Group was approximately HK$99.0 million. As at 31 October 2008, the outstanding mortgage loan of the Properties Group was amounted to approximately HK$60,200,088.

Set out below is a table of consolidated audited financial summary of the Properties Group:

	For the ten months ended 31 October	**For the year ended 31 December**		
	2008	**2007**	**2006**	**2005**
	HK$	*HK$*	*HK$*	*HK$*
	(approximately)	*(approximately)*	*(approximately)*	*(approximately)*
Turnover	2,520,000	1,611,726	825,500	–
Net profit after taxation	951,496	2,943,224	2,194,763	1,404,207

	As at 31 October	**As at 31 December**		
	2008	**2007**	**2006**	**2005**
	HK$	*HK$*	*HK$*	*HK$*
	(approximately)	*(approximately)*	*(approximately)*	*(approximately)*
Net assets	7,138,156	6,186,684	3,243,444	1,048,681

The consolidated audited net profit after taxation of the Properties Group for the year ended 31 December 2007 was approximately HK$2,943,224 (2006: approximately HK$2,194,763), representing an increase of approximately 34.10% over the previous year. As at 31 October 2008, the consolidated audited net asset value of the Properties Group as per its audited accounts, which was prepared in accordance with the HKFRS, was approximately HK$7,138,156.

ii. Prospect of the property market in Hong Kong and the PRC

We have reviewed both the "Rental Indices for Hong Kong Property Market 2008" and the "Price Indices for Hong Kong Property Market 2008" published by the Hong Kong Rating and Valuation Department, we noted that the average rental index of residential property increased from 71.3 in September 2003 to 121.7 in July 2008 and recorded a slight drop of approximately 7.60% to 113.1 in October 2008. Meanwhile, we also noted that the average price index of the residential property increased from 58.4 in July 2003 to 126.6 in June 2008 and recorded a decrease of approximately 12.33% to 112.7 in October 2008. Accordingly, it is noted that the Hong Kong property market has experienced a fall in both rentals and prices immediately after the recent global financial crisis.

According to the "Greater China Office & Residential Market Overview – October 2008" by Collier International published on October 2008, the overall residential leasing market in Hong Kong was however steady in terms of the level of occupational demand during the third quarter of 2008. As at the end of August, the average luxury residential rental edged up further by 2.2% quarter-of-quarter to HK$46.24 per square feet per month and the average luxury residential price of the luxurious residential properties located in the Peak increased by 2.3% quarter-of-quarter from HK$21,419 per square feet in May to HK$21,902 per square feet in August. Besides, as at the end of August 2008, the average luxury residential prices of the overall general luxury residential market in Hong Kong stayed largely flat during the third quarter of 2008 and stood firm at HK$14,800 per square feet. Therefore, we are of the view that the average luxury residential rental performance was better than the general rental market in Hong Kong during the past few months.

Besides, as stated in the "Shanghai Statistics Yearbook 2008" published in June 2008, it is noted that Shanghai has recorded a steady growth in terms of both the gross domestic product ("GDP") and property rentals over the past few years. In year 2007, Shanghai's GDP has grew from approximately RMB1,037 billion to approximately RMB1,219 billion. With the recent global financial crisis and the slowdown of GDP in the PRC, it is generally expected that the economic growth and the development in real estate market of PRC for 2008 will be less robust when compared to previous years.

With the recent financial turmoil in the US and the potential consolidation of the global economy, it is noted that the luxurious residential leasing market in Hong Kong and the PRC might be gloomy in the near-to medium-term. As discussed with the Directors, although there are uncertainties in the recent global finance market, the Directors are optimistic on the property leasing market in Hong Kong and the PRC and considered that steady demand are expected to continue, in particular, for those luxurious residential properties located at prime locations in Hong Kong and the PRC. Based on the foregoing, we believe that the macro-economic austerity measures implemented by the PRC would provide a more stable and less unfavourable business environment for the Group's development in the property market in Hong Kong and the PRC.

In addition, the PRC government has recently implemented a series of macro-economic austerity measures (including the recent RMB4 trillion stimulus plan to inhibit speculation and to mitigate the economic slowdown amid the global financial crisis) to slow down certain industries. In particular, the planned measures helps boosting the residential property market through ways of slashing taxes for certain housing transactions, lowering mortgage rates for first-time home purchasers, encouraging banks to provide mortgages as well as several local governments to implement policies aiming at reviving the domestic property market. As such, it is expected that the general and long-term economic growth in the PRC may be stabilized. Besides, the local government in Hong Kong has also implemented a series of relief measures boosting domestic demands, in particular, the tax reduction and property rates waivers. Together with the RMB4 trillion stimulus plan in the PRC being in force, it is believed that both the economic relief measures would remain a positive factor to Hong Kong's property market. Accordingly, we believe that both the macro-economic austerity measures implemented in the PRC and the economic relief measures implemented in Hong Kong would provide a more stable and less unfavourable business environment for the Group's development in the property market in Hong Kong and the PRC.

Having taken into account the recent global financial turmoil and the historical residential property performance in Hong Kong and Shanghai, we concur with the Directors' view that the Acquisition will contribute to the Group's revenue by broadening the Group's property portfolio and diversifying the Group's income stream.

iii. Reasons for the issue of the Convertible Note and the Acquisition

The principal activity of the Group is investment holding and it has been the strategy of the Group to diversify and expand its income portfolio. As set out in the Letter from the Board, the Company intends to hold the Properties as investment properties and/or lease out the Properties for rental income. As such, the proposed issue of the Convertible Note provides an opportunity to the Group to raise fund for its acquisition of the Properties. With the Acquisition, the Directors believe that the Group would be able to broaden its property portfolio with high quality assets and provides a steady income stream from the property market in Hong Kong and the PRC. Accordingly, we are also of the view that the Acquisition is in the ordinary course of business of the Group.

In addition, as confirmed by the Directors, it is considered that the issue of the Convertible Note will not result in an immediate cash outlay as a result of the Acquisition and also will not result in immediate dilution of the shareholding of the existing Shareholders. Thus, it is of the view that the issue of the Convertible Note will be more flexible and cost efficient to strengthen the financial position of the Group for the future growth and development.

Having taken into account the above factors, in particular that (i) the Acquisition is partly in line with the Group's business strategy; (ii) the Properties Group was profit making for the three years ended 31 December 2007 and for the ten months ended 31 October 2008; and (iii) the Acquisition can diversify the income stream of the Company, we are of the view that the Acquisition is fair and reasonable so far and is in the interests of the Company and its Independent Shareholders as a whole.

3. Principal terms of the S&P Agreement

i. Basis of the Consideration

The aggregate Consideration for the Sale Share and the Sale Debt is approximately HK$42.8 million (subject to Adjustment), which is equivalent to the aggregate of (i) the net asset value of the Sale Share which amounted to approximately HK$7.1 million as at 31 October 2008 as per the Accountants Report as set out in the Appendix II to the Circular; and (ii) the Sale Debt which amounted to approximately HK$35.7 million as at 31 October 2008. Upon Completion, the Consideration is to be settled by the full issue of Convertible Note.

The Consideration was determined at after arm's length negotiation between the Vendor and the Purchaser with reference to the latest net asset value of Excelbright, which was determined in accordance with the HKFRS after taking into account the market values of the Properties as set out in Appendix IV to the Circular. Given that the Consideration is subject to adjustment in accordance with the actual amount of the net asset value of the Sale Share and the actual amount of the Sale Debt as at the date of Completion, the Consideration is thus always at par to the net asset value plus the Sale Debt of the Properties Group.

Having considered that (i) the sole business of Excelbright is the investment holding of the Properties; (ii) the Consideration was arrived at after arm's length negotiation between the Purchaser and the Vendor; and (iii) the Consideration is always at par to the net asset value plus the Sale Debt of the Properties Group, we are thus of the opinion that the basis of determining the Consideration is appropriate and justifiable so far as the Independent Shareholders are concerned.

ii. Fair market value of the Properties

Excelbright is an investment holding company, which currently beneficially owns the entire interest of the Properties with an aggregate market value of HK$108.3 million in accordance with a valuation report of B.I. Appraisals Limited, an independent valuer, at 31 October 2008. The original purchase cost of the Properties, in aggregate, was approximately HK99.0 million.

According to the valuation report for the Properties prepared and issued by the B.I. Appraisals Limited, as set out in Appendix IV to the Circular, we understand the Properties are valued by the B.I. Appraisals Limited by the way of direct comparison approach assuming the property is capable of being sold in existing estate with the benefit of immediate vacant possession and by making reference to comparable sale transactions or offerings as available in the relevant market.

In valuing the Properties, B.I. Appraisals stated that their valuation has been carried out in accordance with The HKIS Valuation Standards on Properties (1st Edition 2005) issued by the Hong Kong Institute of Surveyors and under generally accepted valuation procedures and practices, which are in compliance with Chapter 5 and Practice Note 12 of the Listing Rules and the Valuation Standards on Properties published by the Hong Kong Institute of Surveyors. Having discussed with B.I. Appraisals on the basis and assumptions in arriving at the valuation of the Properties, we consider that their assumptions are in line with the market practice and thus have no reason to doubt the assumptions applied by B.I. Appraisals in preparing the valuation report. Accordingly, we consider that the direct comparison approach being adopted is generally in line with the market practice of the Properties and is thus reasonable.

Given that (i) the implementation of the nationwide austerity measures by the PRC government would provide a more stable and less favourable business environment in the residential property market in the PRC in the long run; (ii) the expected steady demand for the luxurious residential property in Hong Kong and the PRC; (iii) the Consideration was arrived at after arm's length negotiation between the Purchaser and the Vendor and the basis in determining the Consideration; and (iv) the valuation report of an independent valuer on the market value of Properties, we are of the opinion that the Consideration of the S&P Agreement is fair and reasonable so far and in the interests of the Company and the Independent Shareholders as a whole.

4. Settlement method of the Consideration

Pursuant to the S&P Agreement, the Company will issue the Convertible Note in principal amount of approximately HK$42.8 million (subject to Adjustment) at the Conversion Price of HK$1 per Conversion Share upon Completion.

i. Principle terms of the Convertible Note

The Convertible Note will bear interest at a rate of 2% p.a. on the outstanding principal amount of the Convertible Note, payable on a quarterly basis. They are convertible into the Conversion Shares at the initial Conversion Price of HK$1 per Conversion Share (subject to adjustments). The initial Conversion Price are subject to adjustments made upon occurrence of events for (i) share consolidation; (ii) share subdivision; (iii) capitalisation of profits or reserves; (iv) capital distributions in cash or specie; (v) rights issues; (vi) issue of any securities which are convertible or exchangeable into Shares for cash at an effective price which is less than 90% of the market price at the date of announcement of terms of issue of such securities; (vii) the effective price of Shares receivable from the rights of conversion, exchange or subscription of such securities are modified to be less than 90% of the market price at the date of announcement of the proposed modification; (viii) issue of Shares at a price which is less than 90% of the market price at the date of the announcement of the terms of such issue; and (ix) issue Shares for the acquisition of assets at an effective price which is less than 90% of the market price at the date of the announcement of the terms of such issue, and will in any event not be adjusted below the par value of a Share.

In assessing the reasonableness of the terms of the Convertible Note, we have reviewed and identified, on a best effort basis, a number of companies listed on the main board of the Stock Exchange that announced to issue or already issued convertible bonds/notes that are with three-year maturity ("CN Comparables"). We have identified 11 CN Comparables from 11 May 2008 to 12 November 2008, being approximately six months before the date of entering into the Convertible Note Agreement and the S&P Agreement. Shareholders should note that the business, operations and prospects of the Company are not the same as the CN Comparables and we have not conducted any in-depth investigation into the business and operations of the CN Comparables. Thus, the CN Comparables are only used to provide a general reference for the common market practice of companies listed on the Stock Exchange in transactions which involved the issue of convertible notes/bonds. The table below summarizes our findings:

Date of the announcement	**Company name**	**Stock code**	**Principle amount** *(HK$'000)*	**Conversion price** *(HK$)*	**Maturity** *(years)*	**Interest rate** *(%)*	**Closing price as at the last trading day** *(HK$)*	**Premium/ (discount) of conversion price over/ (to) the closing price as at the last trading day** *(%)*
3-Nov-08	Lo's Enviro-Pro Holdings Limited	309	65,000	0.31	3	nil	0.17	82.35
9-Oct-08	Unity Investments Holdings Limited	913	38,000	0.132	3	nil	0.14	(5.71)
29-Sep-08	Radford Capital Investment Limited	901	45,000	0.15	3	nil	0.165	(9.09)
25-Sep-08	Rising Development Holdings Limited	1004	43,200	0.06	3	nil	0.069	(13.04)

Date of the announcement	Company name	Stock code	Principle amount *(HK$'000)*	Conversion price *(HK$)*	Maturity *(years)*	Interest rate *(%)*	Closing price as at the last trading day *(HK$)*	Premium/ (discount) of conversion price over/ (to) the closing price as at the last trading day *(%)*
11-Aug-08	GCL-Ploy Energy Holdings Limited	3800	143,627,000	1.23	3	nil	1.17	5.10
25-Jul-08	Suncorp Technolgies Limited	1063	50,000	0.10	3	0.5	0.139	(28.06)
2-Jul-08	China Sci-Tech Holdings Limited	985	100,000	0.10	3	nil	0.068	47.06
23-Jun-08	United Metals Holdings Limited	2302	106,200	1.77	3	2	4.85	(63.51)
30-May-08	China Conservational Power Holdings Limited	290	20,000	0.10	3	nil	0.305	(67.21)
23-May-08	Kong Sun Holdings Limited	295	25,000	0.10	3	8	0.025	300
21-May-08	Willie International Holdings Limited	273	86,586.533	0.11	3	nil	0.11	0
Maximum						8.00		300.00
Mean						2.75		22.54
Minimum						0.00		(67.21)
The Company			42,800	1	3	2%	0.87	14.49

Source: http://www.hkex.com.hk

Conversion Price

As set out in the Letter from the Board, the initial Conversion Price of HK$1.00 was determined on an arm's length basis between the Company and the Subscriber with reference to the recent market closing prices of the Shares and it represents:

- about 4.2% premium over the closing price of HK$0.960 per Share as quoted on the Stock Exchange as at the Latest Practicable Date;
- about 14.9% premium over the closing price of HK$0.870 per Share on 10 November 2008 (the last trading day prior to the announcement dated 11 November 2008);

- about 13.1% premium over the average closing price of about HK$0.884 per Share based on the closing prices as quoted on the Stock Exchange for the 5 trading days ended on 10 November 2008;

- about 13.3% premium over the average closing price of about HK$0.883 per Share based on the closing prices as quoted on the Stock Exchange for the 10 trading days ended on 10 November 2008; and

- about 66.2% discount to the latest unaudited net asset value of HK$2.96 per Share based on the unaudited net asset value of the Company as at 30 June 2008.

As the disclosed in the table above, the conversion prices of the CN Comparables range from a discount of approximately 67.21% to a premium of approximately 300.00% to the respective closing price as at the last trading day prior to the release of the relevant announcements. The Conversion Price for the Conversion Shares, which represented a premium of approximately 14.49% over the closing price of the last trading day and falls within the range of those of the Comparable but is slightly below the average of the CN Comparables of approximately 22.54%.

Having considered that (i) the Convertible Note has no immediate shareholding dilution effect on its existing public Shareholders; (ii) the strengthening of the Group's financial position through the issue of the Convertible Note; (iii) the premium over the closing price of Shares on 10 November 2008; and (iv) the initial Conversion Price of the Convertible Note falls within the range of the CN Comparables, we are of the view that the Conversion Price of the Convertible Note is fair and reasonable so far as the Independent Shareholders are concerned.

Interest rate

As set out in the table above, the interest rate of the CN Comparables ranges from nil to 8% per annum. The Convertible Note bears an interest rate of 2% per annum, which falls within the range of the CN Comparables and is slightly lower than the average interest rate of approximately 2.75% per annum of the CN Comparables and we consider that the interest rate of 2.75% per annum is justifiable and thus we of the view that the interest rate of the

Convertible Note is fair and reasonable so far as the Company and Independent Shareholders are concerned and is in the interest of the Company and the Independent Shareholders as a whole.

Other terms of the Convertible Note

We have also reviewed the other terms of the Convertible Note and are not aware of any terms which are uncommon. Accordingly, we are thus of the opinion that the terms of the Convertible Note are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

ii. Possible dilution to the existing shareholdings of the Independent Shareholders in the Company

The table below illustrates the shareholding structure of the Company before and immediately after the issue of the Convertible Note and full conversion of the Convertible Note:

Shareholders	**Existing shareholding structure as at the Latest Practicable Date**		**Upon Completion and assuming full conversion of the Convertible Note (assuming the Convertible Note is issued at a maximum principal amount of HK$43.8 million)**	
	Number of Shares	*%*	*Number of Shares*	*%*
Cash Guardian Limited *(Note)*	66,398,512	36.78	66,398,512	29.60
Vendor	0	0	43,800,000	19.53
Sub-total for the Vendor and his parties acting in concert	66,398,512	36.78	110,198,512	49.13
Other Directors of the Company				
– Mr. Lin Che Chu Chu George	5,230,000	2.90	5,230,000	2.33
– Mr. Law Ping Wah Bernard	6,784,060	3.76	6,784,060	3.02
	12,014,060	6.66	12,014,060	5.35
Public Shareholders	102,092,576	56.56	102,092,576	45.52
Total	180,505,148	100.00	224,305,148	100.00

Note: Cash Guardian Limited, a company controlled by the Vendor, is also the Associate of the Vendor.

Pursuant to the S&P Agreement, the Consideration is to be fully settled by the issue of the Convertible Note. Upon issuance of the Convertible Note at Completion and assuming that the Convertible Note is issued at maximum principal amount of HK$43.8 million and the full conversion of the Convertible Note, a maximum of approximately 43,800,000 Conversion Shares will be issued, representing approximately 24.3% of the existing issued share capital of the Company and approximately 19.5% of the issued share capital of the Company as enlarged by the full conversion of the Convertible Note.

From the table above, we noted that the shareholding interests of the public Shareholders would be diluted from approximately 56.56% to approximately 45.52% of the enlarged issued share capital of the Company following the issue of the Convertible Note.

After taking into consideration that (i) the Convertible Note has no immediate shareholding dilution effect on the existing public Shareholders; (ii) the issue of the Convertible Note will enable the Group to strengthen its financial position for future growth and development; (ii) the Conversion Price represents a premium of approximately 14.9% over the closing price of the Shares as at 10 November 2008, we are of the view that the possible dilution to the existing public Shareholders as a result of the issue of Convertible Note is acceptable.

5. Financial effects of the Acquisition and the issue of Convertible Note

i. Earnings

The audited net profit of the Group before and after taxation, minority interest and extraordinary items for the year ended 31 December 2007 was approximately HK$169.7 million and HK$51.9 million respectively. According to the Letter from the Board, the consolidated unaudited net profits (both before and after taxation and extraordinary items) of the Properties Group for the year ended 31 December 2006 and 31 December 2007 were approximately HK$2.2 million and HK$2.9 million respectively. Upon Completion, the Properties Group will become subsidiaries of the Company and its results will be consolidated into the financial statements of the Group. In general, the Acquisition will therefore improve the earnings of the Group and improve the Group's profitability.

ii. Net assets value

The audited net assets of the Group were approximately HK$995,832,000 as at 30 June 2008. Based on the unaudited pro forma financial information of the enlarged Group as set out in Appendix III to the Circular, the Group's net asset value would be increased by approximately HK$5,682,000 to approximately HK$1,001,514,000. The unaudited pro forma adjusted net asset value per share attributable to the equity shareholders of the Company of the Enlarged Group (immediately after the Acquisition) will be increased from approximately HK$5.52 to approximately HK$5.55.

iii. Cashflow

As disclosed in the annual report 2007, the Group recorded a cash and bank balance of approximately HK$1,348,211,000 as at 31 December 2007 (2006: HK$821,200,000). The Convertible Note will bear interest at a rate of 2% per annum, payable on a quarterly basis. As such, the Group shall have a cash outflow of approximately HK$876,000 per year during the term of the Convertible Note.

Given that the Consideration for the Acquisition will be settled by the issue of the Convertible Note in full, save for the cash outflow for payment of interest, there will be no immediate significant impact on the consolidated cashflow of the Group until the maturity of the Convertible Note, which will be on 31 December 2011. Upon the maturity of the Convertible Note, the Group shall have a cash outflow of a maximum of approximately HK$43.8 million if the conversion right of the Convertible Note is not exercised by the holder(s) of the Convertible Note. However, given that the financial position of the Group will be further strengthened, we are of the view that the abovementioned decrease is justifiable.

iv. Gearing

As stated in the interim report 2008, the gearing ratio of the Group as at 30 June 2008 was approximately 56.18%, which is derived by dividing the total interest bearing borrowings of the Group of approximately HK$559,436,000 by the total equity of approximately HK$995,832,000.

In accordance with the unaudited pro forma financial information of the Enlarged Group, the Group's gearing ratio would be increased from approximately 56.18% to approximately 66.10% (which is derived by the total interest bearing borrowings of the Enlarged Group of approximately HK$661,736,000 and the total equity of the Enlarged Group of approximately of HK$1,001,514,000).

Based on the abovementioned, the Acquisition would have an immediate positive financial effect on the Group in terms of earnings and net asset value but a slight negative impact on the cashflow and gearing of the Group. Having considered the overall favorable financial impacts which the Acquisition would likely to bring to the Group, we consider that the slight negative impact on cashflow and gearing is justifiable.

D. CONCLUSION

Having taken into consideration of the following principal factors and reasons regarding the Acquisition and issue of the Convertible Note, including:

a) the Acquisition is in the ordinary course of business of the Group;

b) the Consideration and the terms of the Convertible Note Agreement and the S&P Agreement are fair and reasonable to the Company and the Independent Shareholders as a whole; and

c) the overall financial effects of the Acquisition on the Group,

we are of the view that the issue of the Convertible Note and the Acquisition are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Independent Shareholders and the Company as a whole. Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders to vote and the Independent Shareholders to vote in favour of the Convertible Note Agreement and the S&P Agreement at the SGM.

Yours faithfully,
For and on behalf of
Grand Vinco Capital Limited
Alister Chung
Managing Director

1. FINANCIAL INFORMATION

A. SUMMARY OF FINANCIAL RESULTS FOR THE THREE YEARS ENDED 31 DECEMBER 2007

The following is a summary of the audited consolidated profit and loss accounts and financial positions for each of the three years ended 31 December 2007 as extracted from the annual report of the Company for the year ended 31 December 2007.

Consolidated Profit and Loss Account

	For the year ended 31 December		
	2007	**2006**	**2005**
	HK$'000	*HK$'000*	*HK$'000*
Revenue	1,665,452	816,622	588,145
Profit (Loss) before taxation	169,723	59,300	(30,058)
Taxation (charge) credit	(30,079)	(5,939)	2,999
Profit (Loss) for the year	139,644	53,361	(27,059)
Attributable to:			
Equity holders of the Company	51,902	32,057	(37,022)
Minority interests	87,742	21,304	9,963
	139,644	53,361	(27,059)
Earnings (Loss) per share			
– Basic	HK$0.07	HK$0.07	HK$(0.08)
– Diluted	HK$0.06	HK$0.06	HK$(0.08)

Consolidated Assets and Liabilities

	As at 31 December		
	2007	**2006**	**2005**
	HK$'000	*HK$'000*	*HK$'000*
Total assets	3,175,166	2,309,371	1,265,224
Total liabilities	(2,034,959)	(1,742,040)	(901,143)
Net assets	1,140,207	567,331	364,081

B. FINANCIAL INFORMATION FOR THE TWO YEARS ENDED 31 DECEMBER 2007

The following is financial information for each of the two years ended 31 December 2007 as extracted from the annual report of the Company for the year ended 31 December 2007.

Consolidated Income Statement

For the year ended 31 December 2007

	NOTES	**2007** *HK$'000*	**2006** *HK$'000*
Revenue	*6*	1,665,452	816,622
Other income		5,828	4,104
Cost of sales for retailing business		(485,890)	(277,100)
Cost of services for online game business		(83,800)	(11,906)
Convertible loan note settlement income		–	291
Salaries, allowances and commission	*8*	(400,799)	(228,369)
Other operating, administrative and selling expenses		(420,659)	(244,345)
Depreciation of property and equipment		(39,708)	(25,252)
Finance costs	*9*	(104,690)	(63,500)
Net increase in fair value on investments held for trading		52,106	18,621
Realised gain on disposal of available-for-sale investments		456	–
Net decrease in fair value on derivative financial instruments		(12,683)	–
Bad debt recovered		4,540	–
Allowance for bad and doubtful debts		(673)	(2,876)
Loss on disposal of property and equipment		–	(2,331)
Loss on dilution of shareholding in subsidiaries		(5,623)	(4,182)
Discount on acquisition of additional interests in subsidiaries		708	–
Share of (loss) profit of associates	*20*	(3,370)	14,374
Gain on disposal of associates	*20*	–	71,100
Impairment loss recognised in respect of property and equipment	*15*	(1,472)	(5,951)
Profit before taxation	*12*	169,723	59,300
Taxation charge	*13*	(30,079)	(5,939)
Profit for the year		139,644	53,361

	NOTES	**2007** *HK$'000*	**2006** *HK$'000*
Attributable to:			
Equity holders of the Company		51,902	32,057
Minority interests		87,742	21,304
		139,644	53,361
Dividend:			
Proposed final dividend – 31 December 2007: HK$0.04 per ordinary share; 31 December 2006: Nil		36,101	–
Earnings per share	*14*		
– Basic		HK$0.07	HK$0.07
– Diluted		HK$0.06	HK$0.06

Consolidated Balance Sheet

At 31 December 2007

	NOTES	2007 HK$'000	2006 HK$'000
Non-current assets			
Property and equipment	15	109,252	98,750
Prepaid lease payments	16	15,963	16,378
Investment property	17	5,000	5,000
Available-for-sale investments	18	–	33,392
Goodwill	19	233,115	212,027
Interests in associates	20	65,778	–
Loan to an associate	20	10,296	–
Intangible assets	21	68,255	68,712
Other assets	23	9,136	16,241
Deposits paid for purchase of property and equipment		16,136	–
Loan receivables	24	692	656
Deferred tax assets	13	–	1,575
		533,623	452,731
Current assets			
Inventories	25	42,028	49,624
Account receivables	26	938,998	782,181
Loan receivables	24	28,915	19,275
Prepayments, deposits and other receivables		91,126	58,454
Receivable for disposal of an associate		–	76,187
Amounts due from associates		260	373
Listed investments held for trading	27	60,254	49,325
Deposits with brokers	29	131,751	–
Bank deposits under conditions	28	90,183	78,075
Bank balances – trust and segregated accounts	29	928,527	574,577
Bank balances (general accounts) and cash	29	329,501	168,569
		2,641,543	1,856,640

	NOTES	2007 HK$'000	2006 HK$'000
Current liabilities			
Account payables	30	1,511,664	1,071,830
Deferred revenue		4,059	8,027
Accrued liabilities and other payables		121,520	109,467
Payable for acquisition of subsidiaries	37(a)(iii)	–	100,590
Taxation payable		23,149	4,869
Obligations under finance leases – amount due within one year	31	487	756
Borrowings – amount due within one year	32	324,792	405,189
Derivative financial instruments	33	12,683	–
Loan from a minority shareholder	34	27,437	–
		2,025,791	1,700,728
Net current assets		615,752	155,912
		1,149,375	608,643
Capital and reserves			
Share capital	36	90,253	65,623
Reserves		557,748	239,332
Equity attributable to equity holders of the Company		648,001	304,955
Share option reserve of a listed subsidiary		88	2,496
Minority interests		492,118	259,880
Total equity		1,140,207	567,331
Non-current liabilities			
Deferred tax liabilities	13	7,879	8,494
Obligations under finance leases – amount due after one year	31	40	541
Borrowings – amount due after one year	32	1,249	32,277
		9,168	41,312
		1,149,375	608,643

Consolidated Statement of Changes in Equity

For the year ended 31 December 2007

	Notes	Attributable to equity holders of the Company										Equity component of convertible loan note of a listed subsidiary	Share option reserve of a listed subsidiary	Minority interests	Total
		Share capital	Share premium	Contributed surplus	General reserve	Other reserve	Translation reserve	Share option reserve	Revaluation reserve	Accumulated profits	Total				
		HK$'000	*HK$'000* *(Note (d))*	*HK$'000* *(Notes (e)&(f))*	*HK$'000*	*HK$'000* *(Note (g))*	*HK$'000*	*HK$'000*	*HK$'000* *(Note (l))*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2006		43,748	99,512	16,724	1,160	12,314	–	–	–	9,886	183,344	581	883	179,273	364,081
Exchange difference arising from translation of foreign operations		–	–	–	–	–	(288)	–	–	–	(288)	–	–	–	(288)
Revaluation increase on acquisition of additional interests in an associate and income recognised directly in equity *(note 37(a)(iii))*		–	–	–	–	–	–	–	15,564	–	15,564	–	–	–	15,564
Fair value changes on available-for-sale investments recognised directly in equity		–	–	–	–	–	–	–	14,095	–	14,095	–	–	–	14,095
Profit for the year		–	–	–	–	–	–	–	–	32,057	32,057	–	–	21,304	53,361
Total recognised income and expense for the year		–	–	–	–	–	(288)	–	29,659	32,057	61,428	–	–	21,304	82,732
Recognition of employee share option benefits		–	–	–	–	–	–	422	–	–	422	–	1,613	–	2,035
Arising from conversion of convertible loan note of a subsidiary	*(c)(ii)*	–	–	–	–	–	–	–	–	–	–	(308)	–	–	(308)
Arising from early repayment of convertible loan note of a subsidiary	*(a)*	–	–	–	–	–	–	–	–	–	–	(273)	–	–	(273)
2006 interim dividend paid by subsidiary		–	–	–	–	–	–	–	–	–	–	–	–	(22,298)	(22,298)
Issue of new shares due to rights issue	*(b)*	21,875	39,373	–	–	–	–	–	–	–	61,248	–	–	–	61,248
Issue of new shares by subsidiary	*(c)*	–	–	–	–	–	–	–	–	–	–	–	–	79,212	79,212
Arising from acquisition of subsidiary		–	–	–	–	–	–	–	–	–	–	–	–	2,389	2,389
Transaction costs attributable to issue of new shares		–	(1,487)	–	–	–	–	–	–	–	(1,487)	–	–	–	(1,487)
At 31 December 2006		65,623	137,398	16,724	1,160	12,314	(288)	422	29,659	41,943	304,955	–	2,496	259,880	567,331
Exchange difference arising from translation of foreign operations		–	–	–	–	–	(755)	–	–	–	(755)	–	–	–	(755)
Fair value changes on available-for-sale investments recognised directly in equity		–	–	–	–	–	–	–	(13,639)	–	(13,639)	–	–	–	(13,639)
Share of translation reserve of associates		–	–	–	–	–	855	–	–	–	855	–	–	460	1,315
Total income and expense recognised directly in equity		–	–	–	–	–	100	–	(13,639)	–	(13,539)	–	–	460	(13,079)
Transfer to profit or loss on disposal of available-for-sale investments		–	–	–	–	–	–	–	(456)	–	(456)	–	–	–	(456)
Profit for the year		–	–	–	–	–	–	–	–	51,902	51,902	–	–	87,742	139,644
Total recognised income and expense for the year		–	–	–	–	–	–	–	(456)	51,902	51,446	–	–	87,742	139,188
Recognition of employee share option benefits		–	–	–	–	–	–	1,129	–	–	1,129	–	–	–	1,129
2007 dividend paid by subsidiary		–	–	–	–	–	–	–	–	–	–	–	–	(30,474)	(30,474)
Issue of new shares due to the exercise of share options	*(h)*	1,600	4,196	–	–	–	–	–	–	–	5,796	–	–	–	5,796
Issue of new shares	*(i)*	23,030	292,176	–	–	–	–	–	–	–	315,206	–	–	–	315,206
Issue of new shares by subsidiary	*(j)*	–	–	–	–	–	–	–	–	–	–	–	(1,525)	165,443	163,918
Acquisition of additional interest in a subsidiary		–	–	–	–	–	–	–	–	–	–	–	–	(12,757)	(12,757)
Amount transferred to accumulated profits as a result of expiration of a subsidiary's share options		–	–	–	–	–	–	–	–	–	–	–	(883)	–	(883)
Transfer upon exercise of share options		–	477	–	–	–	–	(477)	–	–	–	–	–	–	–
Arising from acquisition of subsidiaries from CFSG		–	–	–	–	–	–	–	–	–	–	–	–	21,824	21,824
Transaction costs attributable to issue of new shares		–	(16,992)	–	–	–	–	–	–	–	(16,992)	–	–	–	(16,992)
At 31 December 2007		90,253	417,255	16,724	1,160	12,314	(188)	1,074	15,564	93,845	648,001	–	88	492,118	1,140,207

Notes:

(a) During the year ended 31 December 2006, CASH Financial Services Group Limited ("CFSG") has made full repayment of the convertible loan note issued on 1 September 2004 that remained outstanding in June 2006 amounting to HK$8,000,000 and HK$6,300,000 on 1 June 2006 and 28 June 2006 respectively. The consideration of HK$14,300,000 was allocated into liability component and equity component. An equity component of approximately HK$273,000 was released from the convertible loan note equity reserve.

(b) On 16 November 2006, 218,741,913 shares of HK$0.10 each were issued by way of rights issue at a subscription price of HK$0.28 per share. These shares rank pari passu in all respects with other shares in issue.

(c) (i) On 10 January 2006, 155,000,000 shares of HK$0.10 each of CFSG in CFSG were issued to independent third parties at a price of HK$0.40 per a CFSG's share, resulting the issue of 155,000,000 CFSG's shares of HK$0.10 each.

(ii) On 18 January 2006, convertible loan note issued by CFSG amounting to HK$16,200,000 was converted into 60,000,000 shares of CFSG at a conversion price of HK$0.27 per share.

(iii) In January 2006, 1,170,000 share options of CFSG were exercised at an exercise price of HK$0.34 per a CFSG's share, resulting in the issue of 1,170,000 CFSG's shares of HK$0.10 each.

(iv) In November 2006, 1,000,000 share options of CFSG were exercised at an exercise price of HK$0.296 per a CFSG's share, resulting in the issue of 1,000,000 CFSG's shares of HK$0.10 each.

(d) Under the Companies Act 1981 of Bermuda, the share premium of the Company can be used in paying up unissued shares of the Company to be issued to members of the Company as fully paid bonus shares.

(e) Under the Companies Act 1981 of Bermuda, contributed surplus is available for distribution to shareholders. However, a company cannot declare or pay a dividend, or make a distribution out of contribution surplus, if:

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

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

(f) The contributed surplus of the Group represents the difference between the nominal value of the share capital of the subsidiaries acquired pursuant to the group reorganisation in 1994 and the nominal value of the issued share capital of the Company issued in exchange thereof, and the net amount arising from the reduction of share premium account, capital reduction and the amounts transferred to set-off accumulated losses.

(g) The other reserve of the Group represents the reserve arising from the distribution of shares of CASH on-line Limited (now renamed CFSG) in year 2000.

(h) In July 2007, 12,000,000 and 4,000,000 share options of the Company were exercised at an exercise price of HK$0.323 and HK$0.480 respectively per share, resulting in issue of 16,000,000 shares of HK$0.10 each.

(i) On 23 July 2007, 100,000,000 shares of HK$0.10 each were issued by subscription at a price of HK$0.52 per share. On 6 August 2007, 130,300,000 top up shares of HK$0.10 each were issued at a price of HK$2.02 per share. These shares rank pari passu in all respect with other shares in issue.

(j) (i) In April 2007, 1,000,000 share options of CFSG were exercised at an exercise price of HK$0.296 per a CFSG's share, resulting in the issue of 1,000,000 CFSG's shares of HK$0.10 each.

(ii) In July 2007, 62,700,000 share options of CFSG were exercised at an exercise price of HK$0.296 per a CFSG's share, resulting in issue of 62,700,000 CFSG's shares of HK$0.10 each.

(iii) In August 2007, 37,800,000 share options of CFSG were exercised at an exercise price of HK$0.296 per a CSFG's share, resulting in issue of 37,800,000 CFSG's shares of HK$0.10 each.

(iv) On 21 November 2007, 593,420,579 CFSG's shares of HK$0.10 each were issued by way of rights issue at a subscription price of HK$0.40 per share.

(k) All the reserves of the Group are attributable to the Company and its subsidiaries.

(l) At 31 December 2007, the balance of revaluation reserve represented fair value adjustment attributable to the Group's interest in an associate before the acquisition of additional interests in that associate.

Consolidated Cash Flow Statement

For the year ended 31 December 2007

	NOTE	2007 HK$'000	2006 HK$'000
Operating activities			
Profit before taxation		169,723	59,300
Adjustments for:			
Convertible loan note settlement income		–	(291)
Advertising and telecommunication services expenses	38(a)	2,233	5,393
Allowance for bad and doubtful debts		673	2,876
Amortisation of intangible assets		4,119	4,131
Amortisation of prepaid lease payments		415	207
Depreciation of property and equipment		39,708	25,252
Employee share option benefits		1,129	2,035
(Gain) Loss on disposal on intangible assets		(9)	199
Allowance for inventory obsolescence and write-off of inventories		8,829	3,544
Dividends from investments		(1,617)	(471)
Loss on dilution of shareholding in subsidiaries		5,623	4,182
Discount on acquisition of additional interests in subsidiaries		(708)	–
Gain on disposal of associates		–	(71,100)
Impairment loss recognised in respect of property and equipment		1,472	5,951
Unrealised change in fair value of investments held for trading		(12,278)	2,266
Realised gain on disposal of available-for-sale investments		(456)	–
Interest expenses		104,690	63,500
Loss on disposal of property and equipment		–	2,331
Net decrease in fair value of derivative financial instruments		12,683	16
Share of loss (profit) of associates		3,370	(14,374)
Impairment loss on amount due from an associate		4,075	–

	NOTE	2007 HK$'000	2006 HK$'000
Operating cashflow before movements in working capital		343,674	94,947
(Increase) Decrease in inventories		(1,233)	9,424
Increase in account receivables		(158,085)	(307,574)
(Increase) Decrease in loan receivables		(9,974)	19,052
(Increase) Decrease in prepayments, deposits and other receivables		(33,739)	11,837
Increase in amounts due from associates		(4,519)	(373)
Decrease (Increase) in listed investments held for trading		1,349	(13,991)
Increase in deposits with brokers		(131,751)	–
Increase in bank balances – trust and segregated accounts		(353,950)	(221,675)
Increase in account payables		439,834	331,051
(Decrease) Increase in deferred revenue		(3,968)	8,027
Increase in accrued liabilities and other payables		12,053	18,221
Net cash from (used in) operations		99,691	(51,054)
Income taxes paid		(10,839)	(1,045)
Dividends received		1,617	471
Net cash from (used in) operating activities		90,469	(51,628)
Investing activities			
Loan to an associate		(10,296)	–
Investment in an associate		(67,833)	–
Proceeds from disposal of available-for-sale investments		19,753	–
Acquisition of subsidiaries	*38(b)*	(24,403)	(44,053)
Acquisition of assets and liabilities	*37(b)*	37	–
Acquisition of additional interest in subsidiaries		(12,456)	–
Proceeds from disposal of an associate		–	60,000
Increase in bank deposits under conditions		(12,108)	(16,550)
Proceeds from disposal of property and equipment		–	616
Purchase of property and equipment		(50,708)	(28,799)
Deposits paid for purchases of property and equipment		(16,136)	–
Statutory and other deposits refunded (paid)		7,105	(8,677)
Expenditure on intangible assets		(5,422)	(1,931)
Proceeds from disposal of intangible assets		1,769	–
Net cash used in investing activities		(170,698)	(39,394)

	NOTE	2007 HK$'000	2006 HK$'000
Financing activities			
Loan from a minority shareholder		27,437	–
New borrowings raised		263,828	254,267
Repayment of borrowings		(287,972)	(191,719)
(Decrease) Increase in bank overdrafts		(87,281)	59,610
Repayments of obligations under finance leases		(770)	(149)
Repayments of convertible loan note		–	(14,300)
Proceeds on issue of shares		321,002	61,248
Proceeds on issue of shares to minority interests		159,948	63,012
Dividend paid to minority shareholders by CFSG		(30,474)	(22,298)
Interest paid on obligations under finance leases		(108)	(108)
Share issue expenses		(16,992)	(1,487)
Share issue expenses paid by CFSG		(467)	–
Interest paid on convertible loan note		–	(212)
Interest paid on bank and other loans		(104,582)	(63,212)
Deemed disposals of subsidiaries (net of cash and cash equivalents disposed)		–	(3,319)
Net cash from financing activities		243,569	141,333
Net increase in cash and cash equivalents		163,340	50,311
Cash and cash equivalents at beginning of year		168,569	118,219
Effect of foreign exchange rate changes		(2,408)	39
Cash and cash equivalents at end of year		329,501	168,569
Being:			
Bank balances (general accounts) and cash		329,501	168,569

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

1. General

The Company is incorporated in Bermuda as an exempted company with limited liability under the Companies Act 1981 of Bermuda (as amended) and its shares are listed on The Stock Exchange of Hong Kong Limited ("Stock Exchange"). The address of the registered office and principal place of business of the Company are disclosed in the corporate information of this annual report.

The consolidated financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Company.

The Company is an investment holding company. The principal activities of its principal subsidiaries are set out in note 47.

2. Application of new and revised Hong Kong Financial Reporting Standards ("HKFRSs")

In the current year, the Group has applied, for the first time, a number of new standard, amendments and interpretations ("New HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are effective for accounting periods beginning on or after 1 January 2007.

HKAS 1 (Amendment)	Capital disclosures
HKFRS 7	Financial instruments: Disclosures
HK(IFRIC) – INT 7	Applying the restatement approach under HKAS 29 Financial reporting in hyperinflationary economies
HK(IFRIC) – INT 8	Scope of HKFRS 2
HK(IFRIC) – INT 9	Reassessment of embedded derivatives
HK(IFRIC) – INT 10	Interim financial reporting and impairment

The application of the New HKFRSs had no material effect on how the Group's results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has applied the disclosure requirements under HKAS 1 (Amendment) and HKFRS 7 retrospectively. Certain information presented in prior years under the requirements of HKAS 32 has been removed and the relevant comparative information based on the requirements of HKAS 1 (Amendment) and HKFRS 7 has been presented for the first time in the current year.

The Group has not early applied the following new and revised standards, amendment and interpretations that have been issued but are not yet effective.

HKAS 1 (Revised)	Presentation of financial statements [1]
HKAS 23 (Revised)	Borrowing costs [1]
HKAS 27 (Revised)	Consolidated and separate financial statements [2]
HKFRS 2 (Amendment)	Vesting conditions and cancellations [1]
HKFRS 3 (Revised)	Business combinations [2]
HKFRS 8	Operating segments [1]
HK(IFRIC) – INT 11	HKFRS 2 – Group and treasury share transactions [2]
HK(IFRIC) – INT 12	Service concession arrangements [3]
HK(IFRIC) – INT 13	Customer loyalty programmes [4]
HK(IFRIC) – INT 14	HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction [3]

[1] Effective for annual periods beginning on or after 1 January 2009.
[2] Effective for annual periods beginning on or after 1 July 2009.
[3] Effective for annual periods beginning on or after 1 March 2007.
[4] Effective for annual periods beginning on or after 1 January 2008.
[5] Effective for annual periods beginning on or after 1 July 2008.

The adoption of HKFRS 3 (revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions. The Directors of the Company anticipate that the application of the other new or revised standards and interpretations will have no material impact on the results and the financial position of the Group.

3. Significant accounting policies

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at fair values, as explained in the accounting policies set out below.

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

On acquisition of additional interest in subsidiaries, goodwill was calculated as the difference between the consideration paid for the additional interest and the carrying amount of the net assets of the subsidiaries attributable to the additional interest acquired. If the Group's additional interest in the net assets of the subsidiaries exceeds the consideration paid for the additional interest, the excess is recognised in consolidated income statement.

Business combinations

The acquisition of businesses is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 "Business combinations" are recognised at their fair values at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Goodwill

Goodwill arising on acquisition prior to 1 January 2005

Goodwill arising on acquisition of net assets and operation of another entity for which the agreement date is before 1 January 2005 represents the excess of the cost of acquisition over the Group's interest in the fair values of the identifiable assets and liabilities of the relevant acquiree at the date of acquisition.

For previously capitalised goodwill, the Group has discontinued amortisation from 1 January 2005 onwards, and such goodwill is tested for impairment annually, and whenever there is an indication that the cash generating unit to which the goodwill relates may be impaired.

Goodwill arising on acquisition on or after 1 January 2005

Goodwill arising on acquisition of businesses for which the agreement date is on or after 1 January 2005 represents the excess of the cost of acquisition over the Group's interest in the fair values of the identifiable assets, liabilities and contingent liabilities of the relevant businesses at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment losses.

Capitalised goodwill arising on acquisition of businesses is presented separately in the consolidated balance sheet.

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the consolidated income statement. An impairment loss for goodwill is not reversed in subsequent periods.

On subsequent disposal of the relevant cash-generating unit, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

Investment in an associate

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture.

The results and assets and liabilities of an associate are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investment in an associate is carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

Sales of goods are recognised when goods are delivered and title has passed.

Revenue arising from financial services are recognised on the following basis:

- The net increase or decrease in fair value of trading investments are recognised directly in net profit or loss.

- Commission income for broking business is recorded as income on a trade date basis.

- Underwriting commission income, sub-underwriting income, placing commission and sub-placing commission are recognised as income in accordance with the terms of the underlying agreement or deal mandate when relevant significant act has been completed.

- Advisory and other fee income are recognised when the relevant transactions have been arranged or the relevant services have been rendered.

- Interest income from clients are recognised on a time proportion basis, taking into account the principal amounts outstanding and the effective interest rates applicable.

Revenues arising from the online game services are recognised on the following basis:

- Online game income is recognised when the in-game premium features is consumed or points for in-game premium features is expired. Payments received from the sales of points for in-game premium features, that have not been consumed, are recorded as deferred revenue.

- Sales of online game auxiliary products are recognised when products are delivered and title has passed.

- Licensing fee income is recognised on a straight-line basis over the licensing period.

Other interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Property and equipment

Property and equipment are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of property and equipment over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the year in which the item is derecognised.

Investment property

Investment property is property held to earn rentals and/or for capital appreciation.

On initial recognition, investment property is measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment property is measured using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in consolidated income statement for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from its disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated income statement in the year in which the item is derecognised.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Company (i.e. Hong Kong dollars) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the translation reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the balance sheet date. Exchange differences arising are recognised in the translation reserve.

Retirement benefit costs

Payments to defined contribution retirement benefit plan/state-managed retirement benefit schemes the Mandatory Provident Fund Scheme are charged as an expenses when employees have rendered service entitling them to the contributions.

Borrowing costs

All borrowing costs are recognised as and included in finance costs in the consolidated income statement in the period in which they are incurred.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Intangible assets

Intangible assets acquired separately

Intangible assets acquired separately and with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. Alternatively, intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses (see accounting policy an impairment loss below).

Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated income statement when the asset is derecognised.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably. The cost of such intangible assets is their fair value at the acquisition date.

Subsequent to initial recognition, intangible assets with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives.

Alternatively, intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses (see accounting policy on impairment loss below).

Research and development expenditures

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development expenditure is recognised only if it is anticipated that the development costs incurred on a clearly-defined project will be recovered through future commercial activity. The resultant asset is amortised on a straight-line basis over its useful life, and carried at cost less subsequent accumulated amortisation and any accumulated impairment losses (see accounting policy on impairment loss below).

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria. Where no internally-generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible asset is reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

Impairment losses on tangible and intangible assets other than goodwill

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. In addition, intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that they may be impaired. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Financial instruments

Financial assets and financial liabilities are recognised on the consolidated balance sheet when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into one of the three categories, including investments held for trading, loans and receivables and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. The accounting policies adopted in respect of each category of financial assets are set out below.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period. Income is recognised on an effective interest basis for debt instruments.

Investments held for trading

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

At each balance sheet date subsequent to initial recognition, listed investments held for trading are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including account receivables, loan receivables, loan to an associate, deposits and other receivables, deposits with brokers, bank deposits and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as such or not classified as loans and receivables, financial assets at fair value through profit or loss and held-to-maturity investments. At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in profit or loss.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition.

Impairment of financial assets

Financial assets, other than investment held for trading, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

For an available-for sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For loans and receivables, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as account receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include Group's past experience of collecting payments and observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of accounts receivable and loan receivables where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When the accounts receivable and loan receivables are considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Impairment losses on available-for-sale equity investments will not be reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in equity.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities including account payables, other payables, borrowings and loan from a minority shareholder are subsequently measured at amortised cost, using the effective interest method.

Convertible loan note

Convertible loan note issued by the subsidiary of the Company that contain early redemption option, financial liability and equity components are classified separately into respective early redemption option derivative, liability and equity components on initial recognition. On initial recognition, the early redemption option derivative and liability component are recognised at fair value. The carrying amount of the equity component is then determined by deducting the fair value of the financial liability from the fair value of the compound financial instrument as a whole. Issue costs are apportioned between the components of the convertible loan note based on their relative fair value at the date of issue. The issue costs relating to the equity component are charged directly to equity. The issue costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible loan note using the effective interest method. The portion relating to the derivative is charged directly to profit or loss.

In subsequent periods, the embedded derivative for early redemption right is carried at fair value, with changes in fair value being recognised in profit or loss directly. The liability component of the convertible loan note is carried at amortised cost using the effective interest method. The equity component, represented by the option to convert the liability component into ordinary shares of the subsidiary of the Company, will remain in convertible loan note equity reserve until the option is exercised (in which case the balance stated in equity component of convertible loan notes of a listed subsidiary will be transferred to share premium). Where the option remains unexercised at the expiry date, the balance stated in convertible loan note equity reserve will be released to the accumulated profits. No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain or loss is recognised in profit or loss immediately.

Embedded derivatives

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Equity-settled share-based payment transactions (share options granted to employees of the Group)

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period or recognised as an expense in full at the grant date when the share options granted vest immediately, with a corresponding increase in equity (share option reserve).

At each balance sheet date, the Group revises its estimates of the number of options that are expected to ultimately vest. The effect of change in estimates, if any, is recognised in profit or loss with a corresponding adjustment to share option reserve.

At the time when the share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to accumulated losses.

The above policy is applied to all equity-settled share-based payments that were granted after 7 November 2002 and vested after 1 January 2005. The Group chooses not to apply HKFRS 2 with respect to share options granted after 7 November 2002 and vested before 1 January 2005, accordingly, no amount has been recognised in the consolidated financial statements in respect of these equity-settled shared-based transactions.

4. Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Income taxes

As at 31 December 2007, no deferred tax asset was recognised while approximately HK$1,575,000 was recognised in the Group's consolidated balance sheet as at 31 December 2006. No deferred tax asset was recognised in the Group's consolidated balance sheet in relation to the remaining unused tax losses of approximately HK$452,234,000 (2006: HK$452,956,000). The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In case where the actual future profits generated are more than expected, further recognition of deferred tax asset in relation to unutilised tax losses may arise, which would be recognised in the income statement for the period in which such a recognition takes place.

Estimated impairment of goodwill and intangible assets

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. The discount rate represents rate that reflects current market assessments of time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2007, the carrying amount of goodwill is approximately HK$233,115,000 (2006: HK$212,027,000). Details of the recoverable amount calculation are disclosed in note 22.

Determining whether intangible assets relating to online game related intellectual property and online game development cost are impaired requires an estimation of the value in use of the online game related intellectual property. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the online game related intellectual property and online game development cost and a suitable discount rate in order to calculate the present value. The discount rate represents rate that reflects current market assessments of time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2007, the carrying amounts of online game related intellectual property and online game development cost are approximately HK$8,194,000 and HK$5,539,000 respectively (2006: HK$12,292,000 and HK$138,000). Details of the recoverable amount calculation are disclosed in note 22.

Determining whether intangible asset relating to domain name is impaired requires an estimation of the fair value less costs to sell. The fair value less costs to sell is arrived at by market approach, which is to determine the desirability of the domain name through recent sales or offering of similar domain name currently on the market in order to arrive at an indication of the most probable selling price for the domain name. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2007, the carrying amount of the domain name is approximately HK$5,460,000 (2006: HK$5,460,000). Details of the recoverable amount calculation are disclosed in note 22.

Determining whether intangible asset relating to trademarks is impaired requires an estimation of the value in use of the trademarks. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the trademark and a suitable discount rate in order to calculate the present value. The discount rate represents rate that reflects current market assessments of time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2007, the carrying amount of trademarks approximately HK$38,000,000 (2006: HK$38,000,000). Details of the recoverable amount calculation are disclosed in note 22.

5. Financial Instruments

Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 3.

Categories of financial instruments

	2007	**2006**
	HK$'000	*HK$'000*
Financial assets		
Available-for-sale investments	–	33,392
Investments held for trading	60,254	49,325
Loans and receivables (including cash and cash equivalents)	2,467,943	1,711,442
Financial liabilities		
Amortised cost	1,871,184	1,526,894
Derivative financial liabilities	12,683	–

Financial risk management objectives and policies

The Group's major financial instruments include equity investments, statutory and other deposits, bank balances and cash, deposits with brokers, borrowings, account receivables, other receivables, loan receivables, loan to an associate, account payables, other payables, derivative financial instruments and loan from a minority shareholder. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Equity price risk

The Group is exposed to equity price risk through its listed investments held for trading and available-for-sale investments. The board of Directors manages the exposure by closely monitoring the portfolio of equity investments.

Equity price sensitivity

The sensitivity analysis below have been determined based on the exposure to equity price risks at the reporting date. A 10 percent change is used when reporting equity price risk internally to key management personnel and represents management's assessment of the reasonably possible change in equity price.

For the year ended 31 December 2007, if the market bid prices of the listed investments had been 10 percent higher/lower and all other variables were held constant, the Group's profit for the year would increase/decrease by HK$6,025,000 (2006: HK$4,933,000) and the Group's investment revaluation reserve will increase/decrease by nil (2006: HK$3,339,000) respectively. This is mainly attributable to the changes in fair values of the listed investments held for trading and available-for-sale investments respectively.

In management's opinion, the sensitivity analysis is unrepresentative of the inherent equity price risk as the year end exposure does not reflect the exposure during the year. During the year, the portfolio of the equity investments fluctuated.

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate loan receivables. The Group is exposed to cash flow interest rate risk in relation to variable-rate bank borrowings, loan receivables, loans to margin clients and bank balances.

The Group currently does not have a cash flow interest rate hedging policy. However, management closely monitors its exposure to future cash flow risk as a result of change on market interest rate and will consider hedging changes in market interest rates should the need arise. A 100 basis point change is used when reporting cash flow interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

The Group's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of Prime Rate and HIBOR arising from the Group's variable interest rate instruments.

For the year ended 31 December 2007, if the interest rate of variable rate bank borrowings, loan receivables, loans to margin clients and bank balances had been 100 basis point higher/lower and all other variables were held constant, the Group's profit for the year would increase/decrease by HK$5,028,000 (2006: HK$1,680,000).

Foreign currency risk

Foreign exchange risk is the risk of loss due to adverse movements in foreign exchange rate relating to foreign currency denominated account receivables with foreign brokers and bank balances, sales and purchases. The management monitors foreign exchange exposure and will consider hedging significant foreign exposure should the need arise.

More than 90% of financial assets and financial liabilities of the Group are denominated in United States Dollar ("US$") or Hong Kong Dollars ("HK$"). As HK$ is pegged to US$, the Group does not expect any significant movements in the US$/HK$ exchange rates. No foreign currency sensitivity is disclosed as in the opinion of directors, the foreign currency sensitivity does not give additional value in view of insignificant movement in the US$/HK$ exchange rates and insignificant exposure of other foreign currencies as at the balance sheet date.

Credit risk

The Group's maximum exposure to credit risk which will cause a financial loss to the Group in the event of the counterparties failure to perform their obligations as at the balance sheet dates in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet.

In order to minimise the credit risk on brokerage and financing operations, the Credit and Risk Management Committee is set up to compile the credit and risk management policies, to approve credit limits and to determine any debt recovery action on those delinquent receivables. With regard to provision of online game services, the Group has delegated a team responsible for determination of credit limits and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors of the Company consider that the Group's credit risk is significantly reduced.

The Group has significant concentration of credit risk on loan receivables and receivable for disposal of an associate as the credit risk are mainly attributable from certain limited counterparties, other than the aforesaid, there is no significant concentration of credit risk in trade debtors as the exposure spread over a number of counterparties and customers.

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

Liquidity risk

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

For retailing and online game services activities, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of borrowings and ensures compliance with loan covenants.

In the management of liquidity risk, the Group monitors and maintains adequate cash and cash equivalents by continuously monitor forecast and actual cash flows and matching the maturity profiles of certain financial assets classified as loans and receivables mainly relating to the financial services business.

Liquidity tables

For derivative financial instruments, which are to be settled on gross basis the Group has approximately HK$222.6 million contractual cash outflow in returned with listed securities within 1 year.

For non-derivative financial liabilities, the following tables detail the Group's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows. The difference between the "Total undiscounted cash flows" column and the "Carrying amount at balance sheet date" column represents the possible future cash flows attributable to the instrument included in the maturity analysis which are not included in the carrying amount of the financial liability on the consolidated balance sheet.

	Weighted average effective interest rate	**Less than 1 month**	**Between 1 to 3 months**	**Between 3 months to 1 year**	**Between 1 to 2 years**	**Total undiscounted cash flows**	**Carrying amount at balance sheet date**
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 December 2007							
Non-interest bearing	–	1,447,888	97,255	–	–	1,545,143	1,545,143
Fixed interest rate instruments	5.50%	531	1,061	3,202	1,286	6,080	5,876
Variable interest rate instruments	HIBOR plus spread	22,666	51,326	256,217	–	330,209	320,165
		1,471,085	149,642	259,419	1,286	1,881,432	1,871,184
At 31 December 2006							
Non-interest bearing	–	994,528	94,900	–	–	1,089,428	1,089,428
Fixed interest rate instruments	5.75%	2,945	1,049	4,719	4,719	13,432	12,922
Variable interest rate instruments	HIBOR plus spread	79,908	156,147	170,903	27,809	434,767	424,544
		1,077,381	252,096	175,622	32,528	1,537,627	1,526,894

The following table details the Group's expected maturity for certain financial assets mainly relating to financial services business. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the Group anticipates that the cash flow will occur in a different period. The difference between the "Total undiscounted cash flows" column and the "Carrying amount at balance sheet date" column represents the possible future cash flows attributable to the instrument included in the maturity analysis which are not included in the carrying amount of the financial asset on the consolidated balance sheet.

	Weighted average effective interest rate	Repayable on demand	Less than 1 month	Between 1 to 3 months	Between 3 month to 1 year	Between 1 to 2 years	Over 2 years	Undated	Total undiscounted cash flows	Carrying amount at balance sheet date
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000 (Note)	HK$'000	HK$'000
At 31 December 2007										
Non-interest bearing	–	–	545,370	–	–	–	–	10,296	555,666	555,666
Variable interest rate instruments	Prime Rate plus spread	449,162	638,645	–	73	76	546	–	1,088,502	1,086,101
Fixed interest rate instrument	3.5%	–	1,157	803,025	90,583	103	–	–	894,868	894,402
		449,162	1,185,172	803,025	90,656	179	546	10,296	2,539,036	2,536,169
At 31 December 2006										
Non-interest bearing	–	–	419,196	–	76,187	–	–	–	495,383	495,383
Variable interest rate instruments	Prime Rate plus spread	443,524	341,470	–	71	75	617	–	785,757	785,119
Fixed interest rate instruments	3.3%	–	–	495,865	27,889	–	–	–	523,754	513,657
		443,524	760,666	495,865	104,147	75	617	–	1,804,894	1,794,159

Note: The loan to the associate has no fixed repayment terms and is expected to be recovered after 1 year.

Fair value

The fair value of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices and ask prices respectively;

- the fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions as input; and

- the fair values of derivative instruments are calculated using quoted prices. Where such prices are not available, the fair values of a non-option derivatives are estimated using discounted cashflow analysis and the applicable yield curve. For an option-based derivative, the fair value is estimated using option price model (for example, the Black-Scholes pricing model).

The Directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statement approximate their fair values.

6. Revenue

	2007	2006
	HK$'000	*HK$'000*
Fees and commission income	511,881	263,032
Interest income	159,560	83,067
Online game subscription income	121,613	25,316
Sales of online game auxiliary products	41,669	9,459
Licensing income	6,379	2,476
Sales of furniture and household goods and trendy digital products, net of discounts and returns	824,350	433,272
	1,665,452	816,622

7. Business and geographical segments

Business segments

For management purposes, the Group is currently organised into three main operating divisions, namely, financial services, online game services and retailing. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

Financial services	Broking, financing, corporate finance services, wealth management and securities trading
Online game services	Provision of online game services, sales of online game auxiliary products and licensing services
Retailing	Sales of furniture and household goods and trendy digital products

Segment information about these businesses is presented as follows:

Consolidated income statement for the year ended 31 December 2007

	Financial services	**Online game services**	**Retailing**	**Consolidated**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	671,441	169,661	824,350	1,665,452
Segment profit (loss)	237,875	5,436	(25,709)	217,602
Share of loss of associates				(3,370)
Unallocated corporate income				4,540
Unallocated corporate expenses				(49,049)
Profit before taxation				169,723
Taxation charge				(30,079)
Profit for the year				139,644

Consolidated balance sheet as at 31 December 2007

	Financial services	**Online game services**	**Retailing**	**Consolidated**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS				
Segment assets	2,414,598	202,809	321,910	2,939,317
Interests in associates				65,778
Unallocated corporate assets				170,071
Consolidated total assets				3,175,166
LIABILITIES				
Segment liabilities	1,688,870	36,486	248,906	1,974,262
Unallocated corporate liabilities				60,697
Consolidated total liabilities				2,034,959

Other information for the year ended 31 December 2007

	Financial services *HK$'000*	Online game services *HK$'000*	Retailing *HK$'000*	Unallocated *HK$'000*	Consolidated *HK$'000*
Additions of property and equipment	5,045	21,246	22,086	2,331	50,708
Addition of property and equipment in acquisition of subsidiaries	247	–	–	–	247
Allowance for (reversal of) bad and doubtful debts	1,566	–	(893)	–	673
Bad debt recovered	–	–	–	4,540	4,540
Depreciation of property and equipment	7,403	7,540	23,899	866	39,708
Expenditure on intangible assets	–	5,422	–	–	5,422
Amortisation of prepaid lease payments	–	–	415	–	415
Impairment loss recognised in respect of property and equipment	–	–	1,472	–	1,472

Consolidated income statement for the year ended 31 December 2006

	Financial services *HK$'000*	Online game services *HK$'000*	Retailing *HK$'000*	Consolidated *HK$'000*
Revenue	346,099	37,251	433,272	816,622
Segment profit (loss)	82,337	(27,527)	(25,898)	28,912
Share of profit of associates	–	–	14,374	14,374
Gain on disposal of associates	–	–	71,100	71,100
Unallocated corporate expenses				(55,086)
Profit before taxation				59,300
Taxation charge				(5,939)
Profit for the year				53,361

Consolidated balance sheet as at 31 December 2006

	Financial services	Online game services	Retailing	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS				
Segment assets	1,537,905	182,249	339,433	2,059,587
Unallocated corporate assets				249,784
Consolidated total assets				2,309,371
LIABILITIES				
Segment liabilities	1,230,378	38,932	287,606	1,556,916
Unallocated corporate liabilities				185,124
Consolidated total liabilities				1,742,040

Other information for the year ended 31 December 2006

	Financial services	Online game services	Retailing	Unallocated	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Additions of property and equipment	9,416	10,890	7,775	1,685	29,766
Addition of property and equipment in acquisition of subsidiaries	–	9,169	81,163	–	90,332
Allowance for bad and doubtful debts	180	–	2,696	–	2,876
Depreciation of property and equipment	7,056	1,117	16,213	866	25,252
Amortisation of prepaid lease payments	–	–	207	–	207
Loss on disposal of property and equipment	–	98	2,233	–	2,331
Impairment loss recognised in respect of property and equipment	–	–	5,951	–	5,951

Geographical segments

The Group's operations are located in Hong Kong, the People's Republic of China ("PRC") and Taiwan. For the activities of financial services and retailing, they are mainly based in Hong Kong and the revenue of these activities are substantially derived from Hong Kong. The online game business activities are mainly based in the PRC and Taiwan and the relevant revenue for both years are derived mainly from the PRC and Taiwan.

The following table provides an analysis of the Group's revenue by geographical market:

	2007	**2006**
	HK$'000	*HK$'000*
Hong Kong	1,501,929	778,066
PRC	105,394	26,830
Taiwan	58,129	11,726
	1,665,452	816,622

The following is an analysis of the carrying amount of segment assets, additions to property and equipment and expenditure on intangible assets, analysed by the geographical area in which the assets are located:

Carrying amount of segment assets

	2007	**2006**
	HK$'000	*HK$'000*
Hong Kong	2,724,104	1,871,917
PRC	168,685	148,444
Taiwan	46,528	39,226
	2,939,317	2,059,587

Additions to property and equipment and expenditure on intangible assets

	2007	**2006**
	HK$'000	*HK$'000*
Hong Kong	32,441	17,066
PRC	11,444	12,100
Taiwan	12,492	600
	56,377	29,766

8. Salaries, allowances and commission

	2007	2006
	HK$'000	*HK$'000*
Salaries, allowances and commission represent the amounts paid and payable to the Directors and employees and comprises of:		
Salaries, allowances and commission	393,874	220,216
Contributions to retirement benefits schemes	10,718	6,289
Employee share option benefits	1,129	2,035
Less: Amount capitalised in online game development costs	(4,922)	(171)
	400,799	228,369

9. Finance costs

	2007	2006
	HK$'000	*HK$'000*
Interest on:		
Bank overdrafts, bank loans and other borrowings wholly repayable within five years	104,582	63,212
Finance leases	108	108
Effective interest expense on convertible loan note	–	180
	104,690	63,500

10. Directors' remuneration

The remuneration paid or payable to each of the seven (2006: nine) Directors was as follows:

	Kwan Pak Hoo Bankee *HK$'000*	Lin Che Chu George *HK$'000*	Law Ping Wah Bernard *HK$'000*	Wong Kin Yick Kenneth *HK$'000*	Leung Ka Kui Johnny *HK$'000*	Wong Chuk Yan *HK$'000*	Chan Hak Sin *HK$'000*	Total *HK$'000*
2007								
Fees:								
Executive Directors	–	–	–	–	–	–	–	–
Independent Non-executive Directors	–	–	–	–	150	–	150	300
Other remuneration paid to Executive Directors:								
Salaries, allowances and benefits in kind	540	230	1,110	1,850	–	–	–	3,730
Performance related incentive payments	3,815	–	–	–	–	–	–	3,815
Employee share option benefits	51	–	51	51	–	–	–	153
Contributions to retirement benefit scheme	23	–	50	77	–	–	–	150
Total remuneration	4,429	230	1,211	1,978	150	–	150	8,148

	Kwan Pak Hoo Bankee *HK$'000*	Lin Che Chu George *HK$'000*	Law Ping Wah Bernard *HK$'000*	Wong Kin Yick Kenneth *HK$'000*	Li Yuen Cheuk Thomas *HK$'000*	Kwok Oi Kuen Joan Elmond *HK$'000*	Leung Ka Kui Johnny *HK$'000*	Wong Chuk Yan *HK$'000*	Chan Hak Sin *HK$'000*	Total *HK$'000*
2006										
Fees:										
Executive Directors	–	–	–	–	–	–	–	–	–	–
Independent Non-executive Directors	–	–	–	–	–	–	100	–	100	200
Other remuneration paid to Executive Directors:										
Salaries, allowances and benefits in kind	840	120	720	1,290	371	324	–	–	–	3,665
Performance related incentive payments	3,526	–	–	1,000	224	160	–	–	–	4,910
Employee share option benefits	143	53	143	143	–	–	–	–	53	535
Contributions to retirement benefit scheme	42	–	36	66	13	22	–	–	–	179
Total remuneration	4,551	173	899	2,499	608	506	100	–	153	9,489

During the year ended 31 December 2006, Mr Li Yuen Cheuk Thomas and Ms Kwok Oi Kuen Joan Elmond resigned as Executive Directors.

During both years, no remuneration was paid by the Group to the Directors as an inducement to join or upon joining the Group or as compensation for loss of office. None of the Directors has waived any remuneration during both years.

11. Employees' remuneration

Of the five individuals with the highest emoluments in the Group, two (2006: two) were Directors of the Company whose emoluments are included in the disclosures in note 10. The emoluments of the remaining three (2006: three) individuals were as follows:

	2007	**2006**
	HK$'000	*HK$'000*
Salaries, allowances and benefits in kind	2,080	2,920
Contributions to retirement benefit scheme	107	156
Performance related incentive payments	14,442	4,124
Employee share option benefits	–	–
	16,629	7,200

Their remuneration were within the following band:

	2007	**2006**
	Number of Employees	*Number of Employees*
HK$1,000,001 to HK$1,500,000	–	–
HK$1,500,001 to HK$2,000,000	–	2
HK$2,000,001 to HK$2,500,000	1	–
HK$3,500,001 to HK$4,000,000	–	1
HK$6,500,001 to HK$7,000,000	1	–
HK$7,500,001 to HK$8,000,000	1	–

12. Profit before taxation

	2007	2006
	HK$'000	*HK$'000*
Profit before taxation has been arrived at after charging (crediting):		
Advertising and promotion expenses	57,453	39,250
Allowance for inventory obsolescence and write-off of inventories	8,829	3,544
Amortisation of intangible assets	4,119	4,131
Amortisation of prepaid lease payments	415	207
Auditor's remuneration	4,000	3,500
(Gain) Loss on disposal on intangible assets	(9)	199
Consultancy fees	7,800	9,783
Impairment loss on amount due from an associate	4,075	–
Cost of inventories recognised as an expense	477,610	277,100
Operating lease rentals in respect of land and buildings:		
Minimum lease payments	136,262	71,543
Contingent rents *(Note)*	3,455	1,562
Less: Amount capitalised in online game development costs	(500)	–
	139,217	73,105
Net foreign exchange gain	(2,213)	(166)
Dividends from investments	(1,617)	(471)

Note: The contingent rents are determined based on certain percentage of the gross sales of the relevant shops when the sales meet certain specified level.

13. Taxation charge

	2007	**2006**
	HK$'000	*HK$'000*
The charge (credit) comprises:		
Current tax:		
– Hong Kong	29,047	4,140
– PRC	457	143
	29,504	4,283
Overprovision in prior years	(385)	(94)
	29,119	4,189
Deferred taxation	960	1,750
	30,079	5,939

Hong Kong Profits Tax is calculated at 17.5% on the estimated assessable profits for both years.

Pursuant to relevant laws and regulations in the PRC, 摩力游(上海)信息科技有限公司(translated as MOLI China Information Technology Limited) is entitled to an exemption from PRC income tax for the two years starting from their first profit making year, followed by a 50% tax relief for the next three years. No provision for PRC income tax has made for 摩力游(上海)信息科技有限公司(translated as MOLI China Information Technology Limited) for two year ended 31 December 2007 as fiscal year ended 31 December 2007 was its first profit making year. Certain subsidiaries of the Company are operating in PRC. They are subject to a tax rate of 15% because they were registered in 長江高科技園區(translated as Shanghai Zhang Jiang High Technological Zone).

No provision for taxation has been made for the subsidiary operating in Taiwan as no assessable profit is arisen during the year.

On 16 March 2007, the People's Republic of China promulgated the Law of the People's Republic of China on Enterprise Income Tax ("New Law") by Order No. 63 of the President of the PRC. On 6 December 2007, the State Council of the PRC issued Implementation Regulations of the New Law. The New Law and Implementation Regulations changes the PRC Enterprise Income Tax rate to 25% and will affect the PRC subsidiaries of the Company from 1 January 2008. The Directors consider that the effect on deferred tax balance is insignificant.

The taxation for the year can be reconciled to the profit before taxation per the consolidated income statement as follows:

	2007	**2006**
	HK$'000	*HK$'000*
Profit before taxation	169,723	59,300
Taxation charge at income tax rate of 17.5%	29,702	10,378
Overprovision in respect of prior years	(385)	(94)
Tax effect of share of results of associates	590	(2,515)
Tax effect of expenses not deductible for tax purpose	5,744	7,926
Tax effect of income not taxable for tax purpose	(4,617)	(15,703)
Tax effect of estimated tax losses/deductible temporary difference not recognised	20,898	14,018
Tax effect of utilisation of estimated tax losses previously not recognised	(19,399)	(8,712)
Effect of different tax rates of subsidiaries operating in other jurisdictions	483	587
Effect of tax exemption granted	(2,937)	–
Others	–	54
Taxation charge	30,079	5,939

The following are the major deferred tax (liabilities) and assets recognised and the movements thereon during the current and the prior reporting years:

	Accelerated (tax) accounting depreciation	Estimated tax losses	Fair value adjustment on intangible assets under business combination	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2006	(776)	4,716	–	3,940
Deferred tax liabilities on intangible assets arising from acquisition of subsidiaries	–	–	(9,109)	(9,109)
Credit (Charge) to consolidated income statement	1,289	(3,654)	615	(1,750)
At 31 December 2006	513	1,062	(8,494)	(6,919)
(Charge) Credit to consolidated income statement	(513)	(1,062)	615	(960)
At 31 December 2007	–	–	(7,879)	(7,879)

The following is the analysis of the deferred tax balances for financial reporting purposes:

	2007	2006
	HK$'000	*HK$'000*
Deferred tax assets	–	1,575
Deferred tax liabilities	(7,879)	(8,494)
	(7,879)	(6,919)

At the balance sheet date, the Group had estimated unused tax losses of HK$452,234,000 (2006: HK$459,025,000) and deductible temporary difference in respect of accelerated accounting depreciation of HK$20,908,000 (2006: HK$11,618,000) available to offset against future profits. No deferred tax asset has been recognised during the year ended 31 December 2007, while HK$6,069,000 of such losses has been recognised as deferred tax asset for the year ended 31 December 2006. No deferred tax asset has been recognised in respect of the remaining estimated unused tax losses of HK$452,234,000 (2006: HK$452,956,000) and the deductible temporary difference due to the unpredictability of future profit streams.

14. Earnings per share

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

	2007	2006
	HK$'000	*HK$'000*
Profit		
Profit for the purpose of basic earnings per share	51,902	32,057
Effect of dilutive potential ordinary shares:		
Interest on convertible loan note	–	274
Decrease in share of profits in CASH Financial Services Group Limited and loss on dilution	(1,379)	(3,488)
Profit for the purpose of diluted earnings per share	50,523	28,843

	2007	2006
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	761,158,343	463,852,715
Effect of dilutive potential ordinary shares assumed exercise of share options	25,147,525	499,003
Weighted average number of ordinary shares for the purpose of diluted earnings per share	786,305,868	464,351,718

15. Property and equipment

	Buildings	Leasehold improvements	Furniture, fixtures and equipment	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
THE GROUP					
COST					
At 1 January 2006	–	44,004	60,485	1,840	106,329
Additions	–	11,527	16,671	1,568	29,766
Disposals/Written off	–	(2,636)	(7,079)	–	(9,715)
Arising on acquisition of subsidiaries	31,000	27,650	31,234	448	90,332
At 31 December 2006	31,000	80,545	101,311	3,856	216,712
Additions	–	21,123	29,261	324	50,708
Disposals/Written off	–	(4,254)	(7,037)	–	(11,291)
Arising on acquisition of subsidiaries	–	137	110	–	247
Exchange differences	–	90	659	–	749
At 31 December 2007	31,000	97,641	124,304	4,180	257,125
ACCUMULATED DEPRECIATION AND IMPAIRMENT					
At 1 January 2006	–	36,057	56,097	1,373	93,527
Provided for the year	700	15,738	8,005	809	25,252
Impairment loss recognised	–	4,991	960	–	5,951
Eliminated on disposals/written off	–	(661)	(6,107)	–	(6,768)
At 31 December 2006	700	56,125	58,955	2,182	117,962
Provided for the year	1,400	21,520	15,964	824	39,708
Eliminated on disposals/written off	–	(4,254)	(7,037)	–	(11,291)
Impairment loss recognised	–	1,456	16	–	1,472
Exchange differences	–	9	12	1	22
At 31 December 2007	2,100	74,856	67,910	3,007	147,873
NET BOOK VALUES					
At 31 December 2007	28,900	22,785	56,394	1,173	109,252
At 31 December 2006	30,300	24,420	42,356	1,674	98,750

The above property and equipment are depreciated on a straight-line basis at the following rates per annum:

Buildings	20 years
Leasehold improvements	The shorter of the lease terms and 5 years
Furniture, fixtures and equipment	3 to 5 years
Motor vehicles	3 years

The net book values of motor vehicles included an amount of HK$661,000 (2006: HK$1,508,000) in respect of assets held under finance leases.

During the year ended 31 December 2007, the Directors of the Company reassessed the recoverable amount of the property and equipment of certain shops of which continuous losses incurred and recognised a full impairment loss of approximately HK$1,472,000 (2006: HK$5,951,000).

16. Prepaid lease payments

	2007	**2006**
	HK$'000	*HK$'000*
The Group's prepaid lease payments comprise:		
Leasehold land in Hong Kong under medium-term lease	16,378	16,793
Analysed for reporting purposes as:		
Current asset (included in prepayments, deposits and other receivables)	415	415
Non-current asset	15,963	16,378
	16,378	16,793

The leasehold land is amortised on a straight-line basis over the remaining term of leases.

17. Investment property

	HK$'000
FAIR VALUE	
At 1 January 2006	–
Acquired on an acquisition of a subsidiary *(note 37(a)(iii))*	5,000
At 31 December 2006 and 31 December 2007	5,000

All of the Group's property interest held under operating leases to earn rentals or for capital appreciation purpose is measured using the fair value model and are classified and accounted for as investment property.

The fair value of the Group's investment property at 31 December 2007 has been arrived at on the basis of a valuation carried out at that date by Knight Frank Petty Limited, independent qualified professional valuer not connected with the Group. Knight Frank Petty Limited has appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuation, which conforms to Hong Kong Institute of Surveyors Valuation Standards on Properties, was arrived at by reference to market evidence of transaction prices for similar properties.

The investment property shown above comprises land in Hong Kong with medium-term lease.

18. Available-for-sale investments

Available-for-sale investments as at the balance sheet date comprise:

	2007	**2006**
	HK$'000	*HK$'000*
Listed investments:		
Equity securities listed in Hong Kong	–	33,392
Unlisted investments:		
Unlisted shares, at cost	10,800	10,800
Less: Impairment loss recognised	(10,800)	(10,800)
	–	33,392

The above unlisted investments represent investments in unlisted equity securities issued by private entities incorporated in Taiwan. They are measured at cost less impairment at each balance sheet date because the range of reasonable fair value estimates is significant that the Directors of the Company are of the opinion that their fair values cannot be measured reliably.

19. Goodwill

	HK$'000
COST	
At 1 January 2006	17,426
Arising on acquisition of subsidiaries *(Note 37)*	195,464
Deemed disposal of CFSG	(863)
At 1 January 2007	212,027
Acquisition of a subsidiary from CFSG *(Note)*	21,824
Deemed disposal of CFSG	(736)
At 31 December 2007	233,115

Particulars regarding impairment testing on goodwill are disclosed in note 22.

Note: During the year, the Group acquired the entire issued share capital of Netfield Technology Limited ("Netfield") from CFSG, a non-wholly owned subsidiary of the Company. After the acquisition, the Group' effective equity interest in Netfield was increased from 45.27% to 100%.

20. Interests in associates

	2007 HK$'000	**2006** HK$'000
Cost of investments in associates:		
Unlisted in Hong Kong	67,833	–
Share of post-acquisition reserves	1,315	–
Share of post-acquisition losses	(3,370)	–
	65,778	–
Loan to an associate *(Note)*	10,296	–

Note: Pursuant to the shareholder agreement entered into between a subsidiary, Marvel Champ Investments Limited, and other shareholders of the associate on 27 June 2007, the loan to the associate is unsecured, non-interest bearing and has no fixed repayment terms. In the opinion of the directors, the loan will not be repaid within the next twelve months from 31 December 2007.

As at 31 December 2007, the Group had interest in the following associates:

Name of entity	Form of business structure	Country of incorporation/ date of incorporation	Principal place of operation	Class of share held	Proportion of nominal value of issued capital held by the Group Indirectly %	Proportion of voting power indirectly held %	Principal activity
China Able Limited	Incorporated	British Virgin Islands ("BVI") 23 May 2007	PRC	Ordinary	33.33	33.33	Investment holding
Shanghai Property (No. 1) Holding SRL	Incorporated	Barbados 11 August 2006	PRC	Ordinary	33.33	33.33	Investment holding
昌裕(上海)房地產經營有限公司	Incorporated	PRC 11 December 2006	PRC	Ordinary	33.33	33.33	Property investment

As at 31 December 2006, the Group had interests in the following associates:

Name of entity	Form of business structure	Place and date of incorporation	Principal place of operation	Class of share held	Proportion of voting power indirectly held %	Principal activity
RACCA Capital Inc.	Incorporated	BVI 24 April 2006	Hong Kong	Ordinary	33.33	Dormant
RACCA Capital Limited	Incorporated	Hong Kong 17 May 2006	Hong Kong	Ordinary	33.33	Introducing agent

The summarised financial information in respect of the Group's associates is set out below:

	2007	**2006**
	HK$'000	*HK$'000*
Total assets	327,781	1,776
Total liabilities	(130,446)	(3,318)
Net assets (liabilities)	197,335	(1,542)
Group's share of net assets of associates	65,778	–
Revenue	–	600
Loss for the year	(10,111)	(1,542)
Group's share of results of associates for the year	(3,370)	14,374

As at 31 December 2006, the Group has discontinued recognition of its share of losses of certain associates. The amount of unrecognised share of losses of RACCA Capital Inc. and RACCA Capital Limited, extracted from the relevant management accounts of associates, both for the year and cumulatively, is HK$509,000 as at 31 December 2006. During the year ended 31 December 2007, the Group acquired the remaining interests in RACCA Capital Inc. and RACCA Capital Limited as disclosed in note 37(b)(i).

Pursuant to the shareholder agreement entered into between a subsidiary, Marvel Champ investments Limited, and the other shareholders of the associate on 27 June 2007, the Group is required to make capital contribution to the associate amounting to HK$153,200,000. During the year, the associate has obtained banking facilities to finance its operations. Accordingly, both outstanding capital contribution from the Group and other shareholders were reduced. The outstanding capital contribution of the Group commitment was reduced from HK$153,200,000 to HK$84,388,000. During the year, the Group has made payments of HK$67,833,000 and HK$10,296,000 in the form of capital injection and shareholders' loan respectively to the associate. At 31 December 2007, the remaining capital contribution committed by the Group amounted to HK$6,259,000.

During the year ended 31 December 2006, the Group disposed of 349,510,087 shares in a listed company now known as Oriental Ginza Holdings Limited ("Oriental Ginza") at a consideration of approximately HK$212 million. An aggregate gain of HK$71,100,000 was resulted for the disposals. After this disposal, the Group's equity interest in Oriental Ginza was reduced to 8.16%, as a result, the investment in Oriental Ginza was reclassified from interests in associates to available-for-sale investments in the consolidated balance sheet as at 31 December 2006.

21. Intangible assets

	Trading rights HK$'000 (Note (a))	Club membership HK$'000 (Note (b))	Others HK$'000	Online game related intellectual property HK$'000 (Note (c))	Online game development costs HK$'000 (Note (d))	Domain name HK$'000 (Note (e))	Trademarks HK$'000 (Note (f))	Total HK$'000
COST								
At 1 January 2006	9,092	1,970	199	–	–	–	–	11,261
Arising on acquisitions of subsidiaries *(Note 37)*	–	–	–	16,390	–	5,460	38,000	59,850
Additions	–	1,760	–	–	171	–	–	1,931
Disposal	–	–	(199)	–	–	–	–	(199)
At 31 December 2006	9,092	3,730	–	16,390	171	5,460	38,000	72,843
Additions	–	–	–	–	5,422	–	–	5,422
Disposal	–	(1,760)	–	–	–	–	–	(1,760)
At 31 December 2007	9,092	1,970	–	16,390	5,593	5,460	38,000	76,505
AMORTISATION								
At 1 January 2006	–	–	–	–	–	–	–	–
Charge for the year	–	–	–	4,098	33	–	–	4,131
At 31 December 2006	–	–	–	4,098	33	–	–	4,131
Charge for the year	–	–	–	4,098	21	–	–	4,119
At 31 December 2007	–	–	–	8,196	54	–	–	8,250
NET BOOK VALUES								
At 31 December 2007	9,092	1,970	–	8,194	5,539	5,460	38,000	68,255
At 31 December 2006	9,092	3,730	–	12,292	138	5,460	38,000	68,712

Notes:

(a) Intangible assets with cost of HK$9,092,000 (2006: HK$9,092,000) represent trading rights that confer eligibility of the Group to trade on the Stock Exchange and the Hong Kong Futures Exchange. Particulars regarding impairment testing on the trading rights are disclosed in note 22.

(b) For the purpose of impairment testing on club memberships, the recoverable amount has been determined based on fair value less costs to sell. The fair value less costs to sell is the second-hand market price less costs of disposal. Management of the Group determines that there is no impairment of the club memberships since the recoverable amounts of the club memberships exceed their carrying amounts.

(c) At 31 December 2007, intangible assets of online game related intellectual property with cost of HK$8,194,000 (2006: HK$12,292,000) represented online game development costs and licensing fee, website development costs and software technology copyrights arising from acquisition of online game business in the PRC as mentioned in note 37(a)(i). These intangible assets have finite useful lives. Such intangible assets are amortised on a straight-line basis over four years. Particulars regarding impairment testing on online game related intellectual property are disclosed in note 22.

(d) At 31 December 2007, intangible assets of online game development costs with cost of HK$5,539,000 (2006: HK$138,000) represented internally generated online game development costs. This intangible asset has definite useful life and is amortised on a straight-line basis over two years.

(e) At 31 December 2007, intangible assets with cost of HK$5,460,000 (2006: HK$5,460,000) represent domain name. It is purchased from acquisitions of subsidiaries as disclosed in note 37(a)(ii). It represents the legal and beneficial ownership of domain name "www.shanghai.com" and has indefinite useful life.

The domain name is considered by management of the Group as having an indefinite useful life because it is expected to be used indefinitely. The domain name will not be amortised until its useful life is determined to be finite, instead it will be tested for impairment annually and whenever there is an indication that it may be impaired.

For the purpose of impairment testing on domain name, the recoverable amount has been determined based on fair value less costs to sell. The fair value less costs to sell is arrived at by market approach, which is to determine the desirability of the domain name through recent sales or offering of similar domain name currently on the market in order to arrive at an indication of the most probable selling price for the domain name. The fair value less costs to sell at 31 December 2007 was supported by a valuation carried out at that day by Norton Appraisals Limited, an independent qualified professional valuer not connected with the Group. Based on the valuation report, there is no impairment of domain name since the recoverable amount of the domain name exceeds its carrying value.

(f) At 31 December 2007, intangible assets of trademarks amounting to HK$38,000,000 (2006: HK$38,000,000) represent the perpetual right for the use of the brand name "Pricerite" which takes the form of sign, symbol, name, logo design or any combination thereof arising from acquisition of retail business as mentioned in note 37(a)(iii). These trademarks are considered by management of the Group as having an indefinite useful life. Particulars regarding impairment testing on trademarks is disclosed in note 22.

22. Impairment testings on respective items

As explained in note 7, the Group uses business segments as its primary segment for reporting segment information. For the purposes of impairment testing, goodwill, trading rights, trademarks and online game related intellectual property set out in notes 19 and 21 respectively have been allocated to the following cash generating units ("CGUs") respectively. The carrying amounts of goodwill, trading rights, trademarks and online game related intellectual property as at 31 December 2007 allocated to these units are as follows:

	Goodwill		Trading rights		Trademarks		Online game related intellectual property	
	2007	2006	2007	2006	2007	2006	2007	2006
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Financial services	15,827	16,563	9,092	9,092	–	–	–	–
Online game services	131,769	109,945	–	–	–	–	8,194	12,292
Retailing business	85,519	85,519	–	–	38,000	38,000	–	–
	233,115	212,027	9,092	9,092	38,000	38,000	8,194	12,292

Goodwill, trading rights, trademarks and online game related intellectual property are considered by management of the Group as having indefinite useful life because they are expected to be used indefinitely. Management of the Group consider cashflow projections which was prepared based on financial budgets covering respective period of goodwill, trading rights, trademarks and online game related intellectual property and determined that there was no impairment of any of its CGUs containing goodwill, trading rights or trademarks as at 31 December 2007.

The recoverable amounts of the CGUs of financial services have been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a three-year period and discount rate of 12% (2006: 8%). A key assumption for the value in use calculations is the budgeted growth rate, which is determined based on past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of the assumption would not cause the aggregate carrying amount of the above CGUs to exceed the aggregate recoverable amount of the above CGUs, thus there is no impairment on goodwill.

The recoverable amount of the CGU of online game services has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a five-year period and discount rate of 18% (2006: 15%). Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted active concurrence user, peak concurrence user and payment subscribers. Such estimation is based on the CGU's past performance and management's expectations for the market development. There is no impairment of goodwill and online game related intellectual property since the recoverable amount of the above CGU exceeds its carrying value.

The recoverable amounts of the CGUs of retailing business have been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a ten-year period and discount rate of 16.4% (2006: 16.4%). A key assumption for the value in use calculations is the budgeted growth rate, which is determined based on past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of the assumption would not cause the aggregate carrying amount of the above CGUs to exceed the aggregate recoverable amount of the above CGUs. No impairment on goodwill and trademarks noted.

23. Other assets

	2007	**2006**
	HK$'000	*HK$'000*
Statutory and other deposits	9,136	16,241

Statutory and other deposits represent deposits with various exchanges and clearing houses.

24. Loan receivables

	2007	**2006**
	HK$'000	*HK$'000*
Fixed-rate loan receivables	1,925	601
Variable-rate loan receivables	33,399	45,900
	35,324	46,501
Less: Allowance for bad and doubtful debts	(5,717)	(26,570)
	29,607	19,931
Carrying amount analysed for reporting purposes:		
Non-current assets (receivable after one year from the balance sheet date)	692	656
Current assets (receivable within one year from the balance sheet date)	28,915	19,275
	29,607	19,931

All the loan receivables are denominated in Hong Kong dollars.

The Group has policy for allowance of bad and doubtful debts which is based on the evaluation of collectability and aging analysis of accounts and on management's judgment, including the current creditworthiness, collaterals and the past collection history of each client.

Movement in the allowance for bad and doubtful debts:

	2007	**2006**
	HK$'000	*HK$'000*
Balance at the beginning of the year	26,570	38,136
Amounts written off during the year	(21,151)	(11,566)
Charge for the year	1,997	–
Reversal for the year	(1,699)	–
Balance at the end of the year	5,717	26,570

In determining the recoverability of the loan receivables, the Group considers any change in the credit quality of the loan receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the directors believe that there is no further credit provision required in excess of the allowance for doubtful debts.

Included in the Group's loan receivables are debtors, with a carrying amount of HK$28,720,000 (2006: HK$14,540,000) which are past due at the reporting date for which the Group has not provided for impairment loss. Loan receivables with an aggregate carrying value of approximately HK$4,267,000 (2006: HK$4,968,000) are secured by pledged marketable securities with fair values of HK$11,934,000 (2006: HK$9,776,000).

In respect of loan receivables which are past due but not impaired at the respective balance sheet date, the aged analysis (from due date) is as follows:

	2007	**2006**
	HK$'000	*HK$'000*
0 – 30 days	4,267	4,268
31 – 60 days	23,312	–
61 – 90 days	–	–
Over 90 days	1,141	10,272
	28,720	14,540

The loan receivables with a carrying amount of HK$887,000 (2006: HK$5,391,000) which are neither past due nor impaired at the reporting date for which the Group believes that the amounts are considered recoverable.

The fixed-rate loan receivables have contractual maturity dates as follows:

	2007	**2006**
	HK$'000	*HK$'000*
Within one year	1,313	48
More than one year but not exceeding two years	144	48
More than two years but not exceeding five years	144	144
More than five years	324	361
	1,925	601

The effective interest rate (which is equal to contractual interest rate) on the Group's fixed rate loan receivables is 2% (2006: 2%). Interest rate term is fixed at the time when entering into loan agreement.

The variable-rate loan receivables have contractual maturity dates as follows:

	2007	**2006**
	HK$'000	*HK$'000*
Within one year	27,602	19,227
In more than one year but not more than two years	25	23
In more than two years but not more than five years	55	80
	27,682	19,330

The effective interest rates (which are equal to contractual interest rate) on the Group's variable rate loan receivables are prime rate plus a spread. Interest rate term is fixed at the time when entering into loan agreement.

25. Inventories

	2007	**2006**
	HK$'000	*HK$'000*
Finished goods held for sale	39,693	48,950
Consumables for online game auxiliary products	2,335	674
	42,028	49,624

26. Account receivables

	2007	2006
	HK$'000	*HK$'000*
Account receivables arising from the business of dealing in securities and equity options:		
Clearing houses, brokers and dealers	216,343	125,450
Cash clients	166,310	112,334
Margin clients	449,162	443,524
Account receivables arising from the business of dealing in futures and options:		
Clients	68	–
Clearing houses, brokers and dealers	93,032	83,847
Commission receivables from brokerage of mutual funds and insurance-linked investment plans and products	5,238	3,479
Account receivables arising from the business of provision of corporate finance services	1,442	372
Account receivables arising from the business of provision of online game services	6,995	12,715
Trade debtors arising from retailing business	408	460
	938,998	782,181

In respect of the commission receivables from brokerage of mutual funds and insurance-linked investment plans and products, account receivables arising from the business of provision of corporate finance services and online game services and trade debtors arising from retailing business, the Group allows a credit period of 30 to 90 days. The aged analysis is as follows:

	2007	2006
	HK$'000	*HK$'000*
0 – 30 days	9,967	11,160
31 – 60 days	1,192	2,409
61 – 90 days	1,730	1,693
Over 90 days	1,194	1,764
	14,083	17,026

The settlement terms of account receivables arising from the business of dealing in securities and equity options are two days after trade date, and account receivables arising from the business of dealing in futures and options are one day after trade date. The aging of these balances are within 30 days.

Loans to margin clients are secured by clients' pledged securities with fair value of HK$1,827,557,000 (2006: HK$731,854,000). The loans are repayable on demand and bear interest at commercial rates. No aged analysis is disclosed as in the opinion of Directors of the Company, the aged analysis does not give additional value in view of the nature of business of margin financing.

Account receivables are netted off by allowance for bad and doubtful debts of HK$9,330,000 (2006: HK$20,086,000).

The Group has policy for allowance of bad and doubtful debts which is based on the evaluation of collectability and age analysis of accounts and on management's judgement including the credit creditworthness, collaterals and the past collection history of each client.

Movement in the allowance for bad and doubtful debts:

	2007	2006
	HK$'000	*HK$'000*
Balance at the beginning of the year	20,086	27,872
Amounts written off during the year	(11,797)	(7,886)
Charge for the year	1,041	100
Balance at the end of the year	9,330	20,086

In addition to the individually assessed allowance for bad and doubtful debt, the Group has also provided, on a collective basis, loan impairment allowance for account receivables arising from the business of dealing in securities and equity options with margin client that are individually insignificant or accounts receivable where no impairment has been identified individually.

In determining the recoverability of the accounts receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the directors believe that there is no further credit provision required in excess of the allowance for bad and doubtful debts.

Included in the Group's account receivable are debtors, with a carrying amount of HK$24,281,000 (2006: HK$30,666,000), which are past due at the reporting date for which the Group has not provided as there has not been a significant change in credit quality. The Group believes that the amounts are still considered recoverable since more than 96% of the carrying amount are subsequently settled.

In respect of accounts receivable which are past due but not impaired at the respective balance sheet date, the aged analysis from due date is as follows:

	2007	2006
	HK$'000	*HK$'000*
0 – 30 days	21,771	24,949
31 – 60 days	619	2,387
61 – 90 days	697	1,690
Over 90 days	1,194	1,640
	24,281	30,666

The accounts receivable with a carrying amount of HK$914,717,000 (2006: HK$751,515,000) are neither past due nor impaired at the reporting date for which the Group believes that the amounts are considered recoverable.

Included in accounts receivable from margin clients arising from the business of dealing in securities are amounts due from certain related parties, the details of which are as follows:

Name	**Balance at 1 January 2007**	**Balance at 31 December 2007**	**Maximum amount outstanding during the year**	**Market value of pledged securities at fair value at 31 December 2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Directors of the Company				
Mr Wong Kin Yick Kenneth and associates				
2006	1,087	648	1,720	7,119
2007	648	1,678	28,842	3,941
Mr Law Ping Wah Bernard and associates				
2006	–	–	345	–
2007	–	–	29,489	19,914
Mr Lin Che Chu George and associates				
2006	–	–	–	–
2007	–	–	29,703	12,900
Substantial shareholder of the Company				
Cash Guardian Limited				
2006	11,569	–	12,720	16,983
2007	–	–	–	930
Mr Kwan Pak Hoo Bankee and associates				
2006	–	–	–	–
2007	–	–	29,021	10,161
Abdulrahman Saad Al-Rashid & Sons Company Limited ("ARTAR") and associates				
2006	–	–	–	–
2007	–	–	2,060,400	218,735

Note: Associates are defined in accordance with the Rules Governing the Listing of Securities on the Stock Exchange.

The above balances are repayable on demand and bear interest at commercial rates which are similar to the rates offered to other margin clients.

27. Listed investments held for trading

Listed investments held for trading included:

	2007	**2006**
	HK$'000	*HK$'000*
Equity securities listed in Hong Kong	58,596	49,325
Investment funds	1,658	–
	60,254	49,325

The fair values of the listed investments held for trading are determined based on the quoted market bid prices available on the relevant exchanges.

The fair value of the investment funds is determined based on the price quoted in an active market.

28. Bank deposits under conditions

	2007	**2006**
	HK$'000	*HK$'000*
Other bank deposits *(Note (a))*	17,105	16,685
Pledged bank deposits *(Notes (b) and (c))*	73,078	61,390
	90,183	78,075

The bank deposits under conditions carry floating interest at prevailing market rate per annum. The effective interest rates on the Group's bank deposits under conditions are also equal to contracted interest rates.

Notes:

(a) Pursuant to a letter of undertaking given by the Group to a bank, the Group covenants to maintain deposits of not less than HK$15,000,000 (2006: HK$15,000,000) with a bank as a condition precedent to an overdraft facility granted by the bank. The bank deposits will mature within one year or at an earlier date when the overdraft facility is expired.

(b) The Group's bank deposits of HK$72,082,000 (2006: HK$60,473,000) are pledged to secure the general banking facilities granted by banks.

(c) The Group's pledged bank deposits of HK$996,000 (2006: HK$917,000) were pledged for bank guarantee of rental deposit. The bank deposits will mature when the bank guarantee is expired.

29. Deposits with brokers and bank balances

Deposits with brokers

The amount represents deposits with brokers in trading in securities. The amount is unsecured, repayable on demand and bears interest at 3.2% per annum.

Bank balances – trust and segregated accounts

The Group receives and holds money deposited by clients and other institutions in the course of the conduct of the regulated activities. These clients' monies are maintained in one or more segregated bank accounts. The Group has recognised the corresponding account payables to respective clients and other institutions. However, the Group does not have a currently enforceable right to offset those payables with the deposits placed.

Bank balances (general accounts) and cash

The amounts comprise cash held by the Group and short-term bank deposits at market interest rates with an original maturity of three months or less.

30. Account payables

	2007	**2006**
	HK$'000	*HK$'000*
Account payables arising from the business of dealing in securities and equity options:		
Cash clients	963,379	679,498
Margin clients	255,425	106,132
Account payables to clients arising from the business of dealing in futures and options	151,097	142,500
Account payables to clients arising from the business of dealing in leveraged foreign exchange contracts	9,620	2,798
Account payables arising from the online game services	6,368	937
Trade creditors arising from retailing business	125,775	139,965
	1,511,664	1,071,830

The settlement terms of account payables arising from the business of dealing in securities are two days after trade date. Except for the amount payables to margin clients, the age of these balances is within 30 days.

Amounts due to margin clients are repayable on demand. No aged analysis is disclosed as in the opinion of Directors of the Company, the aged analysis does not give additional value in view of the nature of business of margin financing.

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

The account payables amounting to HK$928,527,000 (2006: HK$574,577,000) was payable to clients and other institution in respect of the trust and segregated bank balances received and held for clients and other institution in the course of the conduct of regulated activities. However, the Group does not have a currently enforceable right to offset these payables with the deposits placed.

Account payables arising from the online game services are payable for production of online game auxiliary products. The entire account payables are aged within 30 days.

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

The following is an aged analysis of trade creditors arising from retailing business at the balance sheet date:

	2007	**2006**
	HK$'000	*HK$'000*
0 – 30 days	54,474	57,432
31 – 60 days	32,772	37,468
61 – 90 days	22,897	32,879
Over 90 days	15,632	12,186
	125,775	139,965

31. Obligations under finance leases

The Group leases certain of its motor vehicles under finance leases. The average lease term is 2 to 3 years. Interest rates underlying all obligations under finance leases are fixed at respective contract dates ranging from 2.9% to 6% per annum. No arrangements have been entered into for contingent rental payments.

	Minimum lease payments		Present value of minimum lease payments	
	2007	**2006**	**2007**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Amount payable under finance leases				
Within one year	500	824	487	756
In more than one year but not more than two years	41	555	40	541
	541	1,379	527	1,297
Less: Future finance charges	(14)	(82)	–	–
Present value of lease obligations	527	1,297	527	1,297
Less: Amount due for settlement within one year (shown under current liabilities)			(487)	(756)
Amount due for settlement after one year			40	541

The Group's obligations under finance leases are secured by the lessor's charge over the leased assets and are all denominated in Hong Kong dollars.

32. Borrowings

	2007	**2006**
	HK$'000	*HK$'000*
Secured bank borrowings:		
Bank overdrafts	2,066	89,347
Bank loans	244,535	200,922
Trust receipt loans	71,327	74,989
	317,928	365,258
Unsecured other borrowings	8,113	72,208
	326,041	437,466

The maturity profile of the above borrowings is as follows:

	2007	2006
	HK$'000	*HK$'000*
On demand or within one year	324,792	405,189
More than one year but not exceeding two years	1,249	32,277
	326,041	437,466
Less: Amount due within one year shown under current liabilities	(324,792)	(405,189)
Amount due after one year	1,249	32,277

At 31 December 2007, borrowings of HK$316,679,000 (2006: HK$362,837,000) were secured by:

(a) corporate guarantees from the Company and a subsidiary;

(b) marketable securities of the Group's clients with fair value of HK$502,840,000 (2006: HK$634,548,000 (with client's consent);

(c) bank deposits as disclosed in note 28.

The bank loan amounting to HK$1,249,000 (2006: HK$2,421,000) as at 31 December 2007 was guaranteed by a director of a subsidiary, 富格曼科技股份有限公司 (translated as Fugleman Entertainment Company).

In addition, pursuant to a letter of undertaking given by the Group to a bank, the Group covenant to maintain deposits of not less than HK$15,000,000 (2006: HK$15,000,000) with a bank as a condition precedent to an overdraft facility granted by the bank *(note 28)*.

Bank overdrafts amounting to HK$2,066,000 (2006: HK$89,347,000) carry interest at either Hong Kong Interbank Offered Rate ("HIBOR") plus a spread or prime rate plus a spread. Bank loans amounting to HK$238,659,000 (2006: HK$188,000,000) are at variable-rate borrowings which carry interest at either HIBOR plus a spread or prime rate plus a spread. In addition, bank loan amounting to HK$4,627,000 (2006: HK$10,501,000) is at fixed rate of 4.75% (2006: 5.75%) per annum. The fixed-rate borrowing amounting to HK$1,249,000 (2006: HK$2,421,000) at fixed rate of 6% (2006: 6%) is denominated in New Taiwan dollars, a currency other than the group entity's functional currency of Hong Kong dollars. Trust receipt loans amounting to HK$71,327,000 (2006: HK$74,989,000) carry interest at prime rate plus a spread. The unsecured other borrowings amounting to HK$8,113,000 (2006: HK$21,208,000) carry interest at prime rate plus 3% per annum. Unsecured other borrowing of HK$51,000,000 was non-interest bearing and repayable on demand as at 31 December 2006.

The effective interest rates on the Group's borrowings are also equal to contracted interest rates.

As at the balance sheet date, the Group had undrawn borrowing facility amounting to HK$1,107,609,000 (2006: HK$1,669,164,000) with floating rate and expiring within one year.

33. Derivative financial instruments

The derivative financial instruments comprise derivative contracts linked with the equity securities listed in Hong Kong with certain brokers for a period of one year.

The fair value of derivative financial instruments is determined based on market values provided by the counterparty financial institutions.

34. Loan from a minority shareholders

The amount is non-interest bearing, unsecured and is repayable on demand.

35. Convertible loan note

Convertible loan note issued by CFSG

CFSG issued convertible loan note amounting to HK$40,500,000 to ARTAR, an independent third party, on 1 September 2004. It bore interest at a rate of 3% per annum and would mature on 31 December 2006 or any other date mutually agreed between CFSG and ARTAR. The holder of the note did not have the right to demand for repayment of any principal amount of the note prior to its maturity and the accrued interest of the note prior to the interest payment date, and was not entitled to vote at general meetings of CFSG. CFSG had the right to repay early part or all of the amount and the accrued interest of the note at any time prior to the maturity date. The note was transferable to persons who are not a connected person of CFSG with the consent of CFSG provided that such consent is not required for transfer to the wholly-owned subsidiaries of ARTAR.

The convertible loan note contains three components, embedded derivative for early redemption right, liability and equity elements. The Directors of the Company had assessed the fair value of the early redemption right and considered the fair value is insignificant. The equity element is presented in equity heading "equity component of convertible loan note of a listed subsidiary". The effective interest rate of the liability component is HIBOR plus a spread determined at the date of initial recognition.

During the year ended 31 December 2005, CFSG had made partial repayment of the convertible loan note in a total amount of HK$10,000,000. On 18 January 2006, ARTAR had partially converted the convertible loan note in the sum of HK$16,200,000 at the conversion price of HK$0.27 per share for a total of 60,000,000 shares of HK$0.10 each in CFSG. On 1 June 2006 and 28 June 2006, CFSG made partial repayments of convertible loan note in an amount of HK$8,000,000 and HK$6,300,000 respectively. As at 28 June 2006, the convertible loan note was fully repaid.

The movement of the liability component of the convertible loan note for the year is set out below:

	2007	2006
	HK$'000	*HK$'000*
Liability component at the beginning of the year	–	30,242
Interest paid	–	59
Conversion to ordinary shares of CFSG	–	(16,062)
Early partial repayment	–	(14,239)
Liability at the end of the year	–	–

The partial repayment was allocated to the fair value of the liability component as at the date of early redemption determined on the same basis as initial recognition. The difference between the amount of partial repayment allocated to the liability component and the carrying amount of the liability component at that point in time is recognised directly in the consolidated income statement. During the year ended 31 December 2006, a partial repayment of HK$14,300,000 was made and a corresponding settlement income of HK$291,000 was recognised in the consolidated income statement directly.

36. Share capital

	Notes	Number of shares	Amount
		'000	*HK$'000*
Ordinary shares of HK$0.10 each			
Authorised:			
At 1 January 2006 and 31 December 2006		1,000,000	100,000
Increase on 3 September 2007	*(a)*	2,000,000	200,000
At 31 December 2007		3,000,000	300,000
Issued and fully paid:			
At 1 January 2006		437,484	43,748
Issue of shares due to rights issue	*(b)*	218,742	21,875
At 31 December 2006		656,226	65,623
Exercise of share options	*(c)*	16,000	1,600
Issue of subscription shares	*(d)*	230,300	23,030
At 31 December 2007		902,526	90,253

Notes:

(a) Pursuant to an ordinary resolution passed on 3 September 2007, the authorised share capital of the Company was increased from HK$100,000,000 to HK$300,000,000 by the creation of 2,000,000,000 new ordinary shares of HK$0.10 each.

(b) On 17 November 2006, 218,741,913 shares of HK$0.10 each were issued by way of rights issue at a subscription price of HK$0.28 per share. These shares rank pari passu in all respects with other shares in issue.

(c) The particulars of options exercised during the year ended 31 December 2007 are set out below:

Date of issue of shares	Number of options exercised and resulting number of shares in issue	Exercise price per share	Total consideration (before expenses)
	'000	*HK$*	*HK$'000*
9 July 2007	12,000	0.323	3,876
9 July 2007	4,000	0.480	1,920
	16,000		5,796

All the above shares rank pari passu in all respects with the other shares in issue.

(d) On 23 July 2007, a total of 100,000,000 subscription shares of HK$0.10 each were issued at a subscription price of HK$0.52 each to an independent third party and a substantial shareholder of the Company, Cash Guardian Limited. On 6 August 2007, 130,300,000 top up shares of HK$0.10 each were issued to Cash Guardian Limited at a price of HK$2.02 per share. The gross proceeds of the two transactions of HK$52,000,000 and HK$263,206,000 respectively were raised to provide additional working capital for the Group. These shares rank pari passu in all respects with other shares in issue.

37. Acquisition of subsidiaries

(a) Acquisition of subsidiaries

(i) Netfield and its subsidiaries ("Netfield Group")

On 10 January 2006, the Group acquired 100% of the equity interest of Netfield from an independent third party with an aggregate consideration of approximately HK$116,484,000. This acquisition has been accounted for using the purchase method. The amounts of goodwill and intangible assets arising as a result of the acquisition were HK$102,491,000 and HK$16,390,000 respectively.

	Acquiree's carrying amount before combination *HK$'000*	Fair value adjustments *HK$'000*	Fair value *HK$'000*
NET ASSETS ACQUIRED:			
Property and equipment	2,615	–	2,615
Prepayments, deposits and other receivables	1,496	–	1,496
Bank balances and cash	2,300	–	2,300
Accrued liabilities and other payables	(6,349)	–	(6,349)
Amount due to a shareholder	(24,694)	–	(24,694)
Intangible assets in relation to online game related intellectual property	–	16,390	16,390
Deferred tax liabilities	–	(2,459)	(2,459)
	(24,632)	13,931	(10,701)
Amount due to a shareholder assigned to the Group			24,694
Goodwill			102,491
			116,484
SATISFIED BY:			
Deposit paid			56,095
Cash			60,389
			116,484
NET CASH OUTFLOW ARISING ON ACQUISITION:			
Cash consideration			(60,389)
Bank balances and cash acquired			2,300
Net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries			(58,089)

The goodwill arising on acquisition is attributable to the anticipated profitability of the Group in the new business of online game services.

The Netfield Group was acquired on 10 January 2006 and contributed approximately HK$25,525,000 to the Group's revenue, and HK$23,633,000 loss to the Group's profit for the period since acquisition to 31 December 2006.

(ii) Acquisition of New Dragon Investments Limited and its subsidiary ("New Dragon Group")

On 31 July 2006, the Group signed a sale and purchase agreement to acquire 100% of the issued share capital of New Dragon Investments Limited. This acquisition was completed on 15 November 2006. This acquisition has been accounted for using the purchase method. The amount of goodwill arising as a result of the acquisition was approximately HK$7,454,000.

	Acquiree's carrying amount and fair value before combination
	HK$'000
NET ASSETS ACQUIRED:	
Property and equipment	6,554
Domain name	5,460
Inventories	325
Account receivables	5,763
Other receivables, deposits and prepayments	6,975
Bank balances and cash	5,182
Account payables	(12,276)
Accrued liabilities and other payables	(11,378)
Obligations under finance lease	(170)
Amount due to shareholder	(5,014)
	1,421
Minority interests	(2,389)
Amount due to shareholder assigned to the Group	5,014
Goodwill	7,454
Cash payment (include related costs of the acquisition)	11,500
SATISFIED BY:	
Cash	9,000
Related costs of the acquisition	2,500
	11,500
NET CASH OUTFLOW ARISING ON ACQUISITION:	
Total cash payment	(11,500)
Bank balances and cash acquired	5,182
	(6,318)

The goodwill arising on acquisition is attributable to the anticipated profitability of the Group in the new market development of online game services in Taiwan.

Acquisition of the New Dragon Group contributed approximately HK$11,726,000 to the Group's revenue and HK$61,000 to the Group's profit for the period since acquisition to 31 December 2006.

(iii) CASH Retail Management (HK) Limited ("CRM(HK)") and its subsidiaries ("Retail Group")

On 20 February 2006, the Group signed a sale and purchase agreement to acquire 100% of the issued share capital of CRM(HK). This acquisition was completed on 30 June 2006. Prior to the acquisition, the Group indirectly held 35.61% equity interest of the Retail Group through CRMG. Following the acquisition, CRM(HK) has become a wholly-owned subsidiary of the Company. This acquisition has been accounted for using the purchase method. The amounts of goodwill and intangible assets arising as a result of the acquisition were approximately HK$69,955,000 and HK$38,000,000 respectively.

	Acquiree's carrying amount before combination	**Fair value adjustments**	**Fair value**
	HK$'000	*HK$'000*	*HK$'000*
NET ASSETS ACQUIRED:			
Property and equipment	81,163	–	81,163
Prepaid lease payment	4,643	12,357	17,000
Investment property	5,000	–	5,000
Inventories	62,267	–	62,267
Account receivables	1,746	–	1,746
Other receivables, deposits and prepayments	47,218	–	47,218
Listed investments held for trading	2,133	–	2,133
Pledged bank deposits	44,400	–	44,400
Bank balances and cash	50,354	–	50,354
Account payables	(146,538)	–	(146,538)
Accrued liabilities and other payables	(37,718)	–	(37,718)
Taxation payable	(200)	–	(200)
Bank borrowings	(64,007)	–	(64,007)
Intangible assets in relation to trademarks	–	38,000	38,000
Deferred tax liabilities	–	(6,650)	(6,650)
	50,461	43,707	94,168
The Group's share of net assets of the Retail Group at 30 June 2006			(17,969)
Fair value adjustment attributable to the Group's 35.61% interest in the Retail Group credited to revaluation reserve			(15,564)
Goodwill			69,955
Consideration			130,590
SATISFIED BY:			
Cash *(Note)*			130,590

	2006
	HK$'000
NET CASH (OUTFLOW) INFLOW ARISING ON ACQUISITION:	
Cash paid	(30,000)
Bank balances and cash acquired	50,354
	20,354

Note: The final consideration for this acquisition was HK$130,590,000. HK$30,000,000 was settled by cash payment during the year ended 31 December 2006 and the remaining balance of HK$100,590,000 was settled during the year as disclosed in note 38(b).

The goodwill arising on acquisition is attributable to the anticipated profitability of the retail business in Hong Kong.

Acquisition of the Retail Group contributed approximately HK$433,272,000 to the Group's revenue, and HK$25,898,000 loss to the Group's result for the period since acquisition to 31 December 2006.

If the acquisition discussed in (i) to (iii) above had been completed on 1 January 2006, the Group's total revenue for the year would have been approximately HK$1,258,428,000, and loss for the year would have been approximately HK$33,506,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2006, nor is it intended to be a projection of future results.

(b) Acquisition of assets and liabilities

(i) RACCA Capital Inc. and its subsidiary

On 31 October 2007, the Group, through the acquisition of the remaining equity interests of 66.67% in RACCA Capital Inc. from the other shareholders of RACCA Capital Inc., had in substance, acquired the following assets and related liabilities, at a total consideration of US$2.

	HK$'000
Property and equipment	247
Deposits	273
Payable to the Group	(4,632)
Bank balance	38
Bank overdraft	(1)
Net liabilities assumed	(4,075)
Impairment loss on amount due from an associate	4,075
Cash consideration (US$2)	–
Net cash outflow arising on acquisition:	
Cash consideration (US$2)	–
Bank balance acquired	38
Bank overdraft acquired	(1)
Net cash inflow arising on acquisition of assets and related liabilities	37

38. Major non-cash transactions

(a) Pursuant to the agreement entered into between the Group and a third party, the third party agreed to procure its group companies to provide advertising and telecommunication services to the Group. The fee for these services will be used to offset the prepayment for advertising and telecommunication services which the Group paid. During the year, the Group utilised approximately HK$2,233,000 advertising and telecommunication services (2006: HK$5,393,000).

(b) Pursuant to the letter of acknowledgement entered by relevant parties, the receivable for disposal of an associate with carrying amount of HK$76,187,000 is discharged with payable for acquisition of subsidiaries with balance of HK$100,590,000 during the year ended 31 December 2007.

(c) During the year ended 31 December 2006, the principal amount of convertible loan note of HK$16,200,000 was converted into 60,000,000 shares of HK$0.10 each of CFSG at a conversion price of HK$0.27 each.

39. Contingent liabilities

Company and subsidiaries

(a) During the year ended 31 December 2005, Theodore J Marr ("Marr") filed a cross-summons with the California court in the United States of America against the Company and others alleging breaches of fiduciary duties and/or fraudulent conveyances. Marr's claims in the cross-summons against the Company included US$900,000 (equivalent to approximately HK$7,020,000) arising out of an employment contract between Marr and ILUX Corporation ("ILUX"), a subsidiary of the Company, US$15,000,000 (equivalent to approximately HK$117,000,000) arising out of the dissolution of ILUX, exemplary and punitive damages of not less than US$5,000,000 (equivalent to approximately HK$39,000,000) in respect of each of Marr's causes of action against cross-complainants, and interest. In August 2006, the Company made an application to the California court for the breach of fiduciary duties cause of action against the Company to be dismissed on the ground that Marr lacks standing to assert this cause of action, and in September 2006 the California court dismissed the breach of fiduciary duty claim against the Company. No court decision has been rendered yet in respect of Marr's other causes of action against the Company. No provision has been made in the consolidated financial statements as in the opinion of the Directors, the potential liability arisen from the case is remote.

(b) On 11 May 2006, Hallmark Cards, Incorporated ("Petitioner") filed a petition for a winding-up order against Cosmos Global Limited ("CGL"), a subsidiary of the Company, under which the Petitioner claimed that CGL was indebted to the Petitioner for a sum of US$41,591.23 (equivalent to approximately HK$324,000) and interest accrued thereon. A winding-up order was made by a master of the High Court on 2 August 2006. Provisional liquidator has been appointed by the court to manage the affairs of CGL on the same date and CGL is now in the process of liquidation.

(c) In 2003, Ka Chee Company Limited instituted a winding-up proceedings against Celestial (International) Securities & Investment Limited ("CISI"), a subsidiary of the Company, for an amount of HK$1,662,598. A winding-up order was made by the court, the liquidator has been appointed to wind-up CISI, and the winding-up procedure is still in progress. Provision, which in the opinion of the Directors of the Company is adequate, has already been made for the claim.

40. Operating lease commitments

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of land and buildings which fall due as follows:

	2007	**2006**
	HK$'000	*HK$'000*
Within one year	134,259	109,574
In the second to fifth year inclusive	117,227	92,386
Over five years	–	756
	251,486	202,716

Operating lease payments represent rental payable by the Group for office premises and retail shops. Leases are mainly negotiated for lease term of six years and rentals are fixed for three years and then subject for review. In addition to the fixed rentals, pursuant to the terms of certain rental agreements, the Group has to pay a rental based on certain percent of the gross sales of the relevant shop when the sales meets certain specified level.

41. Share option schemes

(A) Share option scheme of the Company

The Company's share option scheme ("Share Option Scheme") was adopted pursuant to an ordinary resolution passed at the special general meeting of the Company held on 19 February 2002. The major terms of the Share Option Scheme are summarised as follows:

(i) The purpose was to provide incentives to:

- award and retain the participants who have made contributions to the Group, including CFSG and its subsidiaries ("CFSG Group"); or
- attract potential candidates to serve the Group for the benefit of the development of the Group.

(ii) The participants included any employee, director, consultant, adviser or agent of any member of the Group.

(iii) The maximum number of shares in respect of which share options might be granted under the Share Option Scheme must not exceeded 10% of the issued share capital of the Company as at the date of approval of the Share Option Scheme and such limit might be refreshed by shareholders in general meeting. The maximum number of shares was 65,622,574 shares, representing 7.3% of the issued share capital of the Company as at the date of the Annual Report. However, the total maximum number of shares which might be issued upon exercise of all outstanding share options granted and yet to be exercised under the Share Option Scheme and any other share option scheme must not exceed 30% of the shares in issue from time to time.

(iv) The maximum number of shares in respect of which share options might be granted to a participant, when aggregated with shares issued and issuable (including exercised and outstanding options and the share options cancelled) under any share option granted to the same participant under the Share Option Scheme or any other share option scheme within any 12 month period, must not exceed 1% of the shares in issue from time to time.

(v) There was no requirement for a grantee to hold the share option for a certain period before exercising the share option save as determined by the Board of Directors and provided in the offer of grant of share option.

(vi) The exercise period should be any period fixed by the Board of Directors upon grant of the option but in any event the share option period should not go beyond 10 years from the date of offer for grant.

(vii) The acceptance of a share option, if accepted, must be made within 28 days from the date of grant with a non-refundable payment of HK$1.00 from the grantee to the Company.

(viii) The exercise price of a share option must be the highest of:

- the closing price of the Company's shares on the date of grant which day must be a trading day;
- the average closing price of the Company's shares for the 5 trading days immediately preceding the date of grant; and
- the nominal value of the Company's share.

(ix) The life of the Share Option Scheme is effective for 10 years from the date of adoption until 18 February 2012.

The following table discloses details of the Company's share options held by the Directors and the employees of the Group and movements in such holdings:

				Number of share options					
Name of scheme	**Date of grant**	**Exercise price per share** *HK$*	**Exercise period**	**outstanding as at 1.1.2006**	**granted in 2006** *(Note (1))*	**outstanding as at 31.12.2006 and 1.1.2007**	**granted in 2007** *(Note (1))*	**exercised in 2007** *(Note (2))*	**outstanding as at 31.12.2007**
Directors									
Share Option Scheme	13.11.2006	0.323	13.11.2006 – 12.11.2008	–	16,000,000	16,000,000	–	–	16,000,000
	6.6.2007	0.490	6.6.2007 – 31.5.2009	–	–	–	10,000,000	–	10,000,000
				–	16,000,000	16,000,000	10,000,000	–	26,000,000
Employees									
Share Option Scheme	13.11.2006	0.323	13.11.2006 – 12.11.2008	–	16,000,000	16,000,000	–	(12,000,000)	4,000,000
	30.5.2007	0.480	30.5.2007 – 31.5.2009	–	–	–	11,700,000	(4,000,000)	7,700,000
	6.6.2007	0.490	6.6.2007 – 31.5.2009	–	–	–	32,300,000	–	32,300,000
				–	16,000,000	16,000,000	44,000,000	(16,000,000)	44,000,000
				–	32,000,000	32,000,000	54,000,000	(16,000,000)	70,000,000

Notes:

(1) The closing price of the share immediately before the date of grant on 13 November 2006, 30 May 2007 and 6 June 2007 was HK$0.330, HK$0.500 and HK$0.480 respectively. The share options are fully vested on the grant date.

(2) During the year ended 31 December 2007, 12,000,000 and 4,000,000 share options were exercised at the exercise price of HK$0.323 and HK$0.480 per share respectively. The weighted average share price immediately before the date of exercise on 4 July 2007 is HK$1.720 per share.

(3) No share option was cancelled during the year.

The exercise in full of the outstanding 70,000,000 share options at 31 December 2007 would, under the present capital structure of the Company, result in the issue of 70,000,000 additional shares of the Company for a total cash consideration, before expenses, of approximately HK$30,883,000.

During the year ended 31 December 2007, share options were granted on 30 May 2007 and 6 June 2007 and are fully vested on the same date. The estimated fair value of the options granted on that date was HK$262,000 and HK$867,000 respectively.

During the year ended 31 December 2006, share options were granted on 13 November 2006 and are fully vested on the same date. The estimated fair value of the options granted on that date was HK$422,000.

The Black-Scholes option pricing model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions. The inputs into the model were a follows:

	Share options grant date		
	6 June 2007	**30 May 2007**	**13 November 2006**
Weighted average share price	HK$0.360	HK$0.350	HK$0.330
Exercise price	HK$0.490	HK$0.480	HK$0.323
Expected volatility	76.85%	77.92%	67%
Expected life	2 years	2 years	2 years
Risk-free rate	3.64%	3.64%	4.59%
Expected dividend yield	Nil	Nil	Nil

Expected volatility was determined by using the historical volatility of the Company's share price over the previous 256 trading days.

The Group recognised the total expenses of approximately HK$1,129,000 (2006: HK$422,000) for the year ended 31 December 2007 in relation to share options granted by the Company.

(B) Share option schemes of CFSG

The CFSG's share option scheme ("CFSG Option Scheme") was adopted pursuant to an ordinary resolution passed at the special general meeting of CFSG held on 19 February 2002. The major terms of the CFSG Option Scheme are summarised as follows:

(i) The purpose was to provide incentives to:

- award and retain the participants who have made contributions to the Group; or
- attract potential candidates to serve the Group for the benefit of the development of the Group.

(ii) The participants included any employee, director, consultant, adviser or agent of any member of the Group.

(iii) The maximum number of shares in respect of which share options might be granted under the CFSG Option Scheme must not exceed 10% of the issued share capital of CFSG as at the date of approval of the CFSG Option Scheme and such limit might be refreshed by shareholders in general meeting. However, the total maximum number of shares which might be issued upon exercise of all outstanding share options granted and yet to be exercised under the CFSG Option Scheme and any other share option scheme must not exceed 30% of the shares in issue from time to time.

(iv) The maximum number of shares in respect of which share options might be granted to a participant, when aggregated with shares issued and issuable (including exercised and outstanding options and the options cancelled) under any share option granted to the same participant under the CFSG Option Scheme or any other share option scheme within any 12 month period, must not exceed 1% of the shares in issue from time to time.

(v) There was no requirement for a grantee to hold the share option for a certain period before exercising the share option save as determined by the board of directors of CFSG and provided in the offer of grant of share option.

(vi) The exercise period should be any period fixed by the board of directors of CFSG upon grant of the share option but in any event the share option period should not go beyond 10 years from the date of offer for grant.

(vii) The acceptance of a share option, if accepted, must be made within 28 days from the date of grant with a non-refundable payment of HK$1.00 from the grantee to CFSG.

(viii) The exercise price of a share option must be the highest of:

- the closing price of the shares of CFSG on the date of grant which day must be a trading day;

- the average closing price of the shares of CFSG for the 5 trading days immediately preceding the date of grant; and

- the nominal value of the share of CFSG.

(ix) The life of the CFSG Option Scheme is effective for 10 years from the date of adoption until 18 February 2012.

The following table discloses details of the CFSG's share options held by the Directors and the employees of the Group and movements in such holdings:

					Number of share options							
Name of scheme	**Date of grant**	**Exercise price per share** *HK$*	**Exercise period**	*Notes*	**outstanding as at 1.1.2006**	**granted in 2006** *(Note (4))*	**exercised in 2006** *(Note (3))*	**lapsed in 2006** *(Note (6))*	**outstanding as at 31.12.2006 and 1.1.2007**	**exercised in 2007** *(Note (3))*	**adjusted on 30.10.2007** *(Note (5))*	**outstanding as at 31.12.2007**
Directors												
CFSG Option Scheme	6.10.2005	0.380	6.10.2005-31.10.2006		38,700,000	–	–	(38,700,000)	–	–	–	–
	7.7.2006	0.296	7.7.2006-31.7.2008		–	31,800,000	–	–	31,800,000	(31,800,000)	–	–
					38,700,000	31,800,000	–	(38,700,000)	31,800,000	(31,800,000)	–	–
Employees												
CFSG Option Scheme	2.12.2003	0.340	1.6.2004-31.5.2006	*(1)*	5,070,000	–	(1,170,000)	(3,900,000)	–	–	–	–
	6.10.2005	0.380	6.10.2005-31.10.2006		36,300,000	–	–	(36,300,000)	–	–	–	–
	7.7.2006	0.296	7.7.2006-31.7.2008		–	69,500,000	(1,000,000)	–	68,500,000	(68,500,000)	–	–
	7.7.2006	0.262	7.7.2006-31.7.2010	*(4) & (5)*	–	6,000,000	–	–	6,000,000	(1,200,000)	624,341	5,424,341
					41,370,000	75,500,000	(2,170,000)	(40,200,000)	74,500,000	(69,700,000)	624,341	5,424,341
					80,070,000	107,300,000	(2,170,000)	(78,900,000)	106,300,000	(101,500,000)	624,341	5,424,341

Notes:

(1) The share options are vested in 2 tranches as to (i) 50% exercisable from the commencement of the exercise period; and (ii) 50% exercisable from the expiry of 12 months from the commencement of the exercise period.

(2) The share options are vested in 4 tranches as to (i) 25% exercisable from the commencement of the exercise period; (ii) 25% exercisable from the expiry of 12 months from the commencement of the exercise period; (iii) 25% exercisable from the expiry of 24 months from the commencement of the exercise period; and (iv) 25% exercisable from the expiry of 36 months from the commencement of the exercise period.

(3) The number of options exercised during the year together with the exercise price and the weighted average preceding closing price are listed as follows:

Date of exercise	Number of options exercised	Exercise price per share	Weighted average preceding closing price
		HK$	*HK$*
			(Note)
25 January 2006	520,000	0.340	0.410
26 January 2006	650,000	0.340	0.420
14 November 2006	1,000,000	0.296	0.340
23 April 2007	1,000,000	0.296	0.355
3 July 2007	8,600,000	0.296	0.690
4 July 2007	40,100,000	0.296	0.640
9 July 2007	5,000,000	0.296	0.690
17 July 2007	9,000,000	0.296	0.770
7 August 2007	2,600,000	0.296	0.670
13 August 2007	35,200,000	0.296	0.720

Note: This represents the weighted average closing price of the Company's shares immediately before the date of exercise.

(4) The closing price of the share of CFSG immediately before the date of grant on 7 July 2006 was HK$0.29.

(5) The number and exercise price of options which remained outstanding have been adjusted due to right issue of shares in CFSG with effect from 30 October 2007. The exercise price per share was adjusted from HK$0.296 to HK$0.262.

(6) The lapsed share options were due to expiry or cessation of employment of participants with the Group.

(7) No share option was cancelled during the year.

During the year ended 31 December 2006, share options were granted on 7 July 2006. The estimated fair values of the share options granted on that date are HK$1,613,000.

These fair values are calculated using the Black-Scholes pricing model. The inputs into the model were a follows:

	Share options grant date 7 July 2006
Weighted average share price	HK$0.29
Exercise price	HK$0.30
Expected volatility	74%
Expected life	2 years
Risk-free rate	4.59%
Expected dividend yield	3.125%

Expected volatility was determined by using the historical volatility of the CFSG's share price over the previous 256 trading days. The expected life used in the model has been adjusted, based on the management's best estimate, for the effects of non transferability, exercise restrictions and behavioural considerations.

The Group recognised the total expenses of approximately HK$1,613,000 for the year ended 31 December 2006 in relation to share options granted by CFSG. No such expense was charged to consolidated income statement for the year ended 31 December 2007.

42. Retirement benefits schemes

The Group operates Mandatory Provident Fund Schemes ("MPF Schemes") under the rules and regulations of Mandatory Provident Fund Schemes Ordinance for all its employees in Hong Kong and terminated the defined contribution pension scheme ("Old Scheme") on 1 December 2000. All the employees of the Group in Hong Kong are required to join the MPF Scheme. In respect of those employees who leave the Group prior to completion of qualifying service period for the employer's voluntary contributions (represents contributions in excess of the mandatory requirements under the Mandatory Provident Fund Schemes Ordinance plus all the assets transferred from the Old Scheme) become fully vested, the relevant portion of the voluntary contributions forfeited will be reverted to the Group. Contributions are made based on a percentage of the employees' salaries and are charged to income statement as they become payable in accordance with the rules of the MPF Schemes. The assets of the MPF Scheme are held separately from those of the Group in an independently administrated fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employer's contributions to the MPF Schemes charged to the income statement and the forfeited voluntary contributions credited to the income statements amounted to approximately HK$8,409,000 (2006: HK$5,455,000) and HK$500,000 (2006: HK$340,000) respectively for the year ended 31 December 2007.

During the year ended 31 December 2007, the Group acquired a subsidiary in Taiwan. The subsidiary operates pension plan under the Labor Pension Act (the "Act"). The Act provides for a defined contribution benefit plan. Under the Act, the subsidiary make monthly contributions at 6% of basic salaries (i.e. net of bonuses and benefits) to the employees' individual pension accounts. During the year ended 31 December 2007, the Group recognised pension costs of HK$315,000 (2006: HK$88,000).

The Group operates various benefits schemes for its full-time employees in the PRC in accordance with the relevant PRC regulations and rules, including provision of housing provident fund, medical insurance, retirement insurance, unemployment insurance, labour injury insurance and pregnancy insurance. Pursuant to the existing schemes, the Group contributes 7%, 5%, 17%, 2%, 0.5% and 0.5% of the basic salary of its employees to the housing provident fund, medical insurance, retirement insurance, unemployment insurance, labour injury and pregnancy insurance respectively. During the year ended 31 December 2007, the Group recognised contribution to the aforesaid benefits schemes of HK$2,494,000 (2006: HK$1,086,000).

43. Commitments

Capital commitments

At the balance sheet date, the Group had the following capital commitments:

	2007	**2006**
	HK$'000	*HK$'000*
Capital expenditure commitment in respect of the acquisition of property and equipment contracted for but not provided in the consolidated financial statements	30,241	–

44. Related party transactions

The Group had the following significant transactions with related parties:

		2007	**2006**
	Notes	*HK$'000*	*HK$'000*
Commission and interest income received from the following substantial shareholders of the Company	*(a)*		
Cash Guardian Limited		263	1,200
Mr Kwan Pak Hoo Bankee and associates		421	–
		684	1,200
Commission and interest income received from the following directors of the Company	*(b)*		
Mr Lin Che Chu George and associates		386	2
Mr Law Ping Wah Bernard and associates		477	21
Mr Wong Kin Yick Kenneth and associates		542	112
		1,405	135

Notes:

(a) During the year ended 31 December 2007, the Group received commission and interest income from margin financing of approximately HK$684,000 (2006: HK$1,200,000) from substantial shareholders of the Company.

(b) During the year ended 31 December 2007, the Group received commission and interest from margin financing of approximately HK$1,405,000 (2006: HK$135,000) from certain directors of the Company.

(c) During the year, the Group has agreed to grant an option, which is subjected to certain precedent conditions, to Mr Lin Che Chu George, a common Director of the Company and Netfield. Under such option, Mr Lin Che Chu George has right to require the Group to transfer such number of shares in Netfield Technology Limited as representing 10% of the entire issued share capital of Netfield Technology Limited subject to the terms and conditions of the option deed dated 9 January 2007 and the supplemental deed dated 22 January 2007.

During both years, compensation of key management personnel represented Director's remuneration which is disclosed in note 10. The Director's remuneration is determinated by the remuneration committee having regard to the performance, responsibilities and experience of individuals and market trends.

45. Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debt, which includes the bank borrowings disclosed in note 32, and equity attributable to equity holders of the Company, comprising issued share capital disclosed in note 36, reserves and accumulated profits as disclosed in consolidated statements of changes in equity. The management reviews the capital structure by considering the cost of capital and the risks associated with each class of capital. In view of this, the Group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt. The Group's overall strategy remains unchanged throughout the year.

Certain group entities are regulated by the Securities and Futures Commission ("SFC") and are required to comply with certain minimum capital requirements according to the Securities and Futures Ordinance. Management monitors, on a daily basis, the entities' liquid capital to ensure they meet the minimum liquid capital requirement in accordance with the Securities and Futures (Financial Resources) Rules.

The Group covenants to maintain deposits of not less than HK$15,000,000 with a bank as a condition precedent to an overdraft facility granted by the bank.

46. Post balance sheet events

(1) CFSG voluntarily withdrew its listing status on the Growth Enterprise Market ("GEM") board and became listed on the Main Board by introduction. Dealing of the CFSG's shares on Main Board commenced on 3 March 2008.

(2) A new option scheme of CFSG was adopted with effect from 3 March 2008 pursuant to ordinary resolutions passed at the special general meetings of CFSG and the Company both held on 22 February 2008 to replace the CFSG Option Scheme due to migration of the CFSG's listing from the GEM board to the Main Board of the Stock Exchange.

(3) Pursuant to the announcement made by the Company on 10 December 2007, Netfield, a wholly-owned subsidiary of the Company, signed an agreement with an independent third party to issue its 3.4% of the issued share capital of Netfield at a consideration of US$6 million (approximately HK$46,800,000). The transaction was completed in January 2008. In addition, Netfield has entered into non-legally binding framework agreement with another independent third party pursuant to which Netfield will further issue 5.4% issued share capital of Netfield (as enlarged by the new issue) at a consideration of US$10 million (approximately HK$78,000,000). The formal subscription agreement with this new potential investor is scheduled to be signed upon the completion of the legal due diligence on Netfield.

47. Particulars of principal subsidiaries of the company

Name	Place of incorporation	Nominal value of issued and fully paid ordinary share capital/ registered capital	Proportion of voting power held by the Company	Proportion of nominal value of issued share capital held by the Company %	Principal activities
CFSG	Bermuda	HK$207,697,202	51.03*	45.27	Investment holding
CASH Asset Management Limited	Hong Kong	HK$200,000	51.03	45.27	Provision of asset management services
CASH E-Trade Limited	Hong Kong	HK$4,000,000	51.03	45.27	Provision of management services for group companies
CASH Payment Services Limited	Hong Kong	HK$2	51.03	45.27	Provision of payment gateway services for group companies
Celestial Capital Limited	Hong Kong	HK$27,000,000	51.03	45.27	Provision of corporate finance services, investment and financial advisory services
Celestial Commodities Limited	Hong Kong	HK$10,000,000	51.03	45.27	Futures and options broking and trading
Celestial Investments (HK) Limited	Hong Kong	HK$10,000,000	51.03	45.27	Money lending
Celestial Securities Limited	Hong Kong	HK$140,000,000	51.03	45.27	Securities, equity options broking and trading, leveraged foreign exchange contracts
icoupon Limited	BVI	US$1	51.03	45.27	Investment holding and trading
Linkup Assets Management Limited	BVI	US$1	51.03	45.27	Investment holding and trading
CASH Frederick Taylor Limited ("CASH Frederick Taylor")	Hong Kong	HK$1,000,000	35.72**	31.69	Financial advisory consultancy

Name	Place of incorporation	Nominal value of issued and fully paid ordinary share capital/ registered capital	Proportion of voting power held by the Company	Proportion of nominal value of issued share capital held by the Company %	Principal activities
富格曼科技股份有限公司 (translated as Fugleman Entertainment Company)	Taiwan	NTD40,820,000	51	51	Online game operator
摩力游(上海)信息科技有限公司# (translated as MOLI China Information Technology Limited)	PRC	US$3,000,000	100	100	Online game developer
上海摩力游數字娛樂有限公司## (translated as Shanghai Moliyo Digital Entertainment Limited)	PRC	RMB1,000,000	100	100	Online game operator
3C Digital Limited	Hong Kong	HK$100	60	60	Retailing of digital products and electrical appliances
3C Electrical Appliances Limited	Hong Kong	HK$1	60	60	Retailing of electrical appliances
E-Tailer Holding Limited	BVI	US$1	100	100	Trading of securities
Lifeztore (HK) Limited	Hong Kong	HK$1	100	100	Retailing of furniture and household goods
Pricerite Stores Limited	Hong Kong	HK$200,000,000	100	100	Retailing of furniture and household goods
Pricerite.com.hk Limited	Hong Kong	HK$2	100	100	Retailing of furniture and household goods through corporate sales
Richwell Target Limited	Hong Kong	HK$2	100	100	Property holding
生活經艶(上海)商貿有限公司# (translated as LifeZtore (Shanghai) Limited)	PRC	HK$5,000,000	100	100	Retailing of furniture and household goods

* *At the balance sheet date, the Group holds a 45.27% (2006: 46.22%) equity interest in CFSG through CIGL. Cash Guardian Limited, a company in which Mr Kwan Pak Hoo Bankee has a beneficial interest and is also a Director, holds 2.72% (2006: 2.93%) equity interest in CFSG. Cash Guardian Limited has agreed that it will cast all votes at all shareholder's meeting of CFSG, in accordance with the voting decision of the Company at all times. Mr Kwan Pak Hoo Bankee, Mr Law Ping Wah Bernard and Mr Wong Kin Yick Kenneth, Directors of the Company, who have 0.40%, 1.57% and 1.07% (2006: nil, 1.25% and 0.71%) equity interest and voting power respectively in CFSG, have agreed that they will not vote against the voting decision of the Company at all times. As a result, the Group is able to control the voting power at all the general meetings of CFSG. Accordingly, CFSG is accounted for a subsidiary of the Company.*

** *The Group holds a 31.69% effective interest in CASH Frederick Taylor and controls a 70.00% of voting power at general meetings of CASH Frederick Taylor through the 51.03% of voting power interest in CFSG.*

\# *Wholly-owned foreign enterprise established in the PRC.*

\## *Domestic enterprise with limited liabilities established in the PRC. 上海摩力游數字娛樂有限公司 is indirectly held by the Company through the declarations of trust executed by Mr Ren Heda and Ms Tan Jing Lin, who hold the interest in 上海摩力游數字娛樂有限公司 of 80% and 20% respectively.*

All the subsidiaries shown above are indirectly held by the Company. In the opinion of the directors, a complete list of the particulars of subsidiaries will be of excessive length and therefore the above list contains only the particulars of those subsidiaries which principally affect the results or net assets of the Group.

C. FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2008 AND 30 JUNE 2007

The following financial information for each of the six months ended 30 June 2008 and 30 June 2007, together with accompanying notes to the accounts for the six months ended 30 June 2008, is extracted from the unaudited interim report of the Company for the six months ended 30 June 2008.

Consolidated Income Statement

		Unaudited six months ended 30 June	
		2008	**2007**
	Notes	*HK$'000*	*HK$'000* (Restated)
Revenue	*(3)*	711,931	726,093
Other income		7,503	4,141
Cost of sales for retailing business		(245,979)	(230,522)
Cost of services for online game business		(26,891)	–
Salaries, allowances and commission		(132,271)	(106,603)
Other operating, administrative and selling expenses		(315,864)	(297,183)
Depreciation of property and equipment		(22,608)	(18,581)
Finance costs		(11,383)	(42,660)
Net (decrease) increase in fair value on investments held for trading		(57,883)	43,398
Gain on dilution of shareholding in subsidiaries	*(5)*	42,256	–
Share of loss of associate		(1,876)	–
(Loss) Profit before taxation		(53,065)	78,083
Taxation charge	*(6)*	(4,892)	(10,437)
(Loss) Profit for the period		(57,957)	67,646
Attributable to shareholders:			
Equity holders of the Company		(80,281)	26,694
Minority interests		22,324	40,952
		(57,957)	67,646
Dividend:			
Dividends recognised as distribution during the period			
– payment of 2007 final dividend of HK$0.04 per share		36,101	–
(Loss) Earnings per share	*(7)*		
– Basic		HK$(0.4)	HK$0.2
– Diluted		HK$(0.4)	HK$0.2

Consolidated Balance Sheet

	Notes	30 June 2008 (Unaudited) HK$'000	31 December 2007 (Audited) HK$'000
Non-current assets			
Property and equipment		199,307	109,252
Prepaid lease payments		15,756	15,963
Investment property		–	5,000
Goodwill		238,460	233,115
Interests in associates		65,938	65,778
Loan to an associate		10,296	10,296
Intangible assets		65,634	68,255
Other assets		9,346	9,136
Deposits paid for purchase of property and equipment		–	16,136
Loan receivables		68	692
		604,805	533,623
Current assets			
Inventories		41,506	42,028
Account receivables	*(8)*	611,856	938,998
Loan receivables		51,731	28,915
Prepayments, deposits and other receivables		132,401	91,126
Amounts due from associates		260	260
Investments held for trading		149,136	60,254
Deposits with brokers		81,569	131,751
Bank deposits under conditions		98,103	90,183
Bank balances – trust and segregated accounts		801,315	928,527
Bank balances (general accounts) and cash		439,449	329,501
		2,407,326	2,641,543

	Notes	30 June 2008 (Unaudited) HK$'000	31 December 2007 (Audited) HK$'000
Current liabilities			
Account payables	(9)	1,235,904	1,511,664
Deferred revenue		653	4,059
Accrued liabilities and other payables		140,150	121,520
Taxation payable		26,142	23,149
Obligations under finance leases – amount due within one year		–	487
Borrowings – amount due within one year		530,119	324,792
Derivative financial instruments		18,698	12,683
Loan from a minority shareholder		27,437	27,437
		1,979,103	2,025,791
Net current assets		428,223	615,752
Total assets less current liabilities		1,033,028	1,149,375
Capital and reserves			
Share capital	(11)	18,051	90,253
Reserves		515,603	557,748
Equity attributable to equity holders of the Company		533,654	648,001
Share option reserve of a listed subsidiary		88	88
Minority interests		462,090	492,118
Total equity		995,832	1,140,207
Non-current liabilities			
Deferred tax liabilities		7,879	7,879
Obligations under finance leases – amount due after one year		–	40
Borrowings – amount due after one year		29,317	1,249
		37,196	9,168
		1,033,028	1,149,375

Condensed Consolidated Cash Flow Statement

	Unaudited six months ended 30 June	
	2008	**2007**
	HK$'000	*HK$'000*
Net cash from (used in) operating activities	116,097	(2,818,645)
Net cash used in investing activities	(160,688)	(10,354)
Net cash from financing activities	154,539	2,790,096
Net increase (decrease) in cash and cash equivalents	109,948	(38,903)
Cash and cash equivalents at beginning of period	329,501	168,569
Cash and cash equivalents at end of period	439,449	129,666
Analysis of balances of cash and cash equivalents		
Bank balances (general accounts) and cash	439,449	129,666

Consolidated Statement of Changes in Equity

Unaudited six months ended 30 June 2008

	Notes	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000	General reserve HK$'000	Other reserve HK$'000	Translation reserve HK$'000	Share option reserve HK$'000	Revaluation reserve HK$'000	Accumulated profits (losses) HK$'000	Total HK$'000	Share option reserve of a listed subsidiary HK$'000	Minority interests HK$'000	Total HK$'000
		Attributable to equity holders of the Company												
At 1 January 2008		90,253	417,255	16,724	1,160	12,314	(188)	1,074	15,564	93,845	648,001	88	492,118	1,140,207
Increase shareholding interest in subsidiary	(a)	–	–	–	–	–	–	–	–	–	–	–	(12,356)	(12,356)
Issue of new shares by subsidiary	(b)	–	–	–	–	–	–	–	–	–	–	–	(76)	(76)
Share repurchases by subsidiary	(c)	–	–	–	–	–	–	–	–	–	–	–	(6,425)	(6,425)
2007 CASH Financial Services Group Limited ("CFSG") final dividend paid		–	–	–	–	–	–	–	–	–	–	–	(33,419)	(33,419)
2007 final dividend paid		–	–	–	–	–	–	–	–	(36,101)	(36,101)	–	–	(36,101)
Share of translation reserve of an associate		–	–	–	–	–	2,035	–	–	–	2,035	–	–	2,035
Reduction of shares due to share consolidation and capital reduction	(d)	(72,202)	–	72,202	–	–	–	–	–	–	–	–	–	–
Net loss for the period		–	–	–	–	–	–	–	–	(80,281)	(80,281)	–	22,248	(58,033)
At 30 June 2008		18,051	417,255	88,926	1,160	12,314	1,847	1,074	15,564	(22,537)	533,654	88	462,090	995,832

Unaudited six months ended 30 June 2007

	Note	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000	General reserve HK$'000	Other reserve HK$'000	Translation reserve HK$'000	Share option reserve HK$'000	Investment revaluation reserve HK$'000	Accumulated profits HK$'000	Total HK$'000	Share option reserve of a listed subsidiary HK$'000	Minority interests HK$'000	Total HK$'000
		Attributable to equity holders of the Company												
At 1 January 2007		65,623	137,398	16,724	1,160	12,314	(288)	422	29,659	41,943	304,955	2,496	259,880	567,331
Increase shareholding interest in subsidiary	(e)	–	–	–	–	–	–	–	–	–	–	–	(12,757)	(12,757)
Disposal of available-for-sale investments		–	–	–	–	–	–	–	(29,659)	–	(29,659)	–	–	(29,659)
2006 CFSG final dividend paid		–	–	–	–	–	–	–	–	–	–	–	(14,865)	(14,865)
Increase revaluation		–	–	–	–	100	–	–	–	–	100	–	–	100
Recognition of employee share option benefits		–	–	–	–	–	–	1,129	–	–	1,129	–	–	1,129
Net profit for the period		–	–	–	–	–	–	–	–	26,694	26,694	–	40,952	67,646
At 30 June 2007		65,623	137,398	16,724	1,160	12,414	(288)	1,551	–	68,637	303,219	2,496	273,210	578,925

Notes:

(a) From March 2008 to May 2008, Celestial Investment Group Limited ("CIGL") (a wholly-owned subsidiary of the Company) purchased additional shares in CFSG. The Group's interest in CFSG was increased from 45.27% to 46.79% after the acquisitions.

(b) On 24 April 2008, 1,000,000 share options of CFSG were exercised at an exercise price of HK$0.262 per a CFSG's share, resulting in the issue of 1,000,000 CFSG's shares of HK$0.10 each.

(c) During the six months ended 30 June 2008, CFSG repurchased a total of 2,586,000 shares of HK$0.10 each in its own issued share capital on The Stock Exchange of Hong Kong Limited ("Stock Exchange") for an aggregate consideration of HK$7,217,000. Accordingly, such shares were cancelled and the issued share capital of CFSG was reduced by the nominal value of these shares. As at 30 June 2008, the Group's interest in CFSG was 47.08%.

(d) Please refer to note (11) of share capital for details.

(e) In June 2007, CIGL purchased additional shares in CFSG. The Group's interest in CFSG was increased from 46.22% on 31 December 2006 to 48.55% on 30 June 2007.

Notes:

(1) Basis of preparation

The unaudited consolidated results of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") and Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. In addition, the unaudited consolidated accounts include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") and by the Hong Kong Companies Ordinance.

The unaudited consolidated results for the six months ended 30 June 2008 have not been audited by the Company's auditor, but have been reviewed by the Company's audit committee.

(2) Significant accounting policies

The accounting policies and methods of computation used in the preparation of these accounts are consistent with those used in the annual accounts for the year ended 31 December 2007.

The Group has not early applied the following new and revised standards and interpretations that have been issued but are not yet effective. The Group is in the process of making an assessment of the impact of these new and revised HKFRSs and HKASs upon initial application. However, the directors of the Company anticipate that the application of these new standards and interpretations will have no material impact on the financial position and financial results of the Group.

HKAS 1 (Revised)	Presentation of financial statements[1]
HKAS 23 (Revised)	Borrowing costs[1]
HKAS 32	Financial instruments: "Presentation"[1]
HKFRS 2	Amendment "Share-based payment – Vesting conditions and cancellations"[1]
HKFRS 8	Operating segments[1]
HK(IFRIC) – INT 13	Customer loyalty programmes[2]

[1] *Effective for annual periods beginning on or after 1 January 2009.*
[2] *Effective for annual periods beginning on or after 1 July 2008.*

(3) Revenue

	Unaudited six months ended 30 June	
	2008	**2007**
	HK$'000	*HK$'000*
Fees and commission income	198,891	253,479
Online game subscription income	71,344	75,768
Licensing income	4,545	2,243
Sales of furniture and household goods and trendy digital products, net of discounts and returns	437,151	394,603
	711,931	726,093

(4) Business and geographical segments

Business segments

For management purposes, the Group is currently organised into three main operating divisions, namely, financial services, online game services and retailing. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

Financial services	Broking, financing, corporate finance services, wealth management and securities trading
Online game services	Provision of online game services, sales of online game auxiliary products and licensing services
Retailing	Sales of furniture and household goods and trendy digital products

Segment information about these businesses is presented as follows:

Income statement for the six months ended 30 June 2008

	Financial services	Online game services	Retailing	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	198,891	75,889	437,151	711,931
Segment profit (loss)	42,401	(42,077)	(6,458)	(6,134)
Net decrease in fair value on investments held for trading				(54,572)
Gain on dilution of shareholding in subsidiaries				42,256
Finance costs				(1,382)
Unallocated corporate expenses				(33,233)
Loss before taxation				(53,065)
Taxation charge				(4,892)
Loss for the period				(57,957)

Income statement for the six months ended 30 June 2007

	Financial services	Online game services	Retailing	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	253,479	78,011	394,603	726,093
Segment profit (loss)	76,204	(7,483)	(15,682)	53,039
Net increase in fair value on investments held for trading				43,398
Finance costs				(1,980)
Unallocated corporate expenses				(16,374)
Profit before taxation				78,083
Taxation charge				(10,437)
Profit for the period				67,646

Geographical segments

The Group's operations are located in Hong Kong, the People's Republic of China ("PRC") and Taiwan. For the activities of financial services and retailing, they are mainly based in Hong Kong and the revenue of these activities are substantially derived from Hong Kong. The online game business activities are mainly based in the PRC and Taiwan and the revenue of these activities are derived mainly from the PRC and Taiwan.

	Unaudited six months ended 30 June	
	2008	**2007**
	HK$'000	*HK$'000*
Hong Kong	631,649	647,403
PRC	59,075	48,550
Taiwan	21,207	30,140
	711,931	726,093

(5) Gain on dilution of shareholding in subsidiaries

Pursuant to the announcement made by the Company on 10 December 2007, Netfield Technology Limited ("Netfield"), a subsidiary of the Company, signed an agreement with an independent third party to issue 3.4% of the issued share capital of Netfield at a consideration of US$6 million (approximately HK$46,800,000). The transaction was completed in January 2008.

(6) Taxation charge

	Unaudited six months ended 30 June	
	2008	**2007**
	HK$'000	*HK$'000*
Profits tax:		
– PRC	–	137
– Hong Kong	4,892	10,300
	4,892	10,437

Hong Kong profits tax is calculated at 16.5% (2007: 17.5%) on the estimated assessable profits for respective periods.

No provision for taxation has been made for the subsidiary operating in Taiwan as no assessable profit is arisen for the period.

(7) (Loss) Earnings per share

The calculation of basic and diluted (loss) earnings per share attributable to the ordinary equity holders of the Company for the six months ended 30 June 2008 together with the comparative figures for the prior period are based on the following data:

	Unaudited six months ended 30 June	
	2008	**2007**
	HK$'000	*HK$'000*
(Loss) Profit for the purpose of basic and diluted (loss) earnings per share		
(Loss) Profit for the period attributable to equity holders of the Company	(80,281)	26,694

	Unaudited six months ended 30 June	
	2008	**2007**
		(Restated)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	181,905,148	131,245,148
Effect of dilutive potential ordinary shares assumed exercise of share options	3,690,330	2,303,342
Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share	185,595,478	133,548,490

The weighted average number of ordinary shares for the purpose of basic and diluted loss per share has been adjusted for the effects of the share consolidation on 10 June 2008.

(8) Account receivables

	30 June 2008 (Unaudited) *HK$'000*	31 December 2007 (Audited) *HK$'000*
Account receivables arising from the business of dealing in securities and equity options:		
Clearing houses, brokers and dealers	47,809	216,343
Cash clients	142,562	166,310
Margin clients	294,612	449,162
Account receivables arising from the business of dealing in futures and options:		
Clients	–	68
Clearing houses, brokers and dealers	110,234	93,032
Commission receivables from brokerage of mutual funds and insurance-linked investment plans and products	3,556	5,238
Account receivables arising from the business of provision of corporate finance services	1,492	1,442
Account receivables arising from the business of provision of online game services	10,180	6,995
Trade debtors arising from retailing business	1,411	408
	611,856	938,998

The settlement terms of account receivables arising from the business of dealing in securities and equity options are two days after trade date, and account receivables arising from the business of dealing in futures and options are one day after trade date.

In respect of the commission receivables from brokerage of mutual funds and insurance-linked investment plans and products, account receivables arising from the business of provision of corporate finance services and online game services and trade debtors arising from retailing business, the Group allows a credit period of 30 to 90 days. The aged analysis is as follows:

	30 June 2008 (Unaudited) *HK$'000*	**31 December 2007 (Audited)** *HK$'000*
0-30 days	7,341	9,967
31-60 days	1,213	1,192
61-90 days	5,507	1,730
Over 90 days	2,578	1,194
	16,639	14,083

Loans to margin clients are secured by clients' pledged securities, repayable on demand and bear interest at commercial rates. No aged analysis is disclosed as in the opinion of directors of the Company, the aged analysis does not give additional value in view of the nature of business of share margin financing.

Included in accounts receivable from margin clients arising from the business of dealing in securities are amounts due from certain related parties, the details of which are as follows:

Name	**Balance at 1 January 2008** *HK$'000*	**Balance at 30 June 2008** *HK$'000*	**Maximum amount outstanding during the period** *HK$'000*	**Market value of pledged securities at fair value at 30 June 2008** *HK$'000*
Directors of the Company				
Mr Law Ping Wah Bernard and associates	–	–	15,401	–
Mr Wong Kin Yick Kenneth and associates	1,678	1,094	16,031	1,806
Substantial shareholder of the Company				
Mr Kwan Pak Hoo Bankee and associates	–	217	1,793	7,901

Note: Associates are defined in accordance with the Listing Rules.

The above balances are repayable on demand and bear interest at commercial rates which are similar to the rates offered to other margin clients.

(9) Account payables

	30 June 2008 (Unaudited) *HK$'000*	31 December 2007 (Audited) *HK$'000*
Account payables arising from the business of dealing in securities and equity options:		
Cash clients	585,134	963,379
Margin clients	141,856	255,425
Clearing houses, brokers and dealers	97,709	–
Account payables to clients arising from the business of dealing in futures and options	201,220	151,097
Account payables to clients arising from the business of dealing in leveraged foreign exchange contracts	9,196	9,620
Account payables arising from the business of the online game services	41,890	6,368
Trade creditors arising from retailing business	158,899	125,775
	1,235,904	1,511,664

The settlement terms of account payables arising from the business of dealing in securities are two days after trade date. Except for the amount payables to margin clients, the age of these balances is within 30 days.

Amounts due to margin clients are repayable on demand. No aged analysis is disclosed as in the opinion of directors of the Company, the aged analysis does not give additional value in view of the nature of business of share margin financing.

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

The following is an aged analysis of trade creditors arising from the business of the online game services and retailing business at the balance sheet date:

	30 June 2008 (Unaudited) *HK$'000*	**31 December 2007 (Audited)** *HK$'000*
0-30 days	74,804	60,842
31-60 days	60,494	32,772
61-90 days	43,335	22,897
Over 90 days	22,156	15,632
	200,789	132,143

(10) Financial risk management objectives and policies

The Group's major financial instruments include equity investments, statutory and other deposits, bank balances and cash, deposits with brokers, borrowings, account receivables, other receivables, loan receivables, loan to an associate, account payables, other payables, derivative financial instruments and loan from a minority shareholder. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Equity price risk

The Group is exposed to equity price risk through its listed investments held for trading and available-for-sale investments. The directors of the Company manage the exposure by closely monitoring the portfolio of equity investments.

Equity price sensitivity

The sensitivity analysis below has been determined based on the exposure to equity price risks at the reporting date. A 10 percent change is used when reporting equity price risk internally to key management personnel and represents management's assessment of the reasonably possible change in equity price.

For the period ended 30 June 2008, if the market bid prices of the listed investments had been 10 percent higher/lower, the Group's results for the period would increase/decrease by HK$14.9 million (2007: HK$6 million). This is mainly attributable to the changes in fair values of the listed investments held for trading and available-for-sale investment.

In management's opinion, the sensitivity analysis is unrepresentative of the inherent equity price risk as the period end exposure does not reflect the exposure during the period. During the period, the portfolio of the equity investments fluctuated.

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate loan receivables. The Group is exposed to cash flow interest rate risk in relation to variable-rate bank borrowings, loan receivables, loans to margin clients and bank balances.

The Group currently does not have a cash flow interest rate hedging policy. However, management closely monitors its exposure to future cash flow risk as a result of change on market interest rate and will consider hedging changes in market interest rates should the need arise. A 100 basis point change is used when reporting cash flow interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

The Group's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of Prime Rate and HIBOR arising from the Group's variable interest rate instruments.

For the period ended 30 June 2008, if the interest rate of variable rate bank borrowings, loan receivables, loans to margin clients and bank balances had been 100 basis point higher/lower and all other variables were held constant, the Group's results for the period would increase/decrease by HK$8,468,000 (2007: HK$5,028,000).

Foreign currency risk

Foreign exchange risk is the risk of loss due to adverse movements in foreign exchange rate relating to foreign currency denominated account receivables with foreign brokers and bank balances, sales and purchases. The management monitors foreign exchange exposure and will consider hedging significant foreign exposure should the need arise.

More than 90% of financial assets and financial liabilities of the Group are denominated in United States Dollar ("US$") or Hong Kong Dollars ("HK$"). As HK$ is pegged to US$, the Group does not expect any significant movements in the US$/HK$ exchange rates. No foreign currency sensitivity is disclosed as in the opinion of directors, the foreign currency sensitivity does not give additional value in view of insignificant movement in the US$/HK$ exchange rates and insignificant exposure of other foreign currencies as at the balance sheet date.

Credit risk

The Group's maximum exposure to credit risk which will cause a financial loss to the Group in the event of the counterparties failure to perform their obligations as at the balance sheet dates in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet.

In order to minimise the credit risk on brokerage and financing operations, the Credit and Risk Management Committee is set up to compile the credit and risk management policies, to approve credit limits and to determine any debt recovery action on those delinquent receivables. With regard to provision of online game services, the Group has delegated a team responsible for determination of credit limits and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group has significant concentration of credit risk on loan receivables and receivable for disposal of an associate as the credit risk are mainly attributable from certain limited counterparties. Other than the aforesaid, there is no significant concentration of credit risk in trade debtors as the exposure spread over a number of counterparties and customers.

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

Liquidity risk

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

For retailing and online game services activities, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of borrowings and ensures compliance with loan covenants.

In the management of liquidity risk, the Group monitors and maintains adequate cash and cash equivalents by continuously monitor forecast and actual cash flows and matching the maturity profiles of certain financial assets classified as loans and receivables mainly relating to the financial services business.

(11) Share capital

	Notes	Number of shares '000	Amount HK$'000
Authorised:			
Ordinary shares of HK$0.10 each at 1 January 2008 and 30 June 2008		3,000,000	300,000
Issued and fully paid:			
Ordinary shares of HK$0.10 each at 1 January 2008		902,526	90,253
Reduced due to Share Consolidation	*(a)*	(722,021)	–
Ordinary shares of HK$0.50 each		180,505	90,253
Reduced due to Capital Reduction	*(a)*	–	(72,202)
Ordinary shares of HK$0.10 each at 30 June 2008		180,505	18,051

Note:

(a) Pursuant to a special resolution passed by the shareholders at the annual general meeting of the Company held on 6 June 2008, the Company:

(i) consolidated every 5 issued shares of HK$0.10 each in the issued share capital of the Company to 1 share of HK$0.50 each ("Consolidated Shares") ("Share Consolidation");

(ii) reduced the issued share capital by cancelling paid up capital to the extent of HK$0.40 on each of the Consolidation Shares in issue ("Capital Reduction"); and

(iii) transferred the credit amount arising from the Capital Reduction of approximately HK$72,202,000 to the contributed surplus account.

(12) Contingent liabilities

Company and subsidiaries

(a) During the year ended 31 December 2005, Theodore J Marr ("Marr") filed a cross-summons with the California court in the United States of America against the Company and others alleging breaches of fiduciary duties and/or fraudulent conveyances. Marr's claims in the cross-summons against the Company included US$900,000 (equivalent to approximately HK$7,020,000) arising out of an employment contract between Marr and ILUX Corporation ("ILUX"), a subsidiary of the Company, US$15,000,000 (equivalent to approximately HK$117,000,000) arising out of the dissolution of ILUX, exemplary and punitive damages of not less than US$5,000,000 (equivalent to approximately HK$39,000,000) in respect of each of Marr's causes of action against cross-complainants, and interest. In August 2006, the Company made an application to the California court for the breach of fiduciary duties cause of action against the Company to be dismissed on the ground that Marr lacks standing to assert this cause of action, and in September 2006 the California court dismissed the breach of fiduciary duty claim against the Company. No court decision has been rendered yet in respect of Marr's other causes of action against the Company. No provision has been made in the consolidated financial statements as in the opinion of the directors, the potential liability arisen from the case is remote.

(b) On 11 May 2006, Hallmark Cards, Incorporated ("Petitioner") filed a petition for a winding-up order against Cosmos Global Limited ("CGL"), a subsidiary of the Company, under which the Petitioner claimed that CGL was indebted to the Petitioner for a sum of US$41,591.23 (equivalent to approximately HK$324,000) and interest accrued thereon. A winding-up order was made by a master of the High Court on 2 August 2006. Provisional liquidator has been appointed by the court to manage the affairs of CGL on the same date and CGL is now in the process of liquidation.

(c) In 2003, Ka Chee Company Limited instituted a winding-up proceedings against Celestial (International) Securities & Investment Limited ("CISI"), a subsidiary of the Company, for an amount of HK$1,662,598. A winding-up order was made by the court, the liquidator has been appointed to windup CISI, and the winding-up procedure is still in progress. Provision, which in the opinion of the directors of the Company is adequate, has already been made for the claim.

(13) Related party transactions

The Group had the following significant transactions with related parties during the period:

		Unaudited six months ended 30 June	
		2008	**2007**
	Notes	*HK$'000*	*HK$'000*
Commission and interest income received from the following substantial shareholder of the Company	*(a)*		
Mr Kwan Pak Hoo Bankee and associates		58	189
Commission and interest income received from the following directors of the Company	*(b)*		
Mr Lin Che Chu George and associates		7	118
Mr Law Ping Wah Bernard and associates		26	204
Mr Wong Kin Yick Kenneth and associates		77	225
		110	547

Notes:

(a) During the six months ended 30 June 2008, the Group received commission and interest income from margin financing of approximately HK$58,000 (2007: HK$189,000) from substantial shareholder of the Company.

(b) During the six months ended 30 June 2008, the Group received commission and interest from margin financing of approximately HK$110,000 (2007: HK$547,000) from certain directors of the Company.

2. STATEMENT OF INDEBTEDNESS

Borrowing

As at 30 November 2008, the Enlarged Group had total outstanding borrowings of approximately HK$359.1 million, comprising bank loans of HK$184.8 million, trust receipt loans of HK$71.0 million, mortgage loans of HK$98.3 million and bank overdraft of HK$5.0 million. Bank loans in aggregate of HK$74.0 million were collateralised by margin clients' securities pledged to us by them. Other bank loans in aggregate of HK$5.8 million were secured by pledged deposit. Trust receipt loans in aggregate of HK$71.0 million were secured by pledged deposit and the Enlarged Group's building and prepaid lease payment with a total carrying value of approximately HK$65.0 million. Mortgage loans in aggregate of HK$98.3 million and bank overdraft of HK$5.0 million were secured by the Enlarged Group's investment properties (not including the abovementioned building of the Enlarged Group) with a total carrying value of approximately HK$94.5 million and properties under construction with a total carrying value of approximately HK$78.3 million. The Enlarged Group had total outstanding unsecured syndicated loan of approximately HK$105.0 million.

Pursuant to a letter of undertaking provided by the Enlarged Group to a bank, the Enlarged Group had maintained deposits of not less than HK$15.0 million with the bank as a pre-condition for an overdraft facility of HK$15.0 million granted to the Enlarged Group. A bank deposit of approximately HK$17.1 million was held for this purpose. Moreover, bank deposits with an aggregate amount of approximately HK$86.4 million was pledged as collaterals for the general banking facilities granted by banks to the Enlarged Group. Therefore, total bank deposits under conditions were approximately HK$103.5 million as at 30 November 2008.

Contingent liabilities

As at 30 November 2008, the Enlarged Group had litigations/claims as disclosed in the paragraph "Litigation" in Appendix V to this circular.

Save as aforesaid, the Enlarged Group had no other material contingent liabilities as at 30 November 2008.

Disclaimers

Save as aforesaid, and apart from intra-group liabilities, the Enlarged Group did not have any outstanding debt securities issued and outstanding, and authorised or otherwise created but unissued, term loans, bank overdrafts and loans, other loans or other similar indebtedness, liabilities under acceptance or acceptable credits, debentures, mortgages, charges, hire purchases commitments, guarantee or other material contingent liabilities, at the close of business on 30 November 2008.

The Board has confirmed that, save as disclosed above, there has not been any material change in the indebtedness or contingent liabilities of the Enlarged Group since 30 November 2008.

3. LIQUIDITY, FOREIGN CURRENCY AND CAPITAL COMMITMENTS

Liquidity ratio

As at 30 June 2008, the Group's cash and bank balances were HK$1,338.9 million. Our liquidity ratio was 1.2 times on 30 June 2008. Our gearing ratio, which was calculated based on the total bank borrowings of the Group divided by the total Shareholders' equity, was approximately 0.56 time on 30 June 2008.

Capital commitments

The Group did not have any material capital commitment as at 30 November 2008.

Foreign exchange risk

All of the Group's borrowings and cash and cash equivalents held are mainly in HK dollar, with the interest rates priced at close to banks' funding costs. By using effective instruments to hedge any adverse changes in interest rates, our exposure to both foreign currency and interest rate fluctuation was insignificant. As at 30 November 2008, the Group did not have any material un-hedged foreign exchange exposure or interest rate mismatch.

4. WORKING CAPITAL

The Directors are of the opinion that, after taking into account the financial resources and banking facilities available to the Enlarged Group and its internally generated funds, the Enlarged Group will have sufficient working capital to satisfy its requirement for at least the next twelve months from the date of this circular.

5. MATERIAL ADVERSE CHANGES

The Directors has confirmed that, at the Latest Practicable Date, there is no material adverse change in the financial or trading position of the Group since 31 December 2007, the date to which the latest published audited financial statements of the Group were made up.

The following is the text of a report, prepared for the sole purpose of incorporation in this circular received from the Accountants, TING HO KWAN & CHAN, Certified Public Accountants (Practising), Hong Kong.

TING HO KWAN & CHAN
CERTIFIED PUBLIC ACCOUNTANTS (PRACTISING)

9th Floor, Tung Ning Building
249-253 Des Voeux Road C.
Hong Kong

21 January 2009

The Directors
Celestial Asia Securities Holdings Limited
21st Floor, The Center
99 Queen's Road Central
Hong Kong

Dear Sirs,

We set out below our report on the financial information ("Financial Information") relating to Excelbright Enterprises Limited ("Excelbright") and its subsidiaries (hereinafter collectively referred to as "Properties Group") set out in Sections A to B below, for inclusion in the circular of Celestial Asia Securities Holdings Limited ("Company") dated 21 January 2009 ("Circular") in connection with the proposed acquisition of the entire equity interest in Excelbright by a wholly-owned subsidiary of the Company. The Financial Information comprises the combined balance sheets of the Properties Group as at 31 December 2005, 2006, 2007 and 31 October 2008, and the combined income statements, the combined statements of changes in equity and the combined cash flow statements of the Properties Group for each of the years ended 31 December 2005, 2006, 2007 and the period from 1 January 2008 to 31 October 2008 ("Relevant Period"), and a summary of significant accounting policies and other explanatory notes.

Excelbright was incorporated in the British Virgin Islands on 3 July 2008 as a limited liability company.

Pursuant to a group reorganisation as detailed in note 1 of Section B below ("Reorganisation"), Excelbright became the holding company of the subsidiaries comprising the Properties Group. The particulars of these subsidiaries as at the date of this report are also set out in note 1 of Section B. All of these companies are private companies.

The principal activity of Excelbright is investment holding. Details of the principal activities of other companies comprising the Properties Group are set out in note 1 of Section B below.

No audited financial statements have been prepared for Excelbright since its date of incorporation as there is no statutory audit requirement. We have, however, reviewed all the relevant transactions undertaken by it for the Relevant Period and carried out such procedures as we considered necessary for inclusion of the financial statements relating to this company in this report.

The statutory financial statements of Excelbright's subsidiaries for the Relevant Period, which were prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), were audited during the Relevant Period by Tam & Wong, Certified Public Accountants.

For the purpose of this report, the director of Excelbright has prepared the combined financial statements of the Properties Group ("Underlying Financial Statements") for the Relevant Period in accordance with HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and accounting principles generally accepted in Hong Kong. We have examined the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Financial Information of the Properties Group for the Relevant Period set out in this report has been prepared based on the audited Underlying Financial Statements and unaudited combined financial statements of the Properties Group for the period from 1 January 2007 to 31 October 2007 prepared in accordance with HKFRSs. We consider that no adjustments are necessary for the purpose of this report.

DIRECTORS' RESPONSIBILITY

The preparation of the Underlying Financial Statements and the Financial Information which give a true and fair view in accordance with HKFRSs is the responsibility of the director of Excelbright. The director of the Company is responsible for the contents of the Circular in which this report is included. In preparing the Underlying Financial Statements and the Financial Information which give a true and fair view, it is fundamental that appropriate accounting policies are selected and applied consistently.

REPORTING ACCOUNTANTS' RESPONSIBILITY

For the financial information for the Relevant Period, our responsibility is to express an opinion on the financial information based on our examination and to report our opinion to you. We have examined the audited Underlying Financial Statements and the unaudited combined financial statements of the Properties Group for the period from 1 January 2007 to 31 October 2007 for preparing the Financial Information, and carried out such additional procedures as are necessary in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" as issued by the HKICPA.

For the financial information for the period from 1 January 2007 to 31 October 2007, it is our responsibility to form an independent conclusion, based on our review, on the financial information and to report our conclusion to you. We conducted our review on the financial information in accordance with Statement of Auditing Standards 700 "Engagements to review interim financial reports" issued by the HKICPA. A review consists principally of making enquiries of the group management and applying analytical procedures to the financial information and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the financial information for the period from 1 January 2007 to 31 October 2007.

OPINION AND REVIEW CONCLUSION

In our opinion, the Financial Information for the Relevant Period, for the purpose of this report, gives a true and fair view of the state of affairs of Excelbright and the combined state of affairs of the Properties Group as at 31 December 2005, 2006, 2007 and 31 October 2008 and of the Properties Group's combined results and cash flows for the years/period then ended.

Based on our review for the purpose of this report, which does not constitute an audit, we are not aware of any material modifications that should be made to the unaudited financial information of Properties Group presented for the period from 1 January 2007 to 31 October 2007.

A FINANCIAL INFORMATION

1. Combined income statements

		Year ended 31 Dec			Period from 1 Jan 2007 to 31 Oct 2007	Period from 1 Jan 2008 to 31 Oct 2008
		2005	2006	2007		
	Notes	*HK$*	*HK$*	*HK$*	*HK$* (unaudited)	*HK$*
Turnover	*7*	–	825,500	1,611,726	1,299,726	2,520,000
Gains, net	*7*	2,542,034	3,000,000	3,500,000	3,500,000	237,030
Administrative expenses		(200,500)	(277,495)	(362,907)	(303,356)	(269,512)
Finance costs	*8*	(937,327)	(1,353,242)	(1,805,595)	(1,542,320)	(1,499,052)
Profit before taxation	*10*	1,404,207	2,194,763	2,943,224	2,954,050	988,466
Taxation	*11*	–	–	–	–	(36,970)
Profit for the year/period		1,404,207	2,194,763	2,943,224	2,954,050	951,496

2. Combined balance sheets

	Notes	At 31 Dec 2005 HK$	At 31 Dec 2006 HK$	At 31 Dec 2007 HK$	At 31 Oct 2008 HK$
Non-current assets					
Investment properties	13	42,000,000	45,000,000	48,500,000	94,500,000
Deposit for acquisition of an investment property	14	–	–	4,388,000	–
Payment for acquisition of a property under construction	15	–	–	–	13,825,765
		42,000,000	45,000,000	52,888,000	108,325,765
Current assets					
Deposits, prepayments and receivables	16	37,696	23,696	23,696	67,964
Cash and cash equivalents	17	3,678	500	500	88,248
		41,374	24,196	24,196	156,212
Current liabilities					
Payables and accruals	18	64,116	1,016,704	536,914	462,520
Bank borrowings	19	855,740	10,489,617	5,299,695	6,444,803
Current tax payable		–	–	–	36,970
		919,856	11,506,321	5,836,609	6,944,293
Net current liabilities		(878,482)	(11,482,125)	(5,812,413)	(6,788,081)
Total assets less current liabilities		41,121,518	33,517,875	47,075,587	101,537,684
Non-current liabilities					
Bank borrowings	19	24,017,373	23,898,967	23,450,455	58,700,572
Amount due to a shareholder/ the then shareholder	20	16,055,464	6,375,464	17,438,448	35,698,956
		40,072,837	30,274,431	40,888,903	94,399,528
NET ASSETS		1,048,681	3,243,444	6,186,684	7,138,156
Capital and reserves					
Combined share capital	22	16	16	32	8
Reserves		1,048,665	3,243,428	6,186,652	7,138,148
TOTAL EQUITY		1,048,681	3,243,444	6,186,684	7,138,156

3. Combined statements of changes in equity

For the years ended 31 December 2005, 2006, 2007 and the period from 1 January 2008 to 31 October 2008

	Share capital	Retained profits/ (accumulated losses)	Total
	HK$	*HK$*	*HK$*
At 1 January 2005	16	(355,542)	(355,526)
Profit for the year	–	1,404,207	1,404,207
At 31 December 2005	16	1,048,665	1,048,681
Profit for the year	–	2,194,763	2,194,763
At 31 December 2006	16	3,243,428	3,243,444
Capital contributed by the then shareholders	16	–	16
Profit for the year	–	2,943,224	2,943,224
At 31 December 2007	32	6,186,652	6,186,684
Capital contributed by the then shareholders	764	–	764
Effect of the reorganisation	(796)	–	(796)
Issue of shares	8	–	8
Profit for the period	–	951,496	951,496
At 31 October 2008	8	7,138,148	7,138,156

4. Combined cash flow statements

	Year ended 31 Dec			Period from 1 Jan 2007 to 31 Oct 2007	Period from 1 Jan 2008 to 31 Oct 2008
	2005	2006	2007		
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
				(unaudited)	
OPERATING ACTIVITIES					
Profit before taxation	1,404,207	2,194,763	2,943,224	2,954,050	988,466
Adjustments for:					
Finance costs	937,327	1,353,242	1,805,595	1,542,320	1,499,052
Net fair value gain on investment properties	(2,542,034)	(3,000,000)	(3,500,000)	(3,500,000)	(237,030)
Operating profit before changes in working capital	(200,500)	548,005	1,248,819	996,370	2,250,488
(Increase)/decrease in deposits, prepayments and receivables	–	14,000	–	–	(44,268)
Increase/(decrease) in payables and accruals	38,321	952,588	(479,790)	(520,962)	(74,394)
Increase/(decrease) in amount due to a shareholder/the then shareholder	2,016,507	(9,680,000)	11,062,984	6,483,533	18,260,508
Net cash generated from/(used in) operating activities	1,854,328	(8,165,407)	11,832,013	6,958,941	20,392,334
INVESTING ACTIVITIES					
Payment for purchase of subsidiaries from the then shareholders	–	–	–	–	(796)
Purchase of an investment property	–	–	–	–	(41,374,970)
Deposit for acquisition of an investment property	–	–	(4,388,000)	–	–
Payment for acquisition of a property under construction	–	–	–	–	(13,825,765)
Net cash used in investing activities	–	–	(4,388,000)	–	(55,201,531)

	Year ended 31 Dec 2005	Year ended 31 Dec 2006	Year ended 31 Dec 2007	Period from 1 Jan 2007 to 31 Oct 2007	Period from 1 Jan 2008 to 31 Oct 2008
	HK$	*HK$*	*HK$*	*HK$* (unaudited)	*HK$*
FINANCING ACTIVITIES					
Issue of share capital	–	–	–	–	8
Capital contributed by the then shareholders	–	–	16	–	764
Proceeds from new bank borrowings	–	–	–	–	37,530,596
Repayment of bank borrowings	(951,446)	(545,390)	(406,730)	(335,292)	(1,251,501)
Interest paid	(937,327)	(1,353,242)	(1,805,595)	(1,542,320)	(1,499,052)
Net cash generated from/(used in) financing activities	(1,888,773)	(1,898,632)	(2,212,309)	(1,877,612)	34,780,815
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(34,445)	(10,064,039)	5,231,704	5,081,329	(28,382)
Cash and cash equivalents at beginning of year/period	38,123	3,678	(10,060,361)	(10,060,361)	(4,828,657)
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD	3,678	(10,060,361)	(4,828,657)	(4,979,032)	(4,857,039)
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS					
Bank balances	3,678	500	500	500	88,248
Bank overdrafts	–	(10,060,861)	(4,829,157)	(4,979,532)	(4,945,287)
	3,678	(10,060,361)	(4,828,657)	(4,979,032)	(4,857,039)

B NOTES TO THE FINANCIAL INFORMATION

1. Corporate information

General information and reorganisation

Excelbright was incorporated and domiciled in the British Virgin Islands on 3 July 2008. The address of its registered office is at P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands. Excelbright is principally engaged in investment holding.

Pursuant to reorganisation ("Reorganisation"), Excelbright is formed following the steps as set out below:

On 29 October 2008, the entire issued capital of (i) Go Lucky Investments Limited ("Go Lucky") held directly by Mr Kwan Pak Hoo Bankee and Ms Wan Suk Yee Adelie, and (ii) Honest Joy Properties Limited ("Honest Joy") beneficially held by the family trust of Mr Kwan Pak Hoo Bankee, were all transferred to Excelbright at par value of US$1 per share. As a result, Excelbright became the holding company of the subsidiaries now comprising the Properties Group.

The operating results of Go Lucky and Honest Joy have been accounted for in the Properties Group by applying the Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by HKICPA ("AG 5") from the first day of the Relevant Period on 1 January 2005 or the earliest date at which the entities within the Properties Group were incorporated as if the current group structure had been in existence throughout the Relevant Period. AG 5 is being applied from the first day of the Relevant Period on 1 January 2005 or the earliest date at which the entities within the Properties Group were incorporated.

Particulars of the subsidiaries of the Properties Group as at 31 October 2008 and at the date of this report are as follows:

Name of company	Place of incorporation/ operation	Particulars of issued capital	Interest held directly	Principal activity
Go Lucky Investments Limited	British Virgin Islands/ Hong Kong	US$100	100%	Properties investment
Honest Joy Properties Limited	British Virgin Islands/ Hong Kong	US$2	100%	Properties investment

2. Significant accounting policies

(a) Statement of compliance

The Financial Information of the Properties Group has been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual HKFRS, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the HKICPA, accounting principles generally accepted in Hong Kong and the applicable disclosure requirements of the Hong Kong Companies Ordinance.

The Financial Information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Stock Exchange"). A summary of the significant accounting policies adopted by the Properties Group is set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(b) Basis of preparation

All companies now comprising the Properties Group are under common control of Mr Kwan Pak Hoo Bankee before and after the Reorganisation. The Properties Group has applied AG 5 in accounting for the Reorganisation.

The Financial Information includes the financial position, results and cash flows of the companies comprising the Properties Group as if the current group structure had been in existence since 1 January 2005 or the earliest date at which the entities within the Properties Group were incorporated.

The measurement basis used in the preparation of the Underlying Financial Statements is historical cost convention except for the investment properties which are measured at fair value. These financial statements are presented in Hong Kong dollars.

The preparation of the Underlying 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.

Judgements made by management in the application of HKFRSs that have a significant effect on the Underlying Financial Statements and estimates with a significant risk of material adjustment in the future period are discussed in note 5.

Amendments, new standards and interpretations issued and effective for the Relevant Period

The HKICPA has issued a number of new and revised HKFRSs and interpretations that are first effective or available for early adoption by the Properties Group and Excelbright for the Relevant Period.

There have been no significant changes to the accounting policies applied in these Underlying Financial Statements for the periods presented as a result of these developments. However, as a result of the adoption of HKFRS 7, Financial instruments: Disclosures and the amendment to HKAS 1, Presentation of financial statements: Capital disclosures, there have been some additional disclosures provided as follows:

As a result of the adoption of HKFRS 7, the Underlying Financial Statements include expanded disclosure about the significance of the Properties Group's financial instruments and the nature and extent of risks arising from those instruments, compared with the information previously required to be disclosed by HKAS 32, Financial Instruments: Disclosure and presentation. These disclosures are provided throughout these Underlying Financial Statements, in particular in note 3.

The amendment to HKAS 1 introduces additional disclosure requirements to provide information about the level of capital and the Properties Group's and Excelbright's objectives, policies and processes for managing capital. These new disclosures are set out in note 4.

Both HKFRS 7 and the amendment to HKAS 1 do not have any material impact on the classification, recognition and measurement of the amounts recognised as financial instruments.

Any new standard or interpretation that is not yet effective for the Relevant Period has not been applied.

Possible impact of amendments, new standards and interpretations issued but not yet effective for the period ended 31 October 2008

Up to the date of issue of these Underlying Financial Statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the period ended 31 October 2008 and which have not been adopted in these Underlying Financial Statements.

The Properties Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations 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 Properties Group's results of operations and financial position.

In addition, the following developments may result in new or amended disclosures in future financial statements:

		Effective for accounting periods beginning on or after
HKAS 1 (Revised)	Presentation of Financial Statements	1 January 2009
HKAS 23 (Revised)	Borrowing Costs	1 January 2009
HKAS 32 and HKAS 1 Amendments	Amendments to HKAS 32 and HKAS 1 – Puttable Financial Instruments and Obligations Arising on Liquidation	1 January 2009
HKFRS 2 Amendment	Share-based Payment-Vesting Conditions and Cancellations	1 January 2009
HKFRS 3 (Revised)	Business Combinations	1 July 2009
HKFRS 8	Operating Segments	1 January 2009
HK(IFRIC) – Int 13	Customer Loyalty Programmes	1 July 2008
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate	1 January 2009
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operations	1 October 2008

(c) Merger accounting for common control combination

The combined financial statements incorporate the financial statements of the combining entities for which the common control combination occurs as if they had been combined from the date when the combining entities first came under the control of the controlling party.

The net assets of the combining entities are combined using the existing book values from the controlling party's perspective. No amount is recognised in consideration for goodwill or excess of acquirer's interest in the net fair value of acquirees' identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The combined income statement includes the results of each of the combining entities or businesses from the earliest date presented, regardless of the date of the common control combination.

The comparative amounts in the combined financial statements are presented as if the entities had been combined at the previous balance sheet date.

A single uniform set of accounting policies is adopted by the combining entities. All intra-group transactions, balances and unrealised gains on transactions between combining entities are eliminated on combination.

Transaction costs, including professional fees, registration fees, costs of furnishing information to shareholders, costs or losses incurred in combining the operations of the previously separate businesses, etc., incurred in relation to the common control combination that is to be accounted for by using merger accounting are recognised as an expense in the period in which it is incurred.

(d) Subsidiaries

Subsidiaries are entities controlled by the Properties Group. Control exists when the Properties Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date the control ceases.

Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

(e) Investment properties

Investment properties, being properties owned or held under finance leases to earn rentals or for capital appreciation or both, are stated in the balance sheet at fair value. These include lands held for currently undetermined future use. Any gains or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss.

When the Properties Group holds a property interest under an operating lease to earn rental income and/or for capital appreciation, the interest is classified and accounted for as investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it were held under a finance lease, and the same accounting policies are applied to that interest as are applied to other investment properties leased under finance leases.

Property that is being constructed or developed for future use as investment property is classified as property, plant and equipment and stated at cost until construction or development is complete, at which time it is reclassified as investment property at fair value. Any difference between the fair value of the property at that date and its previous carrying amount is recognised in profit or loss.

(f) Leases

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Properties 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.

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. Where the Properties Group is the lessor, assets leased by the Properties Group under operating leases are included in non-current assets and rentals receivable under the operating leases are credited to the income statement on a straight-line basis over the period of the lease.

Contingent rentals (if any) are credited as an income to the income statement in the accounting period in which they are incurred.

(g) Deposits, prepayments and receivables

Deposits, prepayments and receivables are initially recognised at fair value and thereafter stated at amortised cost less allowance for impairment of doubtful debts *(see note 2(p))*, except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts *(see note 2(p))*.

(h) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Properties Group's cash management are also included as a component of cash and cash equivalents for the purpose of the combined cash flow statements.

(i) Payables and accruals

Payables and accruals are initially recognised at fair value and are subsequently stated at amortised cost unless the payables are interest-free loans from related parties without any fixed repayment terms or the effect of discounting would be immaterial, in which case they are stated at cost.

(j) Interest-bearing borrowings

Interest-bearing borrowings, comprising mainly bank loans and overdrafts, are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method. Interest bearing borrowings are classified as current liabilities unless the Properties Group has an unconditional right to defer settlement of the liabilities for at least 12 months after the balance sheet date.

(k) Borrowing costs

Borrowing costs are expensed in profit or loss in the period in which they are incurred.

(l) 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 profit or loss 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 (and laws) enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided in full, using the liability method, on temporary differences arising between tax bases of assets and liabilities and their carrying amounts in the financial statements. However, if the deferred tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled. Deferred tax assets and liabilities are not discounted.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred tax assets also arise from unused tax losses and unused tax credits.

At each balance sheet date, the Properties Group reviews and assesses the recognised and unrecognised deferred tax assets and the future taxable profit to determine whether any recognised deferred tax assets should be derecognised and any unrecognised deferred tax assets should be recognised.

Deferred tax is provided on temporary differences arising on investments in subsidiaries except where the timing of the reversal of the temporary differences is controlled by the Properties Group and it is probable that the temporary difference will not reverse in the foreseeable future.

(m) Provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Properties Group or Excelbright has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(n) Revenue recognition

Provided it is probable that the economic benefits will flow to the Properties Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

Rental income from investment properties

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the period of the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased assets. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

(o) Foreign currency translation

Foreign currency transactions during the period are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognised in profit or loss, except those arising from foreign currency borrowings used to hedge a net investment in a foreign operation which are recognised directly in equity.

Non-monetary assets and liabilities 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 stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

(p) Impairment of assets

Impairment of other receivables

Other receivables that are stated at cost or amortised cost are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Properties Group about one or more of the following loss events:

- significant financial difficulty of the debtors;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtors.

If any such evidence exists, any impairment loss is determined and recognised as follows:

For other receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Properties Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against receivables directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(q) Related parties

For the purposes of the Financial Information, a party is considered to be related to the Properties Group if:

(i) directly, or indirectly through one or more intermediaries, the party:

(1) controls, is controlled by, or is under common control with, the Properties Group;

(2) has an interest in the Properties Group that gives its significant influence over the Properties Group; or

(3) has joint control over the Properties Group;

(ii) the party is a jointly-controlled entity;

(iii) the party is an associate;

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

(v) the party is a close member of the family of any individual referred to in (i) or (iv);

(vi) the party is an entity that is controlled, jointly-controlled or significantly influenced by or for which significant voting power in such entity resides to in (iv) or (v); or

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

(r) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

3. Financial risk management objectives and policies

The Properties Group is exposed to interest rate risk, credit risk and liquidity risk which arise in the normal course of the Properties Group's business as set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner and these risks are limited by the financial policies and practices undertaken by the Properties Group.

Interest rate risk

The Properties Group's exposure to the risk of changes in market interest rates relates primarily to the Properties Group's interest-bearing bank borrowings with floating interest rates.

The Properties Group's policy to manage its interest rate risk is to reduce or maintain its current level of interest-bearing borrowings. As the Properties Group is not expected to significantly increase its level of interest-bearing borrowings, it has not used any interest rate swaps to hedge its exposure to interest rate risk.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Properties Group's profit.

	Increase/(decrease) in basis points	Increase/(decrease) in profit
31 Dec 2005		
Hong Kong dollars	100	(254,000)
Hong Kong dollars	(100)	254,000
31 Dec 2006		
Hong Kong dollars	100	(250,000)
Hong Kong dollars	(100)	250,000
31 Dec 2007		
Hong Kong dollars	100	(248,000)
Hong Kong dollars	(100)	248,000
31 Oct 2008		
Hong Kong dollars	100	(452,000)
Hong Kong dollars	(100)	452,000

Credit risk

The Properties Group's credit risk is primarily attributable to receivables and bank balances.

The credit risk on liquid funds is limited because the counterparty is an authorised financial institution regulated under the Hong Kong Banking Ordinance.

The maximum exposure to the credit risk at the balance sheet date is the carrying values of receivables.

Liquidity risk

Individual operating entities within the Properties Group are responsible for their own cash management, including the raising of funds from its holding companies to cover expected cash demands. The Properties Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The maturity profile of the Properties Group's financial liabilities as at 31 December 2005, 2006, 2007 and 31 October 2008, based on the contracted undiscounted cash flows, was as follows:

	2005					
	Carrying amount	**Total contractual undiscounted cash flows**	**Within 1 year or on demand**	**More than 1 year but less than 2 years**	**More than 2 years but less than 5 years**	**More than 5 years**
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
Payables and accruals	64,116	64,116	64,116	–	–	–
Bank borrowings	24,873,113	38,177,781	1,898,632	2,212,325	4,120,291	29,946,533
Amount due to a shareholder/the then shareholder	16,055,464	16,055,464	9,680,000	–	–	6,375,464
	40,992,693	54,297,361	11,642,748	2,212,325	4,120,291	36,321,997

	2006					
	Carrying amount	**Total contractual undiscounted cash flows**	**Within 1 year or on demand**	**More than 1 year but less than 2 years**	**More than 2 years but less than 5 years**	**More than 5 years**
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
Payables and accruals	1,016,704	1,016,704	1,016,704	–	–	–
Bank borrowings	34,388,584	46,340,010	12,273,186	1,553,445	3,850,269	28,663,110
Amount due to a shareholder/the then shareholder	6,375,464	6,375,464	–	–	–	6,375,464
	41,780,752	53,732,178	13,289,890	1,553,445	3,850,269	35,038,574

	2007					
	Carrying amount	**Total contractual undiscounted cash flows**	**Within 1 year or on demand**	**More than 1 year but less than 2 years**	**More than 2 years but less than 5 years**	**More than 5 years**
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
Payables and accruals	536,914	536,914	536,914	–	–	–
Bank borrowings	28,750,150	39,002,933	6,382,602	1,283,423	3,850,269	27,486,639
Amount due to a shareholder/the then shareholder	17,438,448	17,438,448	–	–	–	17,438,448
	46,725,512	56,978,295	6,919,516	1,283,423	3,850,269	44,925,087

	2008					
	Carrying amount	**Total contractual undiscounted cash flows**	**Within 1 year or on demand**	**More than 1 year but less than 2 years**	**More than 2 years but less than 5 years**	**More than 5 years**
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
Payables and accruals	462,520	462,520	462,520	–	–	–
Bank borrowings	65,145,375	92,473,341	8,661,163	3,715,876	11,040,677	69,055,625
Amount due to a shareholder/the then shareholder	35,698,956	35,698,956	–	–	–	35,698,956
	101,306,851	128,634,817	9,123,683	3,715,876	11,040,677	104,754,581

4. Capital risk management

The Properties Group's objectives when managing capital are to ensure that entities in the Properties Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The management reviews the capital structure by considering the cost of capital and the risks associated with each class of capital. In view of this, the Properties Group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt as it sees fit and appropriate.

Neither Excelbright nor any of its subsidiaries are subject to internally or externally imposed capital requirements.

5. 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.

Critical accounting estimates and assumptions

The Properties Group's management makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal to the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Allowance for impairment of bad and doubtful debts

The Properties Group makes allowance for impairment of doubtful debts based on an assessment of the recoverability of receivables. Allowances are applied to receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of allowance for impairment of doubtful debts requires the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will impact carrying value of receivables and allowance for impairment in the period in which such estimate has been changed.

(ii) Income taxes

The Properties Group is subject to Hong Kong income taxes only. Significant judgement is required in determining the 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 Properties Group recognises liabilities for anticipated tax audit 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 expenses in the year in which such determination is made.

(iii) Estimate of fair value of investment properties

The best evidence of fair value is current prices in an active market for similar lease and other contracts. In the absence of such information, the Properties Group determines the amount within a range of reasonable fair value estimates. In making its judgement, the Properties Group considers information from a variety of sources including:

– current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences; and

– recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices.

6. Segment information

No business and geographical segment analyses are presented as the Properties Group principally operates a single business which is the properties investment for the Relevant Period and over 90% of the assets and operations of the Properties Group are located in Hong Kong.

7. Turnover and gains, net

Turnover represents the aggregate of rental received or receivable during the Relevant Period. An analysis of the Properties Group's turnover and gains, net is as follows:

	Year ended 31 Dec			Period from 1 Jan 2007 to 31 Oct 2007	Period from 1 Jan 2008 to 31 Oct 2008
	2005	**2006**	**2007**		
	HK$	*HK$*	*HK$*	*HK$* (unaudited)	*HK$*
Turnover					
Rental income – gross	–	825,500	1,611,726	1,299,726	2,520,000
Gains, net					
Fair value gain on investment properties	2,542,034	3,000,000	3,500,000	3,500,000	237,030
	2,542,034	3,825,500	5,111,726	4,799,726	2,757,030

8. Finance costs

	Year ended 31 Dec			Period from 1 Jan 2007 to 31 Oct 2007	Period from 1 Jan 2008 to 31 Oct 2008
	2005	**2006**	**2007**		
	HK$	*HK$*	*HK$*	*HK$* (unaudited)	*HK$*
Interest expense on bank loans not wholly repayable within 5 years	937,327	1,249,345	1,285,294	1,079,629	1,275,476
Bank overdraft interest	–	103,897	520,301	462,691	223,576
Total interest expenses on financial liabilities not at fair value through profit or loss	937,327	1,353,242	1,805,595	1,542,320	1,499,052

9. Directors' emoluments

None of the directors received or will receive any fees or emoluments in respect of their services to the Properties Group during the Relevant Period.

10. Profit before taxation

The Properties Group's profit before taxation is stated after charging/(crediting) the following:

	Year ended 31 Dec 2005	2006	2007	Period from 1 Jan 2007 to 31 Oct 2007	Period from 1 Jan 2008 to 31 Oct 2008
	HK$	*HK$*	*HK$*	*HK$* (unaudited)	*HK$*
Auditors' remuneration	5,000	8,000	14,000	–	16,000
Net rental income from investment properties under operating leases, after deduction of outgoings	–	(647,432)	(1,432,739)	(1,133,277)	(2,286,277)

11. Taxation

No provision for Hong Kong profits tax has been made as the Properties Group did not generate any assessable profits arising in Hong Kong during the three years ended 31 December 2005, 2006 and 2007.

Hong Kong profits tax has been provided at the rate of 16.5% on the net assessable profits arising in Hong Kong for the period from 1 January 2008 to 31 October 2008.

	Year ended 31 Dec 2005	2006	2007	Period from 1 Jan 2007 to 31 Oct 2007	Period from 1 Jan 2008 to 31 Oct 2008
	HK$	*HK$*	*HK$*	*HK$* (unaudited)	*HK$*
Current tax:					
– Hong Kong Profits Tax	–	–	–	–	36,970

The taxation on the Properties Group's profit before taxation differs from the theoretical amount that would arise using the applicable tax rates is as follows:

	Year ended 31 Dec 2005 HK$	Year ended 31 Dec 2006 HK$	Year ended 31 Dec 2007 HK$	Period from 1 Jan 2007 to 31 Oct 2007 HK$ (unaudited)	Period from 1 Jan 2008 to 31 Oct 2008 HK$
Profit before taxation	1,404,207	2,194,763	2,943,224	2,954,050	988,466
Calculated at applicable tax rate of 17.5% (2008: 16.5%)	245,736	384,084	515,064	516,959	163,097
Tax effect of income that are not taxable for tax purpose	(444,855)	(525,000)	(612,500)	(612,500)	(825,000)
Tax effect of expenses that are not deductible for tax purpose	–	–	–	–	16,581
Tax effect of temporary differences not recognised	(133,000)	(133,000)	(133,000)	(133,000)	646,960
Tax effect of unrecognised tax losses	332,119	273,916	230,436	228,541	36,322
Tax effect of utilisation of tax losses	–	–	–	–	(990)
Taxation charge	–	–	–	–	36,970

12. Dividend

The directors of Excelbright and entities within the Properties Group do not propose to declare any dividend for the Relevant Period.

13. Investment properties

	At 31 Dec 2005 *HK$*	At 31 Dec 2006 *HK$*	At 31 Dec 2007 *HK$*	At 31 Oct 2008 *HK$*
At beginning of the year/period	39,457,966	42,000,000	45,000,000	48,500,000
Additions	–	–	–	45,762,970
Fair value gain	2,542,034	3,000,000	3,500,000	237,030
At end of the year/period	42,000,000	45,000,000	48,500,000	94,500,000

Investment properties of the Properties Group as at each balance sheet date are held under the following lease terms:

	At 31 Dec 2005 *HK$*	At 31 Dec 2006 *HK$*	At 31 Dec 2007 *HK$*	At 31 Oct 2008 *HK$*
Between 50 to 70 years	–	–	–	41,000,000
Between 10 to 50 years	42,000,000	45,000,000	48,500,000	53,500,000
	42,000,000	45,000,000	48,500,000	94,500,000

The investment properties are situated in Hong Kong. The cost of investment properties was HK$38,000,000 as at 31 December 2005, 2006 and 2007 and HK$81,880,000 as at 31 October 2008. The investment properties were revalued as at 31 October 2008 on the open market existing use basis by B.I. Appraisals Limited, an independent firm of professional valuers. The fair value gain during the three years ended 31 December 2005, 2006, 2007 and the ten months ended 31 October 2008 amounted HK$2,542,034, HK$3,000,000, HK$3,500,000 and HK$237,030 respectively and are credited to the combined income statement under gains, net *(note 7)*.

The above investment properties were pledged to secure bank borrowings granted to the Properties Group *(note 19)*.

14. Deposit for acquisition of an investment property

In November 2007, the Properties Group entered into a provisional agreement to purchase an investment property for a consideration of HK$43,880,000, of which HK$4,388,000 was paid as deposit at 31 December 2007. The acquisition was completed in 2008.

15. Payment for acquisition of a property under construction

In April 2008, the Properties Group entered into a pre-sale agreement to acquire a property under construction for a consideration of RMB12,129,980 (equivalent to HK$13,825,765). According to the agreement, the construction is expected to be completed in September 2009, but the entire purchase consideration was paid at the execution of agreement.

The property under construction is situated in the People's Republic of China and held under long term lease.

The equitable interest in the above property has been pledged as security to secure a mortgage loan granted to the Properties Group.

16. Deposits, prepayments and receivables

The carrying amounts of deposits, prepayments and receivables at each balance sheet date approximate their fair values.

All of the deposits, prepayments and receivables are expected to be recovered or recognised as expenses within one year.

17. Cash and cash equivalents

Cash and cash equivalents include only cash at banks.

The directors consider that the carrying amounts of cash at banks at each balance sheet date approximate their fair values.

18. Payables and accruals

	At 31 Dec 2005	At 31 Dec 2006	At 31 Dec 2007	At 31 Oct 2008
	HK$	*HK$*	*HK$*	*HK$*
Payables and accruals	64,116	318,204	380,914	462,520
Rental received in advance	–	698,500	156,000	–
	64,116	1,016,704	536,914	462,520

The carrying amounts of payables, accruals and rental received in advance at each balance sheet date approximate their fair values.

All of the payables, accruals and rental received in advance stated above are carried at amortised cost and are expected to be settled or recognised as income within one year or are repayable on demand.

19. Bank borrowings

	At 31 Dec 2005 *HK$*	At 31 Dec 2006 *HK$*	At 31 Dec 2007 *HK$*	At 31 Oct 2008 *HK$*
Bank loans – secured	24,873,113	24,327,723	23,920,993	60,200,088
Bank overdrafts – secured	–	10,060,861	4,829,157	4,945,287
	24,873,113	34,388,584	28,750,150	65,145,375
Bank loans and overdrafts repayable:				
Within one year	855,740	10,489,617	5,299,695	6,444,803
In the second to fifth year, inclusive	3,880,939	1,945,027	2,119,354	6,691,319
Beyond five years	20,136,434	21,953,940	21,331,101	52,009,253
	24,873,113	34,388,584	28,750,150	65,145,375
Portion classified as current liabilities	(855,740)	(10,489,617)	(5,299,695)	(6,444,803)
Non-current portion	24,017,373	23,898,967	23,450,455	58,700,572

The directors consider that the carrying amounts of bank borrowings at each balance sheet date approximate their fair values.

20. Amount due to a shareholder/the then shareholder

The shareholder has given undertaking to provide financial support to the Properties Group so as to enable the Properties Group to continue its business and to meet its liabilities as and when they fall due. In the opinion of the directors, the amount due to him at 31 December 2005, 2006, 2007 and 31 October 2008, which is unsecured, interest free and would not likely be repaid in the following year and is therefore shown as non-current. Accordingly, the financial information has been prepared on a going concern basis.

21. Deferred taxation

Deferred tax assets not recognised

Deferred tax assets/(liabilities) have not been recognised in respect of the following items:

	At 31 Dec 2005 *HK$*	At 31 Dec 2006 *HK$*	At 31 Dec 2007 *HK$*	At 31 Oct 2008 *HK$*
Taxable temporary differences				
– accelerated tax depreciation	(1,520,000)	(2,280,000)	(3,040,000)	(3,800,000)
Deductible temporary differences				
– decelerated tax depreciation	–	–	–	4,680,970
Tax losses	3,013,371	4,578,606	5,895,383	6,109,515
	1,493,371	2,298,606	2,855,383	6,990,485

22. Combined share capital

For the purpose of the preparation of the combined balance sheets, the balance of the paid-up capital at 31 December 2005, 2006, 2007 and 31 October 2008, represents the aggregate amount of the paid-in capital of the following companies:

	At 31 Dec 2005 *HK$*	At 31 Dec 2006 *HK$*	At 31 Dec 2007 *HK$*	At 31 Oct 2008 *HK$*
Go Lucky Investments Limited	–	–	16	–
Honest Joy Properties Limited	16	16	16	–
Excelbright Enterprises Limited	–	–	–	8
Combined share capital	16	16	32	8

23. Commitments

(a) Capital commitments outstanding at each balance sheet date not provided for in the Financial Information were as follows:

	At 31 Dec 2005	At 31 Dec 2006	At 31 Dec 2007	At 31 Oct 2008
	HK$	*HK$*	*HK$*	*HK$*
Contracted but not provided for – purchase of an investment property	–	–	39,492,000	–

In November 2007, the Properties Group entered into a provisional agreement to purchase an investment property for a consideration of HK$43,880,000, of which HK$4,388,000 was paid as deposit at 31 December 2007.

(b) Property rental income earned during the three years ended 31 December 2005, 2006, 2007 and the ten months ended 31 October 2008 net of direct outgoings of HK$Nil, HK$178,068, HK$178,987 and HK$233,723 respectively, was HK$Nil, HK$647,432, HK$1,432,739 and HK$2,286,277 respectively.

At each balance sheet date, the Properties Group had contracted with tenants for the following future minimum lease receipts under non-cancellable operating leases:

	At 31 Dec 2005	At 31 Dec 2006	At 31 Dec 2007	At 31 Oct 2008
	HK$	*HK$*	*HK$*	*HK$*
Within one year	–	698,500	1,524,774	–

24. Earnings per share

No earnings per share information has been presented as such information is not meaningful for the purpose of this report.

25. Related party transactions

Other than those disclosed elsewhere in the Financial Information, the Properties Group has no significant related party transaction.

26. Subsequent events

The Properties Group has no significant subsequent event.

C SUBSEQUENT FINANCIAL STATEMENTS

No financial statements of the Properties Group have been audited in respect of any period subsequent to 31 October 2008.

Yours faithfully,
TING HO KWAN & CHAN
Certified Public Accountants (Practising)
Hong Kong

A. UNAUDITED PRO FORMA STATEMENT OF ASSETS AND LIABILITIES OF THE ENLARGED GROUP

The accompanying unaudited pro forma statement of adjusted combined assets and liabilities of the Enlarged Group has been prepared in accordance with Rule 4.29 of the Listing Rules to illustrate the effect of the issue of the Convertible Note, and the Acquisition at a total consideration of approximately HK$42.8 million (subject to Adjustment) on the assets and liabilities of the Group as at 30 June 2008 as if the Acquisition took place on 30 June 2008.

The unaudited pro forma statement of adjusted combined assets and liabilities of the Enlarged Group is prepared based upon the unaudited consolidated financial statements of the Group as at 30 June 2008 as extracted from the interim results of the Group for the period ended 30 June 2008 and the historical financial information of the Properties Group as set out in the accountants' report of the Properties Group in Appendix II to this circular after giving effect to the pro forma adjustments described in the accompanying notes.

The unaudited pro forma statement of adjusted combined assets and liabilities of the Enlarged Group is based on a number of assumptions, estimates and uncertainties. Accordingly, the accompanying unaudited pro forma statement of assets and liabilities of the Enlarged Group does not purport to describe the actual financial position of the Enlarged Group that would have been attained had the issue of the Convertible Note and the Acquisition been completed on 30 June 2008.

The unaudited pro forma statement of adjusted combined assets and liabilities has been prepared by the Directors for illustrative purposes only and because of its nature, it may not give a true picture of financial position of the Enlarged Group for any future financial periods.

	Unaudited as at 30 June 2008 The Group	Properties Group	Pro forma adjustment for the assignment of amount due to a shareholder to the Group	Pro forma adjustment for the Acquisition	Unaudited pro forma balance of the Enlarged Group
	Note 1	*Note 2*	*Note 3*	*Note 4*	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets					
Property and equipment	199,307	–			199,307
Prepaid lease payments	15,756	–			15,756
Investment properties	–	94,500			94,500
Payment for acquisition of a property under construction	–	13,826			13,826
Interests in associates	65,938	–			65,938
Loan to an associate	10,296	–			10,296
Intangible assets	65,634	–			65,634
Other assets	9,346	–			9,346
Loan receivables	68	–			68
Goodwill	238,460	–			238,460
	604,805	108,326			713,131
Current assets					
Trade and other receivables	877,557	68			877,625
Inventories	41,506	–			41,506
Investments held for trading	149,136	–			149,136
Amounts due from associates	260	–			260
Bank balances – trust and segregated accounts	801,315	–			801,315
Bank balances and cash	537,552	88			537,640
	2,407,326	156			2,407,482

	Unaudited as at 30 June 2008 The Group	Properties Group	Pro forma adjustment for the assignment of amount due to a shareholder to the Group	Pro forma adjustment for the Acquisition	Unaudited pro forma balance of the Enlarged Group
	Note 1	*Note 2*	*Note 3*	*Note 4*	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Current liabilities					
Trade and other payables	1,376,054	463			1,376,517
Deferred revenue	653	–			653
Taxation payable	26,142	37			26,179
Derivative financial instruments	18,698	–			18,698
Bank borrowings	530,119	6,445			536,564
Loan from a minority shareholder	27,437	–			27,437
	1,979,103	6,945			1,986,048
Net current assets/(liabilities)	428,223	(6,789)			421,434
Total assets less current liabilities	1,033,028	101,537			1,134,565
Non-current liabilities					
Deferred tax liabilities	7,879	–			7,879
Convertible notes	–	–		37,154	37,154
Bank borrowings	29,317	58,701			88,018
Amount due to a shareholder	–	35,699	(35,699)		–
	37,196	94,400			133,051
Net assets	995,832	7,137			1,001,514

Notes:

(1) The unaudited financial figures were extracted from 2008 interim report of the Company prepared in accordance with the applicable requirements of the Listing Rules and the Hong Kong Accounting Standard 34.

(2) This column represents the historical audited financial information of the Properties Group as at 31 October 2008.

(3) Pursuant to the S&P Agreement, the amount due to a shareholder, amounting to approximately HK$35,699,000, on date of the Completion of the S&P Agreement will be assigned to the Group.

(4) This column represents the Convertible Note to be issued for full settlement of the Consideration for acquisition of the Sale Share and the Sale Debt in Excelbright. The Convertible Note in the amount of HK$42.8 million (subject to Adjustment) has been taken to be its fair value as if it was issued upon Completion of the Acquisition. The adjustment of approximately HK$37,154,000 represents the liability portion of the Convertible Note based on the calculation of the discounted cash flow method at an effective interest rate of 5%.

B. REPORT FROM TING HO KWAN & CHAN

The following is the text of a report from TING HO KWAN & CHAN, the reporting Accountants of Celestial Asia Securities Holdings Limited, in connection with the unaudited financial information of the Company and its subsidiaries prepared for the purpose of incorporation in this circular.

TING HO KWAN & CHAN
CERTIFIED PUBLIC ACCOUNTANTS (PRACTISING)

9th Floor, Tung Ning Building
249-253 Des Voeux Road C.
Hong Kong

TO THE DIRECTORS OF CELESTIAL ASIA SECURITIES HOLDINGS LIMITED

We report on the unaudited pro forma financial information of Celestial Asia Securities Holdings Limited ("Company") and its subsidiaries (hereinafter collectively referred to as the "Group"), which has been prepared by the directors of the Company for illustrative purposes only, to provide information about how the proposed acquisition of the entire equity shareholding interest and the shareholder's loan interest in Excelbright Enterprises Limited and the issue of a convertible note by the Company in the principal amount of the consideration for the acquisition might have affected the financial information presented, for inclusion in Appendix III of the circular dated 21 January 2009 ("Circular"). The basis of preparation of the unaudited pro forma financial information is set out on pages 186 to 189 of the Circular.

Respective responsibilities of directors of the Company and reporting accountants

It is the responsibility solely of the directors of the Company to prepare the unaudited pro forma financial information in accordance with Rule 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

It is our responsibility to form an opinion, as required by Rule 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the unaudited pro forma financial information with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purpose of the unaudited pro forma financial information as disclosed pursuant to Rule 4.29(1) of the Listing Rules.

The unaudited pro forma financial information is for illustrative purpose only, based on the judgements and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in future and may not be indicative of the financial position of the Group as at 30 June 2008 or any future date.

Opinion

In our opinion:

a) the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated;

b) such basis is consistent with the accounting policies of the Group; and

c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to Rule 4.29(1) of the Listing Rules.

TING HO KWAN & CHAN
Certified Public Accountants (Practising)
Hong Kong

21 January 2009

The following is the full text of a letter, summary of values and valuation report prepared for the purpose of incorporation in this circular received from B.I. Appraisals Limited, independent property valuer, in connection with its valuation of the Properties as at 31 October 2008.

B.I.
To Know Your Strength Better

B. I. Appraisals Limited
保柏國際評估有限公司
Registered Professional Surveyors, Valuers & Property Consultants
Unit 1301, 13/F, Tung Wai Commercial Building,
Nos.109-111 Gloucester Road, Wan Chai, Hong Kong
Tel: (852) 2127 7762 Fax: (852) 2137 9876
Email: info@biappraisals.com.hk
Website: www.bisurveyors.com.hk

21 January 2009

The Director
Excelbright Enterprises Limited
21st Floor, The Center
99 Queen's Road Central
Hong Kong

Dear Sirs,

Re: Two properties in Hong Kong and one property in the People's Republic of China ("PRC")

In accordance with the instructions from Excelbright Enterprises Limited (hereinafter referred to as the "Company") for us to value two properties in Hong Kong and one property in the PRC (details of which are described in Summary of Values below, hereinafter referred to as the "Properties"), which are held by the Company and/or its subsidiaries (hereinafter collectively referred to as the "Group"), we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of each of the Properties as at 31 October 2008 (hereinafter referred to as the "Date of Valuation").

It is our understanding that this valuation document is to be used for reference purpose in relation to the proposed acquisition of the Properties.

This letter, forming part of our valuation report, identifies the properties being valued, explains the valuation basis and methodology, and lists out the assumptions and the title investigation we have made in the course of our valuations, as well as the limiting conditions.

BASIS OF VALUATION

Our valuation of each of the Properties is our opinion of its market value which we would define as intended to mean "an estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion."

We have valued the properties on the basis that each of them is considered individually. We have not allowed for any discount for the Properties to be sold to a single party nor taken into account any effect on the values if the Properties are to be offered for sale at the same time as a portfolio.

Our valuations have been carried out in accordance with The HKIS Valuation Standards on Properties (1st Edition 2005) issued by the Hong Kong Institute of Surveyors and under generally accepted valuation procedures and practices, which are in compliance with Chapter 5 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Practice Note 12 issued by The Stock Exchange of Hong Kong Limited.

VALUATION METHODOLOGY

In arriving at the market value of each of the Properties, which are held for investment, we have adopted the Direct Comparison Approach by making reference to comparable sale evidence as available in the relevant market or, wherever appropriate, by capitalizing the net rental income derived from the existing tenancies with due allowance for the reversionary potential of the respective properties.

VALUATION ASSUMPTIONS

Our valuations have been made on the assumption that each of the Properties is sold in the open market without the benefit of a deferred terms contract, leaseback, joint venture, management agreement or any similar arrangement that would serve to affect the value of such property. In addition, no account has been taken of any option or right of pre-emption concerning or effecting sales of the Properties and no forced sale situation in any manner is assumed in our valuations.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on the property interests valued nor for any expenses or taxation which may be incurred in effecting sales. Unless otherwise stated, it is assumed that the Properties are free from encumbrances, restrictions and outgoings of an onerous nature that could affect their values.

In addition, in the course of our valuations, we have made the following assumptions:

a) Each of the Properties has been constructed, occupied and used in full compliance with, and without contravention of all ordinances, except only where otherwise stated.

b) Each of the Properties is finished and maintained in reasonable condition commensurate with its age and use and is in its original layout without any unauthorized alteration.

c) All consents, approvals, required licences, permits, certificates and authorizations have been obtained, except only where otherwise stated, for the use of each of the Properties upon which our valuation is based.

TITLE INVESTIGATION

We have conducted land searches at the Land Registry for Property 1 and Property 2, and have been provided by the Company with copies of title documents relating to the Property 3. However, we have not examined the original documents to verify the ownership and to ascertain the existence of any amendments that may not appear on the copies handed to us. All documents have been used for reference only.

We have been provided by the Company with a copy of the legal opinion dated 3 November 2008 prepared by Guangdong Shengfang Law Firm, the Company's legal advisers as to PRC law (hereinafter referred to as the "PRC Legal Adviser") regarding the title to Property 3. In the course of our valuation of Property 3, we have relied on the advices given by the Company and the PRC Legal Adviser regarding the title to the interest in such property.

LIMITING CONDITIONS

We have inspected the exterior of the Properties. However, no structural survey has been made nor have any tests been carried out on any of the building services provided in the Properties. We are, therefore, not able to report that the Properties are free from rot, infestation or any other structural defects. Yet, in the course of our inspections, we did not note any serious defects.

We have not conducted any on-site measurement to verify the correctness of the site and floor areas of the Properties but have assumed that the areas shown on the documents furnished to us are correct. Dimensions, measurements and areas included in the valuation certificates attached are based on information contained in the documents provided to us by the Company and are therefore approximations only.

Moreover, we have not carried out any site investigations to determine or otherwise the suitability of the ground conditions, the presence or otherwise of contamination and the provision of or otherwise suitability for services etc. for any future development. Our valuations are prepared on the assumption that these aspects are satisfactory and that no extraordinary expenses or delays will be incurred in the event of any future development.

We have relied to a considerable extent on the information provided by the Company and the advice given to us on such matters as planning approvals, statutory notices, easements, tenure, particulars of occupancy, site and floor areas and all other relevant matters in the identification of the Properties. We have not seen original planning consents and have assumed that the Properties are erected, occupied and used in accordance with such consents.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Company. We were also advised by the Company that no material facts have been omitted from the information provided. We consider that we have been provided with sufficient information to reach an informed view, and have no reason to suspect that any material information has been withheld.

CURRENCY

Unless otherwise stated, all monetary amounts stated in our valuation certificates are in Hong Kong Dollars (HK$). The exchange rate adopted in our valuation of the PRC property is HK$1 = RMB0.88, which was approximately the prevailing exchange rate as at the Date of Valuation. There has been no significant fluctuation in the exchange rate between the Date of Valuation and the date of this report.

REMARKS

We hereby confirm that we have neither present nor prospective interests in the Group, its holding company, the Properties or the values reported herein.

Our valuations are summarized below and the valuation certificates are attached herewith.

Yours faithfully,
For and on behalf of
B.I. APPRAISALS LIMITED
William C. K. Sham
Registered Professional Surveyor (G.P.)
China Real Estate Appraiser
MRICS, MHKIS, MCIREA
Executive Director

Note: Mr William C. K. Sham is a qualified valuer on the approved List of Property Valuers for Undertaking Valuation for Incorporation or Reference in Listing Particulars and Circulars and Valuations in Connection with Takeovers and Mergers published by the Hong Kong Institute of Surveyors. Mr Sham has over 25 years' experience in the valuation of properties in Hong Kong and has over 10 years' experience in the valuation of properties in the People's Republic of China and the Asia Pacific regions.

SUMMARY OF VALUES

Property		Market value in existing state as at 31 October 2008 *(HK$)*
Group I – Property interests held for investment by the Group in Hong Kong		
1.	House No. A8 (including its 2 Car Parking Spaces), Regalia Bay, No. 88 Wong Ma Kok Road, Stanley, Hong Kong	53,500,000
2.	Flat B on 3rd Floor and Car Parking Space No. 25 on Ground Floor, Rose Gardens, No. 9 Magazine Gap Road, Peak, Hong Kong	41,000,000
Group II – Property interest held for investment by the Group in the PRC		
3.	Room 2102 on Level 18, Maison des artiste, No. 18 Lane 688, Huang Jin Cheng Road, Changning District, Shanghai, the PRC	13,800,000
	Total:	108,300,000

VALUATION CERTIFICATE

Group I – Property interests held for investment by the Group in Hong Kong

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 October 2008
1.	House No. A8 (including its 2 Car Parking Spaces), Regalia Bay, No. 88 Wong Ma Kok Road, Stanley, Hong Kong 41/9960th equal and undivided parts or shares of and in Rural Building Lot No. 1138	Regalia Bay is a large-scale private residential development developed in two phases and comprising a total 139 blocks of detached garden houses and semi-detached town houses with clubhouse facilities. It is located on the western side of Wong Ma Kok Road within the Stanley district of Hong Kong. The property, being one of the 84 blocks in Phase I of Regalia Bay which was completed in about 2003, comprises a 3-story semi-detached town house over a garage accommodating two car parking spaces. The gross floor area and the saleable area of the property (excluding the car parking spaces and ancillary areas thereof) are approximately 391.30 sq.m. (4,212 sq.ft.) and 281.90 sq.m. (3,034 sq.ft.) respectively. The approximate saleable areas for the car parking spaces and the ancillary areas are as follows:	The property is tenant-occupied for residential use under a tenancy agreement at a monthly rent of HK$156,000, inclusive of rates, management fees and government rent for a term of two years from 25 August 2007 to 24 August 2009 with an option to renew for a further term of 2 years at the open market rent. The subject tenancy contains a break clause exercisable by the tenant to terminate the tenancy by giving at any time not less than two months' written notice after the 1st twelve months of the term. However, the tenancy may not expire earlier than the 14th month of the term (i.e. 24 October 2008).	HK$53,500,000

	Approximate Saleable Areas *(sq.m.)*	Approximate Saleable Areas *(sq.ft.)*
Garden	79.00	850
Yard	2.60	28
Roof & flat roof	83.00	893
Car parking spaces	54.00	581

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 October 2008
	Rural Building Lot No. 1138 is held from the Government under Conditions of Sale No. 12461 for a term from 3 June 1997 until 30 June 2047. The annual Government rent for the property is an amount equal to three per cent of the then rateable value of the property.		

Notes:

(1) The registered owner of the property is Honest Joy Properties Limited vide Memorial No. UB9217691 dated 15 April 2004.

(2) The property is subject to a Mortgage in favour of Bank of China (Hong Kong) Limited vide Memorial No. UB9217692 dated 15 April 2004.

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 October 2008
2.	Flat B on 3rd Floor and Car Parking Space No. 25 on Ground Floor, Rose Gardens, No. 9 Magazine Gap Road, Peak, Hong Kong 1/24th equal and undivided part or share of and in Inland Lot No. 7734 and the extension thereto	Rose Gardens is a 13-storey residential building completed in about 1964. It is located on the southern side of Magazine Gap Road within Peak District, Hong Kong. The property comprises a domestic unit on the 3rd floor together with a car parking space on the ground floor. The saleable area of the subject flat is approximately 207.60 sq.m. (2,235 sq.ft.). Inland Lot No. 7734 and the extension thereto are held from the Government under a Government Lease for a term of 75 years renewable for 75 years commencing from 18th March 1921. The Government Rent payable for the property is about HK$18,630 per annum.	The property is vacant.	HK$41,000,000

Notes:

(1) The registered owner of the property is Go Lucky Investments Limited vide Memorial No. 08021902670264 dated 22 January 2008.

(2) The property is subject to the following encumbrances:

(a) Mortgage in favour of Nanyang Commercial Bank Limited vide Memorial No. 08021902670270 dated 22 January 2008; and

(b) Rental Assignment in favour of Nanyang Commercial Bank Limited vide Memorial No. 08022902450221 dated 21 January 2008.

Group II – Property interests held for investment by the Group in the PRC

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 October 2008
3.	Room 2102 on Level 18, Maison des artiste, No. 18 Lane 688, Huang Jin Cheng Road, Changning District, Shanghai, the PRC	Maison des artiste is a medium-scale residential complex comprising 15 blocks of medium to high-rise apartment buildings with commercial and clubhouse facilities. It is located on the northern side of Huang Jin Cheng Road within Changning District, Shanghai City. The property comprises a domestic unit on the 18th floor of a 26-storey (excluding two basement levels) building scheduled to be completed in 2009. The gross floor area and the saleable area of the property are approximately 229.36 sq.m. (2,469 sq.ft.) and 182.74 sq.m. (1,967 sq.ft.) respectively. The land use right of the subject parcel of land has been granted for residential use for a term from 8 December 1999 to 7 December 2069.	The property is vacant.	HK$13,800,000

Notes:

(1) Pursuant to Contract for Pre-sale of Commodity House entered into between Hutchison Whampoa Properties (Shanghai) Gubei Limited ("Party A") and Wan Suk Yee Adelie（尹淑儀）("Party B") on 8 April 2008, Party A agreed to sell and Party B agreed to purchase the property at a consideration of RMB12,129,980.

(2) Pursuant to the Agreement for Trustee of Property entered into between Go Lucky Investments Limited and Wan Suk Yee Adelie on 8 April 2008, both parties agreed that Wan Suk Yee Adelie is to act as the trustee of Go Lucky Investments Limited in the acquisition of the property and that the beneficial ownership and interest in the property shall be vested in Go Lucky Investments Limited.

(3) We have been advised that the purchase consideration has been settled in full and that the property is subject to a mortgage in favour of HSBC Bank (China) Company Limited.

(4) We have been further advised that the property interest was acquired in April 2008 and that the total costs expended on the property interest amounted to approximately RMB12.3 million.

(5) The opinion of Guangdong Shengfang Law Firm is summarized as below:

(a) The Agreement for Trustee of Property mentioned in Note 2 above is legal and enforceable under the PRC law.

(b) The Agreement for Trustee of Property confirms all interest in the property is vested in Go Lucky Investments Limited.

(c) Go Lucky Investments Limited is entitled to all relevant economic benefit (including rental income, appreciation in value, etc.) arising from the property.

(6) The status of title and grant of major approvals, consents or licences in accordance with the information provided by the Company are as follows:

Contract for Pre-sale of Commodity House	Yes
Agreement for Trustee of Property	Yes
Certificate of Building Ownership	No

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

2. DIRECTORS' INTERESTS

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or (b) were recorded in the register required to be kept under section 352 of the SFO, or (c) were otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

A. The Company

1. Long positions in the ordinary Shares

		Number of Shares		
Name	**Capacity**	**Personal**	**Other interest**	**Shareholding** *(%)*
Kwan Pak Hoo Bankee	Founder of a discretionary trust	–	66,398,512*	36.78
Lin Che Chu George	Beneficial owner	5,230,000	–	2.90
Law Ping Wah Bernard	Beneficial owner	6,784,060	–	3.76
		12,014,060	66,398,512	43.44

* The Shares were held by Cash Guardian. Mr Kwan Pak Hoo Bankee was deemed to be interested in all the Shares as a result of his interests in Cash Guardian as disclosed in the section headed "substantial Shareholders" below.

2. *Long positions in the underlying shares – options under share option scheme*

Name	Date of grant	Exercise period	Exercise price per Share *(HK$)*	Number of options outstanding	Percentage to issued Shares *(%)*
Kwan Pak Hoo Bankee	6/6/2007	6/6/2007 – 31/5/2009	2.450	500,000	0.28
Lin Che Chu George	6/6/2007	6/6/2007 – 31/5/2009	2.450	500,000	0.28
Law Ping Wah Bernard	6/6/2007	6/6/2007 – 31/5/2009	2.450	500,000	0.28
				1,500,000	0.84

Notes:

(1) Mr Kwan Pak Hoo Bankee is also the substantial Shareholder of the Company.

(2) The options are held by the Directors in the capacity of beneficial owners.

B. Associated corporations (within the meaning of the SFO)

(i) *CFSG (a subsidiary of the Company)*

Long positions in the ordinary shares

Name	Capacity	Number of Shares: Personal	Number of Shares: Other interest	Shareholding *(%)*
Kwan Pak Hoo Bankee	Beneficial owner and founder of a discretionary trust	1,988,000	210,080,799*	51.55
Lin Che Chu George	Beneficial owner	3,942,400	–	0.96
Law Ping Wah Bernard	Beneficial owner	6,513,920	–	1.58
		12,444,320	210,080,799	54.09

* The shares were held as to 198,771,039 shares by Celestial Investment Group Limited, a wholly-owned subsidiary of the Company, and as to 11,309,760 shares by Cash Guardian. Mr Kwan Pak Hoo Bankee was deemed to be interested in all these shares as a result of his interests in the Company through Cash Guardian as disclosed in the "substantial Shareholders" below.

(ii) Netfield (a subsidiary of the Company)

Long positions in the underlying shares

On 9 January 2007 (as amended on 22 January 2007), Mr Lin Che Chu George, an executive Director, was granted of an option to acquire from the Group such number of shares in Netfield as representing 10% of the issued share capital in Netfield for a cash consideration of HK$12 million. The option is exercisable during the 12-month period immediately before and after the securities of Netfield or its holding company become listed on any recognised stock exchange, in whole or in part by Mr Lin.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors, chief executive or their Associates had any interests and short positions in the Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or (b) were recorded in the register required to be kept under section 352 of the SFO, or (c) were otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

3. SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as is known to the Directors and chief executive of the Company, the persons/companies, other than a Director or chief executive of the Company, who had interests or short positions in the Shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Enlarged Group and any options in respect of such capital, or were otherwise notified to the Company and recorded in the register required to be kept under section 336 of the SFO were as follows:

Name	Capacity	Number of Shares	Shareholding *(%)*
Jeffnet Inc *(Note)*	Trustee of a discretionary trust	66,398,512	36.78
Cash Guardian *(Note)*	Beneficial owner	66,398,512	36.78

Note: This refers to the same number of Shares held by Cash Guardian (which is 100% beneficially owned by Jeffnet Inc). Jeffnet Inc held these Shares as trustee of The Jeffnet Unit Trust, units of which were held by a discretionary trust established for the benefit of the family members of Mr Kwan Pak Hoo Bankee. Pursuant to the SFO, Mr Kwan Pak Hoo Bankee and Jeffnet Inc were deemed to be interested in the Shares held by Cash Guardian.

Save as disclosed above, as at the Latest Practicable Date, so far as is known to the Directors and chief executive of the Company, no other parties (other than a Director or chief executive of the Company) who had interests or short positions in the Shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Enlarged Group and any options in respect of such capital, or were otherwise notified to the Company and recorded in the register required to be kept under section 336 of the SFO.

4. COMPETING INTEREST

As at the Latest Practicable Date, none of the Directors or their respective Associates had any interest in a business which competes or may compete with the business of the Group.

5. SERVICE CONTRACT

As at the Latest Practicable Date, none of the Directors has any existing or proposed service contracts with any member of the Enlarged Group (excluding contracts expiring or terminable by the employer within one year without payment of compensation (other than statutory compensation)).

6. INTEREST OF DIRECTORS IN THE ENLARGED GROUP'S ASSETS

Save as the interest of Mr Kwan in the S&P Agreement, no Director was materially interested in any contract or arrangement subsisting as at the Latest Practicable Date and which was significant in relation to the business of the Enlarged Group. As at the Latest Practicable Date, save as the interest of Mr Kwan in the Properties under the Acquisition, each of the Directors did not have any direct or indirect interest in any assets which have been acquired or disposed of by or leased to the Enlarged Group or are proposed to be acquired or disposed of by or leased to the Enlarged Group since 31 December 2007, being the date up to which the latest published audited consolidated accounts of the Company were made up.

7. LITIGATION OF THE ENLARGED GROUP

(a) During the year ended 31 December 2005, Theodore J Marr ("Marr") filed a cross-summons with the California court in the United States of America against the Company and others alleging breaches of fiduciary duties and/or fraudulent conveyances. Marr's claims in the cross-summons against the Company included US$900,000 (equivalent to approximately HK$7,020,000) arising out of an employment contract between Marr and ILUX Corporation ("ILUX"), a subsidiary of the Company, US$15,000,000 (equivalent to approximately HK$117,000,000) arising out of the dissolution of ILUX, exemplary and punitive damages of not less than US$5,000,000 (equivalent to approximately HK$39,000,000) in respect of each of Marr's causes of action against cross-complainants, and interest. In August 2006, the Company made an application to the California court for the breach of fiduciary duties cause of action against the Company to be dismissed on the ground that Marr lacks standing to assert this cause of action, and in September 2006 the California court dismissed the breach of fiduciary duty claim against the Company. No court decision has been rendered yet in respect of Marr's other causes of action against the Company. The Company's application for summary judgment for a dismissal of the fraudulent transfer and constructive fraudulent transfer causes of action (the remaining causes of action) by the California court has been granted on 31 December 2008 and the consequence is that the Company is no longer a party to this litigation case. In the opinion of the Directors, the potential liability arisen from the case is remote.

(b) On 11 May 2006, Hallmark Cards, Incorporated ("Petitioner") filed a petition for a winding-up order against Cosmos Global Limited ("CGL"), a subsidiary of the Company, under which the Petitioner claimed that CGL was indebted to the Petitioner for a sum of US$41,591.23 (equivalent to approximately HK$324,000) and interest accrued thereon. A winding-up order was made by a master of the High Court on 2 August 2006. Provisional liquidator has been appointed by the court to manage the affairs of CGL on the same date and CGL is now in the process of liquidation.

(c) In 2003, Ka Chee Company Limited instituted a winding-up proceedings against Celestial (International) Securities & Investment Limited ("CISI"), a subsidiary of the Company, for an amount of HK$1,662,598. A winding-up order was made by the court, the liquidator has been appointed to wind-up CISI, and the winding-up procedure is still in progress.

Save as disclosed above, neither the Company nor any other company in the Enlarged Group is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against either the Company or any other company in the Enlarged Group.

8. MATERIAL CONTRACTS

The following contracts are contracts that are or may be material, not being contracts entered into during the ordinary course of business, and have been entered into by the Enlarged Group within two years preceding the Latest Practicable Date:

(a) the sale and purchase agreement dated 9 January 2007 entered into between CIGL as the purchaser and Vantage Giant Limited as vendor in relation to the acquisition by Enlarged Group of 100% interest in Netfield including all the outstanding loans due from Netfield at a consideration of the higher of HK$120 million or the valuation of the online game business operated by the Netfield Group as at 31 December 2006;

(b) the option deed dated 9 January 2007 (as amended on 22 January 2007) and the supplemental deed dated 22 January 2007 both entered into between CIGL and Mr Lin Che Chu George in relation to the grant of the right to acquire shares in Netfield;

(c) the sale and purchase agreements all dated 11 May 2007 entered into between CIGL as the purchaser and the independent third parties as vendors in relation to the acquisition of 27,000,000 issued shares in CFSG at a total consideration of HK$10,260,000;

(d) the subscription agreement dated 12 June 2007 entered into between the Company and Cash Guardian in relation to the issue of 50,000,000 subscription Shares to Cash Guardian at HK$0.52 per Share;

(e) the subscription agreement dated 12 June 2007 entered into between the Company and Proteus Growth Fund Limited (an independent third party) as a subscriber in relation to the issue of 50,000,000 subscription Shares to Proteus Growth Fund Limited at HK$0.52 per Share;

(f) the shareholders' agreement dated 27 June 2007 entered into between, among others, Marvel Champ Investments Limited (a 65%-owned subsidiary of CFSG), Nanyang Industrial (China) Limited and Fit Team Holdings Limited (both are independent third parties) in relation to the formation of a joint venture associate with a total maximum capital commitment of RMB450 million (approximately HK$459.6 million) in equal share for the acquisition and management of a property developed in the PRC;

(g) the joint venture agreement dated 19 July 2007 entered into between Improve Fame Investments Limited (a wholly-owned subsidiary of the Company) and 重慶重郵信科(集團)股份有限公司 (translated as Chongqing Chongyou Information Technology (Group) Limited) ("CYIT", an independent third party) in relation to the formation of a joint venture company in the PRC in equal share to develop and commercialise the technology, intellectual rights and business of TD-SCDMA 3G cellular phone, baseband IC chipsets and related products owned by CYIT. The joint venture agreement was subsequently terminated on 31 December 2007;

(h) the top up agreement dated 24 July 2007 entered into between the Company, Cash Guardian and Celestial Securities Limited (a non-wholly-owned subsidiary of the Company) as the placing agent in relation to (i) the placing of 130,300,000 issued Shares held by Cash Guardian by Celestial Securities Limited to certain placees (independent third parties) at the placing price of HK$2.02 per Share and (ii) the subscription by Cash Guardian for 130,300,000 new top up Shares at the top up price of HK$2.02 per Share;

(i) the agreement dated 24 July 2007 entered into among the Company, Celestial Securities Limited as the placing agent and Cash Guardian as the grantee in relation to the grant of unlisted green-shoe by the Company to Cash Guardian and certain placees to subscribe up to HK$364,206,000 in aggregate for Shares at the exercise price of HK$2.02 per Share;

(j) the underwriting agreement dated 27 September 2007 entered into between the Company and CFSG in relation to the underwriting for a 5-for-2 rights issue of CFSG at the subscription price of HK$0.40 per share;

(k) the agreement dated 7 December 2007 entered into between Netfield and Proteus Growth Fund Limited (an independent third party) in relation to the issue of 60,000 new shares (being 3.4% of the enlarged issued share capital) of Netfield to Proteus Growth Fund Limited at the subscription price of US$100 (equivalent to HK$780) per share;

(l) the provisional sale and purchase agreement dated 20 November 2007 and the assignment dated 22 January 2008 both entered into between Go Lucky Investments Limited as purchaser, and Darlington Consultancy Limited as vendor, in relation to the purchase of the property situated at Flat B on 3rd Floor and Car Parking Space No. 25 on Ground Floor, Rose Gardens, No. 9 Magazine Gap Road, Peak, Hong Kong (details of which are set out in Appendix IV to this circular);

(m) (i) the contract for pre-sale of commodity house dated 8 April 2008 entered into between Hutchison Whampoa Properties (Shanghai) Gubei Limited as vendor, and Ms Wan Suk Yee Adelie as purchaser, in relation to the purchase of the property situated at Room 2102 on level 18, Maison des artiste, No. 18 Lane 688, Huang Jin Cheng Road, Changning District, Shanghai, the PRC, and (ii) the agreement for trustee of property dated 8 April 2008 entered into between Ms Wan Suk Yee Adelie and Go Lucky Investments Limited (details of which are set out in Appendix IV to this circular);

(n) the license agreement dated 18 September 2008 entered into between Moli Publish Limited ("Moli Publish") (a subsidiary of the Company) as licensee, Gonzo Rosso K.K. (an online gaming developer) as licensor and Goldsky Digital Technology Limited (a subsidiary of Gonzo Rosso K.K.) as non-exclusive agent (both are independent third parties) in relation to the grant of an exclusive global license (except Japan) to use, operate and sub-license the online game "Tower of Druaga: the Recovery of BABYLIM" and its related software and marks to Moli Publish;

(o) the license agreement dated 18 September 2008 entered into between Moli Publish as licensee, and Goldsky Digital Technology Limited as licensor in relation to the grant of an exclusive license to use and operate the online game "Pandora Saga" and its related software and marks in North America region to Moli Publish;

(p) the license agreement dated 18 September 2008 entered into between Moli Publish as licensor, and Gonzo Rosso K.K. as licensee in relation to the grant of an exclusive license to use and operate the online game "King of Pirate Online" and its related software and marks in Japan by Moli Publish;

(q) the sale and purchase agreement dated 17 November 2008 entered into between Netfield Technology Limited (incorporated in Bermuda and is a wholly-owned subsidiary of the Company) as the purchaser, and Allypark International Limited (an independent third party) as the vendor in relation to the acquisition of the remaining 60,000 shares (being 3.4% of the issued share capital) of Netfield at a consideration of HK$38 million;

(r) the Convertible Note Agreement and the S&P Agreement; and

(s) the sale and purchase agreement dated 19 December 2008 entered into between CASH Group Limited (a wholly-owned subsidiary of the Company) as vendor, and CFSG as purchaser in relation to (i) the acquisition of 60% of the equity shareholding interest in CASH Retail Management (HK) Limited ("CRM(HK)", an indirect wholly-owned subsidiary of the Company) and the shareholder's loan due from the Retail Group to CASH Group Limited, at a consideration of approximately HK$184 million (subject to adjustment), and (ii) the grant of a purchaser call option to CFSG to acquire the remaining 40% of the equity shareholding interest in CRM(HK) at a consideration of approximately HK$116 million (subject to adjustment).

9. EXPERTS

The following are the qualification of the experts who have given opinion or advice which are contained in this circular:–

Name	Qualification
Grand Vinco Capital Limited, the Independent Financial Adviser	A licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO
TING HO KWAN & CHAN, the Accountants	Certified Public Accountants (Practising)
B.I. Appraisals Limited, the Valuers	Independent professional valuers

As at the Latest Practicable Date, the Independent Financial Adviser, the Accountants and the Valuers were not interested beneficially in the shares in any member of the Group and did not have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for shares in any member of the Group.

As at the Latest Practicable Date, the Independent Financial Adviser, the Accountants and the Valuers did not have any direct or indirect interest in any assets which have been acquired or disposed of by or leased to the Enlarged Group or are proposed to be acquired or disposed of by or leased to the Enlarged Group since 31 December 2007, being the date up to which the latest published audited consolidated accounts of the Company were made up.

The Independent Financial Adviser, the Accountants and the Valuers have given and have not withdrawn their written consents to the issue of this circular with the inclusion of and reference to their name and statements in the form and context in which it appears.

10. MISCELLANEOUS

(a) The secretary of the Company is Ms Luke Wing Sheung Suzanne, *a fellow member of The Institute of Chartered Secretaries and Administrators.*

(b) The head office and the principal place of business of the Company in Hong Kong are at 21/F The Center, 99 Queen's Road Central, Hong Kong. The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

(c) The principal share registrars and transfer office of the Company in Bermuda are The Bank of Bermuda Limited at The Bank of Bermuda Building, 6 Front Street, Hamilton HM 11, Bermuda. The branch share registrars and transfer office of the Company in Hong Kong are Tricor Standard Limited at 26/F Tesbury Centre, 28 Queen's Road East, Hong Kong.

(d) The English text of this circular shall prevail over the Chinese text.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at 21/F The Center, 99 Queen's Road Central, Hong Kong during normal business hours on any day up to the holding of the SGM:–

(a) the memorandum of association and bye-laws of the Company;

(b) the material contracts referred to in paragraph 8 above;

(c) the letter from Vinco Capital, the text of which is set out on pages 30 to 47 of this circular;

(d) the accountants' report of the Properties Group, the text of which is set out in Appendix II to this circular;

(e) the letter from the Accountants in respect of the pro forma financial statement of the assets and liabilities of the Enlarged Group as set out in Appendix III to this circular;

(f) the valuation report of the Properties issued by the Valuers, the text of which is set out in Appendix IV to this circular;

(g) the letters of consent from the Independent Financial Adviser, the Accountants and the Valuers referred to in paragraph 9 above;

(h) the audited consolidated financial statements of the Group for each of the two financial years ended 31 December 2006 and 31 December 2007;

(i) the unaudited interim report of the Group for the six months ended 30 June 2008; and

(j) the circulars issued by the Company since 31 December 2007, the date to which the latest published audited accounts of the Group were made up.

CELESTIAL ASIA SECURITIES HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 1049)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a Special General Meeting of Celestial Asia Securities Holdings Limited ("Company") will be held at 21/F The Center, 99 Queen's Road Central, Hong Kong on 12 February 2009, Thursday, at 9:30 am for the purpose of considering and, if thought fit, passing the following resolutions of the Company:

ORDINARY RESOLUTIONS

1. "**THAT** the subscription agreement ("Convertible Note Agreement") entered into between the Company and Cash Guardian Limited ("Subscriber") (the controlling shareholder of the Company and is a company controlled by the Vendor as defined in resolution numbered 2 of this notice) on 11 November 2008 in relation to the proposed issue of a convertible note ("Convertible Note") by the Company to the Subscriber in the principal amount of approximately HK$42.8 million (subject to a maximum adjustment amount, notwithstanding up or down, for HK$1,000,000) at the completion of the Convertible Note Agreement, subject to the conditions as set out in the Convertible Note Agreement and described in the circular of the Company dated the same date of this notice, including, inter alia, the simultaneous completion of the S&P Agreement as defined in resolution numbered 2 of this notice, hereby approved and the directors of the Company ("Directors") be and are hereby authorised to issue the Convertible Note and allot the new shares in the Company issuable upon the conversion of any part of the Convertible Note and do such things or make such arrangement as they may think fit to give effect to the completion of the Convertible Note Agreement."

2. "**THAT** the share purchase agreement ("S&P Agreement") entered into between Excel Smart Profits Limited ("Purchaser"), a wholly-owned subsidiary of the Company, and Mr Kwan Pak Hoo Bankee ("Vendor"), the controlling shareholder of the Company, on 11 November 2008 in relation to the acquisition by the Purchaser from the Vendor the entire equity shareholding interest and the shareholder's loan interest in Excelbright Enterprises Limited at the consideration of approximately HK$42.8 million (subject to a maximum adjustment amount, notwithstanding up or down, for HK$1,000,000) which would be fully settled by the issue the Convertible Note as specified in resolution number 1 above, subject to the conditions as set out in the S&P Agreement and described in the circular of the Company dated the same date of this notice, including, inter alia, the simultaneous completion of the Convertible Note Agreement as defined in resolution numbered 1, hereby approved and the Directors be and are hereby authorised to do such things or make such arrangement as they may think fit to give effect to the completion of the S&P Agreement."

By order of the Board
Suzanne W S Luke
Company Secretary

Hong Kong, 21 January 2009

Registered office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head office and principal place of business in Hong Kong:
21/F The Center
99 Queen's Road Central
Hong Kong

Notes:

1. A member entitled to attend and vote at the above meeting is entitled to appoint one or more proxies to attend and, in the event of a poll, vote on his behalf. A proxy need not be a member of the Company. A form of proxy is also enclosed for the meeting.

2. In order to be valid, the form of proxy must be deposited at the principal place of business of the Company in Hong Kong at 21/F The Center, 99 Queen's Road Central, Hong Kong together with a power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of that power of attorney or other authority, not less than 48 hours before the time for holding the special general meeting or any adjournment thereof.