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 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.

CASH 時富

CELESTIAL ASIA SECURITIES HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 1049)

VERY SUBSTANTIAL DISPOSAL
– PROPOSED DISPOSAL OF HONG KONG RETAIL BUSINESS

VERY SUBSTANTIAL ACQUISITION
– UPON FULL CONVERSION OF CONVERTIBLE NOTE(S) PROPOSED TO BE ISSUED BY CASH FINANCIAL SERVICES GROUP LIMITED

PROPOSED INTRA-GROUP ACTIVITIES

AND

NOTICE OF SPECIAL GENERAL MEETING

A notice convening a special general meeting of Celestial Asia Securities Holdings Limited to be held at 28/F Manhattan Place, 23 Wang Tai Road, Kowloon Bay, Hong Kong on 11 June 2009 (Thursday) at 9:15 am is set out on pages 258 to 260 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.

26 May 2009

CONTENTS

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

"Accountants"	Deloitte Touche Tohmatsu, Certified Public Accountants and auditor of the Company
"Adjustment"	the adjustment, notwithstanding up or down to a maximum of HK$100 million, to the final Consideration for sale and purchase of the Interest and the remaining 40% of the Equity Interest to an amount equivalent to 10 times the Audited Net Profits of the Retail Group for the year ending 31 December 2008 as per the Audited Accounts 2008 of the Retail Group, and the rounding up of the adjusted Consideration to the nearest thousand figures pursuant to the S&P Agreement, as more particularly described in the sub-heading of "Adjustment" under the heading of "The S&P Agreement" in the section of "Letter from the Board". An upward adjustment of HK$10,340,000 to the Consideration of HK$300 million as set out in the First Announcement has been made in accordance with the Audited Net Profits as shown in the Audited Accounts 2008, which have been prepared as at the Latest Practicable Date
"Agreement(s)"	the First Agreement, the Second Agreement and the Third Agreement, details of which are set out under the heading of "The Agreements and non-exempt continuing connected transactions for the CFSG Group on the First Completion" in the section of "Letter from the Board"
"Associates"	has the same meaning ascribed in the Listing Rules
"Audited Accounts 2008"	the consolidated audited accounts of the Retail Group for the year ending 31 December 2008 to be prepared in accordance with the HKFRS and as agreed by both CGL and CFSG. The Audited Accounts 2008 have been prepared as at the Latest Practicable Date
"Audited Net Profits"	the audited consolidated net profits (after taxation, minority interest and extraordinary items) of the Retail Group for the financial year ending 31 December 2008 as shown on the Audited Accounts 2008. The Audited Net Profits is HK$31,034,000 in accordance with the Audited Accounts 2008, which have been prepared as at the Latest Practicable Date
"Board"	the board of Directors

"CFSG" or "Purchaser"	CASH Financial Services Group Limited (stock code: 510), a company incorporated in Bermuda with limited liability and listed on the main board of the Stock Exchange, and is currently a non-wholly-owned subsidiary of the Company
"CFSG Group"	CFSG and its subsidiaries
"CFSG Independent Shareholders"	holders of CFSG Share(s) (other than CIGL and its Associates)
"CFSG Rights Issue"	the issue of a total of 205,702,702 rights shares at a subscription price of HK$0.45 each by CFSG (as set out in its prospectus dated 19 March 2009) on 17 April 2009
"CFSG SGM"	the special general meeting of CFSG to be held on 11 June 2009 at 9:00 am to approve the Transactions
"CFSG Share(s)"	share(s) of HK$0.10 each in the share capital of CFSG
"CFT"	CASH Frederick Taylor Limited, a company incorporated in Hong Kong with limited liability, and is currently an non-wholly-owned subsidiary of the Company via CFSG. It engages in wealth management business. Its name has been changed to CASH Wealth Management Limited with effect from 21 May 2009
"CGL" or "Vendor"	CASH Group Limited, a company incorporated in the British Virgin Islands with limited liability, and is currently a wholly-owned-subsidiary of the Company
"CIGL"	Celestial Investment Group Limited, a company incorporated in the British Virgin Islands with limited liability, and is currently 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 listed on the main board of the Stock Exchange. It is the controlling shareholder and a connected person of CFSG (as defined under the Listing Rules)
"Completion"	the First Completion and the Second Completion
"Conditions"	the conditions of the S&P Agreement as set out in the sub-heading of "Conditions" under the heading of "The S&P Agreement" in the section of "Letter from the Board"

"Consideration"	the consideration of approximately HK$300 million (subject to Adjustment) for the sale and purchase of the Interest and the remaining 40% of the Equity Interest pursuant to the S&P Agreement as set out in the sub-headings headed "Consideration" and "Adjustment" under the heading of "The S&P Agreement" in the section of "Letter from the Board". The final Consideration has been fixed at HK$310,340,000 as adjusted in accordance with the Audited Net Profits as shown in the Audited Accounts 2008, which have been prepared as at the Latest Practicable Date
"Conversion Price"	HK$1.482 per Conversion Share (as adjusted from HK$1.15 per Conversion Share as set out in the First Announcement with effect from 19 March 2009 due to the CFSG Rights Issue) and subject to further adjustments, if any
"Conversion Share(s)"	the new CFSG Shares issuable upon the conversion of any part of the Convertible Note(s)
"Convertible Note(s)"	the proposed convertible note(s) of approximately HK$240 million (subject to maximum adjustment amount, notwithstanding up or down, for HK$100 million), in aggregate, to be issued at the First Completion and the Second Completion (assuming the Purchaser Call Option is exercised) pursuant to the S&P Agreement. The principal amount of Convertible Note(s), in aggregate, to be issued at the First Completion and the Second Completion has been adjusted to HK$233,952,000 (subject to the actual amounts due from the Group to the Retail Group as at the date of the First Completion, as more particularly described in the heading of "Adjustment to the Consideration" in the section of "Letter from the Board") as at the Latest Practicable Date
"CRMG Group"	CASH Retail Management Group Limited, a company incorporated in the British Virgin Islands with limited liability, together with its subsidiaries and the Retail Group which engage in all retail management businesses of the Group. The CRMG Group are wholly-owned subsidiaries of the Group
"CRM(HK)"	CASH Retail Management (HK) Limited, a company incorporated in the British Virgin Islands with limited liability, and is currently a wholly-owned subsidiary of the Company. It is the holding company of the Retail Group to be transferred under the S&P Agreement
"Director(s)"	director(s) of the Company
"Equity Interest"	the entire equity shareholding interest in CRM(HK) which is currently owned by CGL

"First Announcement"	the joint announcement made by CFSG and the Company on 19 December 2008 relating to the Transactions
"First Agreement"	the agreement dated 19 December 2008 entered into among the Company, CFSG and CRM(HK) relating to the provision of guarantee by the Company and CFSG to the Retail Group upon the First Completion
"First Completion"	the completion of the S&P Agreement by which the Interest will be transferred from CGL to CFSG, the Purchaser Call Option will be issued by CGL to CFSG and the Convertible Note(s) of approximately HK$124 million (subject to Adjustment) will be issued by CFSG to CGL or its nominee. The principal amount of Convertible Note(s) to be issued on the First Completion has been adjusted to HK$109,816,000 (subject to the actual amounts due from the Group to the Retail Group as at the date of the First Completion, as more particularly described in the heading of "Adjustment to the Consideration" in the section of "Letter from the Board") as at the Latest Practicable Date
"Game Group"	Netfield Technology Limited and its subsidiaries, which operate online game business, which had been disposed by the CFSG Group to the Group on 1 June 2007
"Group"	the Company and its subsidiaries
"HKFRS"	the accounting standards and interpretations issued by the Hong Kong Institute of Certified Public Accountants
"Interest"	60% of the Equity Interest and the Loan
"Latest Practicable Date"	22 May 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
"Loan"	being all of the interest-free shareholder's loan due from the Retail Group to CGL, if any, as at the date of the First Completion. The amount of the Loan as at 31 December 2008 and as at the date of the Latest Practicable Date is both nil
"Netfield (BVI)"	Nefield Technology Limited, a company incorporated in the British Virgin Islands with limited liability, and is a subsidiary of the Game Group

"New Group"	the Group (including the Properties Group and CFT) after completion of the Very Substantial Disposal and the Very Substantial Acquisition, which the Retail Group and the CFSG Group will remain as subsidiaries of the Group. The composition of the New Group and the existing Group will be the same but just the Group will hold the Retail Group via the CFSG Group
"OGHL"	CASH Retail Management Group Limited (now known as Oriental Ginza Holdings Limited) (stock code: 996), a company incorporated in Bermuda with limited liability and whose shares are listed on the main board of the Stock Exchange. It was a former subsidiary of the Group
"P/E Ratio"	price to earnings ratio
"PRC"	the People's Republic of China
"Prime Rate"	the prime lending rate being offered by The Hongkong and Shanghai Banking Corporation Limited from time to time
"Properties Group"	Excelbright Enterprises Limited and its wholly-owned subsidiaries, which beneficially held the entire interest of properties in Hong Kong and the PRC, were acquired by the Group on 17 February 2009 and are currently wholly-owned subsidiaries of the Group. Details of the acquisition and the Properties Group's financial information were set out in the circular of the Company dated 21 January 2009
"Proposed Transactions"	the transactions contemplated under the Agreements
"Proposed Transfer"	the acquisition by CFSG and the sale by CGL of the Interest, the grant of Purchaser Call Option by CGL to CFSG to acquire from CGL the remaining 40% of the Equity Interest (including the exercise of the Purchaser Call Option, if any) and the issue of the Convertible Note(s) pursuant to the S&P Agreement
"Purchaser Call Option"	the option granted by the Vendor in favour of the Purchaser upon the First Completion in respect of the option to acquire 40% of the Equity Interest, exercisable at the discretion of both CFSG or its nominee or CGL, at the Consideration of approximately HK$116 million (subject to Adjustment) at any time from the date of the First Completion up to 31 December 2011, as more particularly described in the sub-heading of "Purchaser Call Option" under the heading of "The S&P Agreement" in the section of "Letter from the Board". The final Consideration for acquisition of 40% of the Equity Interest has been adjusted to HK$124,136,000 as at the Latest Practicable Date

"Retail Group"	CRM(HK) and its subsidiaries which mainly engage in the retail business of retailing of furniture and household items in Hong Kong
"S&P Agreement"	the sale and purchase agreement entered into between CGL and CFSG on 19 December 2008 as supplemented by the Supplemental Agreement in relation to the sale and purchase of the Interest and the remaining 40% of the Equity Interest
"Second Announcement"	the joint announcement made by CFSG and the Company on 21 May 2009 relating to the entering into the Supplemental Agreement
"Second Agreement"	the agreement dated 19 December 2008 entered into between the Company and CRM(HK) relating to the lease arrangement between the Group and the Retail Group upon the First Completion
"Second Completion"	the completion of the transfer of the remaining 40% of the Equity Interest from the Vendor to CFSG upon exercise of the Purchaser Call Option pursuant to the S&P Agreement, by which 40% of the Equity Interest will be transferred from CGL to CFSG and the Convertible Note(s) of approximately HK$116 million (subject to Adjustment) will be issued by CFSG to CGL or its nominee. The principal amount of Convertible Note(s) to be issued on the Second Completion has been adjusted to HK$124,136,000 as at the Latest Practicable Date
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"SGM"	the special general meeting of the Company to be held on 11 June 2009 at 9:15 am to approve the Transactions, notice of which is set out on pages 258 to 260 of this circular
"Share(s)"	share(s) of HK$0.10 each in the share capital of the Company
"Shareholders"	holders of the Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Supplemental Agreement"	the supplemental agreement entered into between CGL and CFSG, being the same parties to the S&P Agreement, on 21 May 2009 in relation to the amendment of the terms of the S&P Agreement with regard to the exercise right of the Purchaser Call Option
"Very Substantial Acquisition"	the transaction of very substantial acquisition of the Company constituted under the Listing Rules upon full conversion of the Convertible Note(s) proposed to be issued by CFSG

"Very Substantial Disposal"	the transaction of very substantial disposal of the Company constituted under the Listing Rules relating to the Proposed Transfer
"Takeovers Code"	The Hong Kong Code on Takeovers and Mergers
"Third Agreement"	the agreement dated 19 December 2008 entered into among the Company, CFSG and CRM(HK) relating to the provision of services by the Retail Group to the Group (excluding the CFSG Group) and the CFSG Group (excluding the Retail Group) upon the First Completion
"Transactions"	the Proposed Transfer, the issue of the Convertible Note(s) and the Proposed Transactions
"HK$"	Hong Kong dollar(s), the currency of Hong Kong
"RMB"	Renminbi, the currency of the PRC

CASH 時富

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

Principal Place of Business:

28/F Manhattan Place
23 Wang Tai Road
Kowloon Bay
Hong Kong

26 May 2009

To Shareholders

Dear Sir/Madam,

VERY SUBSTANTIAL DISPOSAL
– PROPOSED DISPOSAL OF HONG KONG RETAIL BUSINESS

VERY SUBSTANTIAL ACQUISITION
– UPON FULL CONVERSION OF CONVERTIBLE NOTE(S) PROPOSED TO BE ISSUED BY CASH FINANCIAL SERVICES GROUP LIMITED

AND

PROPOSED INTRA-GROUP ACTIVITIES

INTRODUCTION

On 19 December 2008, the Board made the First Announcement relating to the Transactions entered on 19 December 2008. On 21 May 2009, the Board made the Second Announcement relating to the Supplemental Agreement. Details of the Transactions are as follows:–

(a) the Proposed Transfer which constituted the Very Substantial Disposal:–

(i) CFSG shall, subject to the Conditions, acquire from CGL (a wholly-owned subsidiary of the Company) the Interest (being 60% of the Equity Interest in CRM(HK) and the Loan due from the Retail Group to CGL, if any) at the Consideration of approximately HK$184 million (as adjusted to HK$186,204,000 as at the Latest Practicable Date as more particularly described in the heading of "Adjustment to the Consideration" in this section); and

(ii) CGL, subject to the Conditions, will grant to CFSG the Purchaser Call Option (upon the First Completion) to acquire the remaining 40% of the Equity Interest in CRM(HK) at the Consideration of approximately HK$116 million (as adjusted to HK$124,136,000 as at the Latest Practicable Date as more particularly described in the heading of "Adjustment to the Consideration" in this section) at any time from the date of the First Completion up to 31 December 2011. The Purchaser Call Option is exercisable at the discretion of both CFSG or its nominee or CGL.

The Consideration has been settled as to HK$60 million in cash upon signing of the S&P Agreement, and part of the Consideration will be settled by the issue of the Convertible Note(s) as set out in (b) below.

(b) the proposed issue of the Convertible Note(s) by CFSG which constituted the Very Substantial Acquisition

The Convertible Note(s) shall be issued by CFSG at principal value of approximately HK$233,952,000 (subject to the actual amounts due from the Group to the Retail Group as at the date of the First Completion as more particularly described in the heading of "Adjustment to the Consideration" in this section). Assuming the Convertible Note(s) are issued at principal amount of HK$233,952,000 and the conversion of the Convertible Note(s) at the Conversion Price of HK$1.482 per Conversion Share (as adjusted after the First Announcement due to the CFSG Rights Issue) (subject to adjustment to the initial Conversion Price), is exercised in full, an aggregate of 157,862,348 new CFSG Shares will be issued. The Conversion Shares represent about 25.58% and 20.37%, respectively of CFSG's existing issued share capital and its issued share capital as enlarged by the issue of the Conversion Shares.

(c) the Proposed Transactions relating to certain intra-group activities

Upon the First Completion, the Company, CFSG and CRM(HK) will conduct certain intra-group activities relating to provision of guarantee, leasing arrangement and provision of services, which are to be made in the their usual and ordinary course of businesses and on normal commercial terms, subject to conditions. The Proposed Transactions are conditional upon (among other things) the approval by the Shareholders at the SGM.

Under the Listing Rules, the Proposed Transfer constituted the Very Substantial Disposal and the issue of the Convertible Note(s) by CFSG to the Group constituted the Very Substantial Acquisition under the Listing Rules. Accordingly, the Transactions are conditional upon, among other things, the approval of the Shareholders at the SGM. As no Shareholder has material interest in the Transactions, no Shareholder is required to abstain from voting at the SGM.

The purpose of this circular is to give you further information regarding the S&P Agreement, the principal terms and conditions of the Convertible Note(s), the Agreements and the notice of the SGM at which ordinary resolutions will be proposed to approve the S&P Agreement, the issue of the Convertible Note(s) and the Agreements.

THE S&P AGREEMENT

Vendor	:	CGL, a wholly-owned subsidiary of the Company.
Purchaser	:	CFSG, a non-wholly-owned subsidiary of the Company owned as to 48.32% by the Company as at the Latest Practicable Date. As CFSG is a non-wholly-owned subsidiary of the Company where no connected person of the Company (as defined under the Listing Rules) is entitled to exercise, or control the exercise of, 10% or more of the voting power at any general meeting of CFSG, CFSG is not a connected person of the Company by virtue of rule 14A.11(5) of the Listing Rules.
Transaction	:	CFSG shall, subject to the Conditions, acquire from CGL the Interest (being 60% of the Equity Interest and the Loan) at the Consideration of approximately HK$184 million *(Note (1))* (subject to Adjustment), and CFSG will be granted the Purchaser Call Option (upon the First Completion) to acquire from CGL the remaining 40% of the Equity Interest at the Consideration of approximately HK$116 million *(Note (1))* (subject to Adjustment).
Purchaser Call Option	:	CGL shall grant to CFSG upon the First Completion an option to acquire the remaining 40% of the Equity Interest at the Consideration of approximately HK$116 million *(Note (1))* (subject to Adjustment). The Purchaser Call Option is exercisable, in whole or in part (in a multiple of HK$1 million), at any time from the date of the First Completion up to 31 December 2011. The exercise of the Purchaser Call Option is at the discretion of both the Purchaser or its nominee (ie its right of exercise) or CGL (ie its right to request the Purchaser or its nominee to exercise) by serving on the other party the exercise notice (in the case of the Purchaser or its nominee) or the request notice (in the case of CGL) *(Note (4))*. The Purchaser Call Option is not transferable to any third party (save for the wholly-owned subsidiaries of CFSG). In case the exercise of the Purchaser Call Option is at the discretion of CFSG or its nominee, CFSG will comply with the relevant requirements under rule 14A.70(2) of the Listing Rules on exercise of the Purchaser Call Option.

Consideration : The Consideration for the Interest and the remaining 40% of the Equity Interest shall be approximately HK$300 million *(Note (2))* (subject to Adjustment), which will be adjusted to an amount equivalent to P/E Ratio of 10 times of the Audited Net Profits of the Retail Group for the year ending 31 December 2008 in accordance with the Audited Accounts 2008 of the Retail Group.

The Consideration will be settled in the following manner:

(1) For acquisition of the Interest at the Consideration of approximately HK$184 million *(Note (1))* (subject to Adjustment):

(a) HK$60 million refundable deposit in cash as paid upon the signing of the S&P Agreement; and

(b) the balance will be settled in full by issue of the Convertible Note(s); and

(2) For acquisition of the remaining 40% of the Equity Interest under the Purchaser Call Option of approximately HK$116 million *(Note (1))* (subject to Adjustment):

(a) 100% will be settled in full by the issue of the Convertible Note(s) on completion of transfer of the 40% Equity Interest.

The deposit payable on signing of the S&P Agreement is financed by the CFSG Group from internal resources and the balance of the Consideration will be settled by the issue of the Convertible Note(s).

The Consideration is arrived at after arm's length negotiations between the parties and being a price acceptable to the parties with reference to P/E Ratio of 10 times of the Audited Net Profits of the Retail Group for the year ending 31 December 2008 which is determined after arm's length negotiations by reference to prospective P/E Ratio for the year 2008 of various companies listed in Hong Kong engaging in the retail business. In determining the Consideration, the Directors have conducted researches and compared the P/E Ratio of 16 comparable companies listed in Hong Kong engaging in the retail business and the mean value of P/E Ratio for such companies is approximately 9.6 times.

The Board has also taken into account the reputable brand name of "Pricerite", the corporate image, the established supply chain management platform, the efficient logistic system, the extensive retail networks in Hong Kong, the profit track record, the continuous growth in operating profits, the various revamps of retail business for recent years of the Retail Group.

The Directors considered that P/E Ratio is one of the common approaches used to value the fairness of the Consideration. The Directors noted that, as set out in the section of "Letter from Vinco Capital" in the circular of CFSG dated 26 May 2009, the independent financial adviser has also identified 9 comparable companies listed in Hong Kong engaging in the retail business and the mean value of P/E Ratio for such companies is 12.12 times. Accordingly, it further demonstrates that the Consideration of 10 times of the P/E Ratio is comparable to the market.

The Consideration was determined after arm's length negotiations and has also taken into account all the above factors. In view of the above, although there is significant disparity between the Consideration and the net asset value of the Retail Group, the Board and the CFSG Board are of the opinion that the Consideration is fair and reasonable and on normal commercial terms.

Adjustment : The Consideration for the Interest and the remaining 40% of the Equity Interest was determined at approximately HK$300 million *(Note (2))*, which will be adjusted (up or down), on a dollar-to-dollar basis, to an amount equivalent to P/E Ratio of 10 times of the Audited Net Profits of the Retail Group for the year ending 31 December 2008 as per the Audited Accounts 2008 of the Retail Group and then be round up to the nearest thousand figures. However, the adjustment amount for the Consideration for the Interest and the remaining 40% of the Equity Interest, notwithstanding up or down, shall not be more than HK$100 million in aggregate.

The final Consideration for acquisition of the Interest will be the aggregate of (i) 60% of the above adjusted Consideration after deducting the actual amount of the Loan, and (ii) the actual amount of the Loan. The final Consideration for acquisition of the remaining 40% Equity Interest under the Purchaser Call Option will be 40% of the above adjusted Consideration after deducting the actual amount of the Loan.

		The final consideration has been fixed at HK$310,340,000 as adjusted in accordance with the Audited Net Profits as shown in the Audited Accounts 2008, which have been prepared as at the Latest Practicable Date.
Conditions	:	Completion for the Transactions is conditional upon, among other things:– (1) the approval by the Shareholders at the SGM for the S&P Agreement, the Agreements and the transactions contemplated thereunder; (2) the approval by the CFSG Independent Shareholders at the CFSG SGM for the S&P Agreement, the Agreements and the transactions contemplated thereunder including but not limited to the issue of the Convertible Notes and the allotment and issue of the Conversion Shares; (3) the Listing Committee of the Stock Exchange granting listing of and permission to deal in the Conversion Shares; (4) the receipt of the Audited Accounts 2008 for the Retail Group by CFSG in form and content satisfactory to CFSG; and (5) the obtaining of all relevant consents, which are necessary in connection with the execution and performance of the S&P Agreement, the Agreements and the transactions contemplated thereunder. The S&P Agreement and the Agreements are inter-conditional. The Conditions are required to be fulfilled on or before 31 August 2009, or such later date as may be agreed between CGL and CFSG. If the Conditions are not fulfilled by such date, the S&P Agreement shall terminate and any part of the Consideration having been paid prior to such termination shall be refunded to CFSG and no party to the S&P Agreement should have any claim against the other party save and except the rights of any such party in respect of any antecedent breaches. As at the Latest Practicable Date, save as the Condition (4) listed above which has been fulfilled, all of the Conditions are subject to fulfilment.
The First Completion	:	The S&P Agreement shall be completed within 7 business days (or any other date as agreed between CGL and CFSG) after the S&P Agreement becoming unconditional.

The Second Completion	:	The transfer of the remaining 40% of the Equity Interest shall be completed within 7 business days (or any extended period as agreed between CGL and CFSG) after the date of receipt of the notice of exercise by CGL from CFSG. Upon the Second Completion, CFSG shall issue to CGL or its nominee the Convertible Note(s) with principal amount of the final Consideration for acquisition of the remaining 40% of the Equity Interest.

Notes:

(1) The above Consideration of approximately HK$184 million and HK$116 million respectively have been adjusted to HK$186,204,000 (subject to the actual amounts due from the Group to the Retail Group as at the date of the First Completion, as particularly described in the heading of "Adjustment to the Consideration" in this section below) and HK$124,136,000 in accordance with the Audited Net Profits as shown in the Audited Accounts 2008, which have been prepared as at the Latest Practicable Date.

(2) The final Consideration, in aggregate, has been adjusted to HK$310,340,000 in accordance with the Audited Net Profits as shown in the Audited Accounts 2008, which have been prepared as at the Latest Practicable Date.

(3) Details of the adjustment to the Consideration are set out in the heading of "Adjustment to the Consideration" in this section below.

(4) The exercise right of the Purchaser Call Option has been amended from at the discretion of the Purchaser only to at the discretion of both the Purchaser or its nominee or CGL pursuant to the Supplemental Agreement.

CONVERTIBLE NOTE(S)

Principal terms

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

Consideration	:	Approximately HK$240 million *(Note (5))* (subject to maximum adjustment amount, notwithstanding up or down, of HK$100 million), as part payment for the Consideration upon the First Completion and full payment for the Consideration upon the Second Completion.
Principal amount	:	The principal amount of the Convertible Note(s) shall be the same as the Consideration for the Proposed Transfer.
Conversion Price	:	HK$1.15 *(Note (6))* per Conversion Share (subject to adjustments). The Conversion Price was determined on an arm's length basis between CFSG and the Vendor, being: • about 30.7% premium over the closing price of HK$0.88 per CFSG Share on 18 December 2008 (the last trading day prior to the date of the First Announcement);

- about 23.7% premium over the average closing price of about HK$0.93 per CFSG Share based on the closing prices as quoted on the Stock Exchange for the 5 trading days ended on 18 December 2008;

- about 23.7% premium over the average closing price of about HK$0.93 per CFSG Share based on the closing prices as quoted on the Stock Exchange for the 10 trading days ended on 18 December 2008; and

- about 45.5% discount to the latest unaudited net asset value of HK$2.11 per CFSG Share based on the unaudited net asset value of CFSG as at 30 June 2008.

The adjusted Conversion Price of HK$1.482 as at the Latest Practicable Date represents:

- about 11.8% discount to the latest audited net asset value of HK$1.68 per CFSG Share based on the audited net asset value of CFSG as at 31 December 2008; and

- about 124.5% premium over the closing price of HK$0.66 per CFSG Share on the Latest Practicable Date.

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 CFSG 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 CFSG 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 CFSG 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 CFSG 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 CFSG Share. The adjustment, when it takes place, will in appropriate circumstances be reviewed by approved merchant bank or financial adviser or auditor of CFSG, and will be disclosed in the relevant announcement or annual report of CFSG (as consider appropriate by the CFSG Board).

		The Conversion Price was determined by CFSG and CGL with reference to the recent market closing prices of the CFSG Shares. The Board are 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(s), payable on a quarterly basis.
Redemption rights	:	At the discretion of CFSG only, in whole or in part of integral multiple of HK$1 million, at any time during the conversion period (as described below).
Conversion right and restrictions	:	At the discretion of both CFSG (ie its right to request CGL or its nominee to exercise its right of conversion) or CGL (ie its right of conversion) or its nominee by serving on the other party the request notice (in the case of CFSG) or the conversion notice (in the case of CGL or its nominee) (in each case shall be in an amount of integral multiple of HK$1 million) for conversion of the Convertible Note(s) into Conversion Shares issued in the name of CGL or its nominee, provided that:– (i) CFSG shall not request CGL or its nominee to or CGL or its nominee shall not exercise its right of conversion if the then trading price of CFSG Share as quoted on the Stock Exchange is lower than the Conversion Price; and (ii) CFSG shall not request CGL or its nominee to or CGL or its nominee shall not exercise the right of conversion if immediately following such exercise there will be insufficient public float for the CFSG Shares (as required by the Listing Rules). As CIGL and parties acting in concert with it are already holding more than 50% of the shareholding interest in CFSG, CFSG and CGL are not aware of any general offer implications, which will arise under the Takeovers Code as a consequence of the exercise of the Convertible Note(s) in full.
Conversion period	:	Any time after the expiry of 6 months from the issue date of the Convertible Note(s) and ending on the maturity date (as described below).

Maturity date	:	3 years from the issue date of the Convertible Note(s), or any other date mutually agreed between CFSG and CGL, on which all outstanding principal amount of the Convertible Note(s) shall be fully repaid.
Transferability	:	The Convertible Note(s) should not be transferable except with the written consent of CFSG (save for the wholly-owned subsidiaries of CGL or the Company, which shall not require the consent of CFSG).

Notes:

(5) The above Consideration of approximately HK$240 million has been adjusted to HK$233,952,000 (subject to the actual amounts due from the Group to the Retail Group as at the date of the First Completion, as particularly described in the heading of "Adjustment to the Consideration" in this section below) in accordance with the Audited Net Profits as shown in the Audited Accounts 2008, which have been prepared as at the Latest Practicable Date.

(6) The Conversion Price has been adjusted from HK$1.15 to HK$1.482 per Conversion Share with effect from 19 March 2009 due to the CFSG Rights Issue and subject to further adjustments, if any, as at the Latest Practicable Date.

Conversion Shares to be issued upon conversion

The Conversion Shares to be issued upon conversion of the Convertible Note(s) will rank pari passu in all respects with the CFSG Shares then in issue at the relevant dates of conversion. There are 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(s).

Assuming that the Convertible Note(s) are issued at the principal amount of HK$233,952,000 (subject to the actual amounts due from the Group to the Retail Group as at the date of the First Completion), in aggregate, and full conversion of the Convertible Note(s) at the adjusted Conversion Price of HK$1.482 per Conversion Share, 157,862,348 Conversion Shares, representing approximately 25.58% of the existing issued share capital of CFSG, and approximately 20.37% of the issued share capital of CFSG as enlarged by the issue of the Conversion Shares, will be issued by CFSG.

The Conversion Shares will be issued by CFSG under a specific mandate to be sought at the CFSG SGM.

Voting rights of the holder of the Convertible Note(s)

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

Listing of the Convertible Note(s)

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

SHAREHOLDING STRUCTURE OF CFSG

Currently, CFSG does not have any existing convertible notes in issue. The shareholding structure of CFSG as at the Latest Practicable Date and after the full conversion of the Convertible Note(s) (assuming the Convertible Note(s) are issued at the principal amount of HK$233,952,000, in aggregate, at the adjusted Conversion Price of HK$1.482 per Conversion Share) are as follows:

Shareholders	As at the Latest Practicable Date		After the Proposed Transfer, assuming the Convertible Note(s) are issued at principal amount of HK$233,952,000, in aggregate, and full conversion of the Convertible Note(s)	
	No. of CFSG Shares	*Approximate %*	*No. of CFSG Shares*	*Approximate %*
CIGL *(Note 1)* and Associates	298,156,558	48.32	456,018,906	58.84
Cash Guardian Limited ("Cash Guardian") and parties acting in concert with it *(Note 2)*	17,076,647	2.77	17,076,647	2.20
Directors				
Mr Kwan Pak Hoo Bankee	8,168,000	1.32	8,168,000	1.05
Mr Law Ping Wah Bernard	13,771,120	2.23	13,771,120	1.78
Mr Lin Che Chu George	5,913,600	0.96	5,913,600	0.76
CFSG Directors and Associates (other than those who are also the Directors of the Company)				
Mr Chan Chi Ming Benson	10,000,000	1.62	10,000,000	1.29
Mr Cheng Man Pan Ben	5,334,000	0.86	5,334,000	0.69
Mr Yuen Pak Lau Raymond	5,010,000	0.81	5,010,000	0.65
Mr Lo Kwok Hung John	169,000	0.03	169,000	0.02
Sub-total	363,598,925	58.92	521,461,273	67.28
Abdulrahman Saad Al-Rashid & Sons Company Limited ("ARTAR") *(Note 3)*	64,372,480	10.43	N/A *(Note 3)*	N/A *(Note 3)*
Public *(Note 3)*	189,136,702	30.65	253,509,182	32.72
Total	617,108,107	100.00	774,970,455	100.00

Notes:

(1) CIGL is a wholly-owned subsidiary and Associate of the Company.

(2) Cash Guardian is a company controlled by Mr Kwan Pak Hoo Bankee, the chairman of both the Company and CFSG. The parties acting in concert with Cash Guardian are close relatives of Mr Kwan Pak Hoo Bankee.

(3) ARTAR is a substantial shareholder of CFSG and not a public shareholder of CFSG as at the Latest Practicable Date. However, when the Convertible Note(s) are converted in full, the shareholding interest of ARTAR in CFSG will be diluted to below 10%. ARTAR will be regarded as a public shareholder of CFSG and the 64,372,480 CFSG Shares held by ARTAR will be counted as part of the CFSG Shares held by the public.

The CFSG Board anticipates that the Proposed Transfer and the issue of the Convertible Note(s) will not result in a change of control of the CFSG Group.

ADJUSTMENT TO THE CONSIDERATION

Pursuant to the terms of the S&P Agreement as set out in the First Announcement, the Consideration for the sale and purchase of the Interest and the remaining 40% of the Equity Interest shall be approximately HK$300 million, which will be adjusted (up or down to a maximum amount of HK$100 million), on a dollar-to-dollar basis, to an amount equivalent to P/E Ratios of 10 times of the Audited Net Profits of the Retail Group for the year ending 31 December 2008 as per the Audited Accounts 2008 of the Retail Group to be prepared and then be round up to the nearest thousand figures.

As the Latest Practicable Date, the Audited Accounts 2008 have been prepared and the Audited Net Profits as shown in the Audited Accounts 2008 is HK$31,034,000. Therefore, the final Consideration has been fixed at HK$310,340,000, being 10 times of the Audited Net Profits, as at the Latest Practicable Date, and an upward adjustment of HK$10,340,000 has been made to the Consideration of HK$300 million as set out in the First Announcement. Based on the balance sheet of the Retail Group as shown in the accountants' report of the Group in appendix I on page 145 of this circular, as at 31 December 2008, there were amounts due from the Group to the Retail Group of HK$51,006,000 and amounts due to the Group by the Retail Group of HK$34,618,000. After netting off such amounts, there were outstanding amounts due from the Group to the Retail Group of HK$16,388,000 instead of any Loan due from the Retail Group to the Group as at 31 December 2008.

Accordingly, (i) the Consideration for acquisition of the Interest (being 60% of the Equity Interest) has been fixed at HK$186,204,000, being 60% of the final Consideration of HK$310,340,000, (ii) the amount to be settled on the First Completion as well as the principal amount of Convertible Note(s) to be issued on the First Completion shall be approximately HK$109,816,000 (subject to the actual amounts due from the Group to the Retail Group as at the date of the First Completion), being HK$186,204,000 less the deposit paid upon the signing of the S&P Agreement of HK$60 million and further less the above outstanding amounts due from the Group to the Retail Group of HK$16,388,000, (iii) the amount to be settled on the Second Completion as well as the principal amount of Convertible Note(s) to be issued on the Second Completion has been fixed at HK$124,136,000, being 40% of the final Consideration of HK$310,340,000. Accordingly, the aggregate amount of the Convertible Note(s) to be issued on the First Completion and the Second Completion shall be HK$233,952,000 (subject to the actual amounts due from the Group to the Retail Group as at the date of the First Completion). As at the Latest Practicable Date, a letter of confirmation has been signed between CGL and CFSG to confirm the above adjustments of the Consideration and payment on the First Completion and the Second Completion.

THE RETAIL GROUP

The Retail Group currently mainly operates the retail business in Hong Kong including retailing of furniture and household items under the brand name of "Pricerite". The Retail Group also owns the beneficial interest of a property at "Pricerite Group Building, No.6 Hong Ting Road, Sai Kung, New Territories, Hong Kong" with market value of HK$60.0 million as at 31 December 2008 in accordance with the valuation of an independent valuer using market value approach. The property is currently used by the Retail Group as a godown for its business operation.

According to the consolidated income statement of the Retail Group as set out in appendix I on page 146 of this circular, the profits, before and after taxation, minority interest and extraordinary items, of the Retail Group for the year ended 31 December 2007 were both approximately HK$30.1 million, and the profits, before and after taxation, minority interest and extraordinary items, of the Retail Group for the year ended 31 December 2008 were about HK$35.9 million and HK$31.0 million respectively.

REASONS FOR THE PROPOSED TRANSFER

The current principal activities of the Group consist of (a) financial services provided via the CFSG Group 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, other financial services; (b) retail management business including the retail business via the CRMG Group and the Retail Group; (c) provision of online game services, sales of online game auxiliary products and licensing services via the Game Group; and (d) property investment and other investments holding. Immediately after the First Completion, the business of the Group will focus on online game business in the PRC and investment holding.

The disposal is to streamline the corporate operations and rationalise costs by delineating the operation of businesses in Hong Kong relating to mainly financial services and retailing businesses via the CFSG Group, and the operation of businesses in the PRC relating to mainly online game business via the Game Group (the Group's remaining subsidiaries other than the CFSG Group). The CFSG Group and the Group (excluding the CFSG Group) currently have some areas of operations, infrastructure and resources in both Hong Kong and the PRC such as offices, human resources, equipment, etc which can be rationalized and streamlined. The reorganization of the financial services group and the retail business group under CFSG can enable possible elimination of duplications in the existing infrastructure and enhance the utilization and flexibility of human resources, operations and capital investments for both groups so as to enjoy the benefits of economy of scale.

The management of the CFSG Group is experienced in running the financial services business in Hong Kong, and will provide new idea or visions in operation of retail business so as to further improve the growth potential of the Retail Group in the long run. Also, the grant of Purchaser Call Option provides more flexibility for both the Group or CFSG to complete the acquisition of the remaining 40% Equity Interest as and when the Board or the board of CFSG might consider appropriate, and it will not impose an immediate heavy financial burden on cash flow of the CFSG Group.

Upon the First Completion, the Company nevertheless will still maintain its indirect controlling interest in the Retail Group and will continue to share the results of the Retail Group via the CFSG Group. CRM(HK) will cease to be a direct wholly-owned subsidiary of the Group, but it will continue to be a non-wholly-owned subsidiary of the Company via the CFSG Group. Upon the Completion, CRM(HK) will continue to be a non-wholly-owned subsidiary of the Company via the CFSG Group.

The Board considers that the terms of the Proposed Transfer are fair and reasonable and on normal commercial terms, and the entering into of the S&P Agreement is in the interest of the Company and the Shareholders as whole.

The proceeds from the Proposed Transfer will be used as general investments and working capital purposes.

The original purchase cost of the Retail Group by the Company in June 2006 was HK$130.6 million. Based on the unaudited pro forma income statements of the New Group set out in 2(b) of Appendix III to this circular, upon the First Completion and the Second Completion, the Company is expected to result in a gain on dilution of shareholding of the 60% Equity Interest and the 40% Equity Interest, respectively in CRM(HK) before taxation of about HK$57.3 million and HK$51.7 million, respectively which will be reported in the financial year during which the Completion takes place. The basis of calculation are set out in notes (b)(i) and (c)(i) of 2(b) of Appendix III to this circular.

REASONS FOR THE ISSUE OF THE CONVERTIBLE NOTE(S)

The purpose of the issue of the Convertible Note(s) is for settlement of the balance of the Consideration for the Proposed Transfer such that it will not impose an immediate financial burden on cash flow of the CFSG Group. On the other hand, it provides the Company with interest income at coupon rate of 2% per annum. The Convertible Note(s) also provides high flexibility for both CFSG and the Company to convert the Convertible Note(s) into Conversion Shares as and when the Board or the CFSG Board considers appropriate.

THE AGREEMENTS AND NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS FOR THE CFSG GROUP ON THE FIRST COMPLETION

Upon the First Completion, the Retail Group will be owned as to 60% and 40% by CFSG and the Company, respectively, and (assuming the Purchaser Call Option is not exercised) CRM(HK) will become a non-wholly-owned subsidiary of CFSG and remain a subsidiary of the Company with CGL holding 40% interest therein. Upon the First Completion, the Company will remain a connected person and (assuming the Purchaser Call Option is not exercised) CRM(HK) will become a connected person of CFSG (as defined under the Listing Rules) by virtue of rule 14A.11(1) of the Listing Rules, and the Proposed Transactions to be made between the Retail Group and CFSG, and the Company, respectively will constitute connected transactions on the part of CFSG upon the First Completion.

On 19 December 2008, the Company, CFSG and CRM(HK) entered into the Agreements relating to certain intra-group activities proposed to be made among the CFSG Group, the Group and the Retail Group in their normal and usual course of business and on normal commercial terms, subject to conditions, on the First Completion, and such activities will constitute non-exempt continuing connected transactions of CFSG under the Listing Rules on the First Completion:–

(a) The First Agreement relating to provision of guarantee

Date of the First Agreement	:	19 December 2008
Parties to the First Agreement	:	the Company, CFSG and CRM(HK)
Annual cap of financial guarantee and terms	:	Each of the Company and/or CFSG will provide financial guarantee (as might be necessary as per request of various banks) not exceeding HK$200 million per annum for the purpose of assisting the Retail Group to obtain banking facilities from various banks for each of the three financial years ending 31 December 2011 (in the case of the Company, assuming the Purchaser Call Option is not exercised).
Basis of determination of financial guarantee	:	The amount of financial guarantee to be provided by the Company and CFSG is determined with reference to the existing financial guarantee provided by the Group to the Retail Group of up to HK$137 million, HK$135 million and HK$133 million in the two years ended 31 December 2007 and 6 months ended 30 June 2008, respectively to various banks.

Reasons for the First Agreement	:	As the Retail Group will continue to rely on such banking facilities in order to carry on its business operation upon the First Completion, it is expected that the Company and/or CFSG will be required to provide financial guarantee (as might be necessary as per request of various banks) not exceeding HK$200 million per annum to various banks for such purposes for each of the three financial years ending 31 December 2011 (in the case of the Company, assuming the Purchaser Call Option is not exercised) in view of the steady growth of retail business during the relevant period.

(b) The Second Agreement relating to leasing arrangement

Date of the Second Agreement	:	19 December 2008
Parties to the Second Agreement	:	the Company and CRM(HK)
Premises	:	A member of the Group will sub-lease around 60% of floor area of "28/F Manhattan Place, 23 Wang Tai Road, Kowloon Bay, Hong Kong" to the Retail Group as office premises.
Annual cap of rental and term	:	Rental (including rent and management fees) not exceeding HK$5 million per annum, in total, for each of the three financial years ending 31 December 2011.
Basis for determination of rental	:	The annual cap of rental is determined in accordance with the monthly rental of not exceeding HK$400,000 (including the management fees) per month, representing around 60% of the monthly rental payable by the Group (excluding the CFSG Group) under the lease agreement entered into between the member of the Group with an independent third party. Such rental is calculated on the basis of prevailing market rate of the above office premises.
Reasons for the Second Agreement	:	The sharing of the office premises by the Retail Group with the Group (excluding the CFSG Group) will allow both the Group (excluding the CFSG Group) and the Retail Group to enjoy economy of scale and effective utilizations of resources.

As at the date of the Second Agreement, the Retail Group occupied part of an office premises at "21/F The Center, 99 Queen's Road Central, Hong Kong" with a gross floor area of 14,872 square feet, which was leased by the Company from an independent third party pursuant to a lease agreement entered between the Company and such independent third party. Under such sub-lease arrangement, the Retail Group was obliged to pay to the Company a monthly rental (including management fees) of approximately HK$392,000, representing around 60% (as determined in accordance with the percentage of actual floor area of such existing office premises occupied by the Retail Group) of the rental payable by the Company to such independent third party under a lease agreement which has been expired on 31 March 2009. A member of the Group (excluding the CFSG Group) has signed a tenancy agreement for the above new premises at "28/F Manhattan Place, 23 Wang Tai Road, Kowloon Bay, Hong Kong" with an independent third party and is currently sub-leasing around 60% of the floor area of such new premises, with similar percentage of the actual floor area occupied by the Retail Group at the existing premises, at a monthly rental of not exceeding the HK$400,000 under the current new sub-lease arrangement.

(c) The Third Agreement relating to provision of services

Date of the Third Agreement	:	19 December 2008
Parties to the Third Agreement	:	the Company, CFSG and CRM(HK)
Provision of services	:	The Retail Group will provide services, including sales and marketing, advertising, promotional, etc, with annual services fees of not exceeding HK$2 million, in total, to each of CFSG Group and the Group (not including CFSG Group) for each of the three financial years ending 31 December 2011.
Reasons for the Third Agreement	:	It is expected that the cross-selling and cross-marketing activities among the Group (excluding the CFSG Group), the CFSG Group (excluding the Retail Group) and the Retail Group will broaden the revenue base for the Retail Group. The service fees charged by the Retail Group will be on normal commercial terms and on terms, which are no less, favorable to the Company and CFSG than those available to independent third parties.

The Agreements are conditional upon (among other things) the approval by CFSG Independent Shareholders at the CFSG SGM and the approval by the Shareholders at the SGM.

The above annual caps are determined with reference to the existing utilization of banking facilities or various services and the anticipated level of utilization for the coming three years. Also, all of the above activities will be conducted in the ordinary and usual course of businesses and on normal commercial terms. In view of the above reasons, the Board is of the view that the terms of the Agreements are fair and the entering into of the Agreements is in the interests of the Group and Shareholders as a whole.

FINANCIAL INFORMATION OF THE GROUP

The audited consolidated net profits, before and after taxation, minority interest and extraordinary items, of the Group for the year ended 31 December 2007 were about HK$169.7 million and HK$139.6 million, respectively. The audited consolidated net loss, before and after taxation, minority interest and extraordinary items, of the Group for the year ended 31 December 2008 were about HK$387.1 million and HK$396.5 million, respectively. The audited consolidated net asset value of the Group as at 31 December 2007 and 31 December 2008 was about HK$648.0 million and HK$258.4 million respectively.

FINANCIAL INFORMATION OF THE CFSG GROUP

The audited consolidated net profits, before and after taxation, minority interest and extraordinary items, of the CFSG Group for the year ended 31 December 2007 were about HK$235.5 million and HK$206.7 million respectively, and the audited consolidated net loss, before and after taxation, minority interest and extraordinary items, of the CFSG Group for the year ended 31 December 2008 were about HK$90.5 million and HK$86.2 million respectively. The audited consolidated net assets value of the CFSG Group as at 31 December 2007 and 31 December 2008 were about HK$898.4 million and HK$689.3 million respectively.

FINANCIAL AND TRADING PROSPECT OF THE NEW GROUP

Upon completion of the Proposed Transfer, the New Group will be engaged in principal business, including (i) financial services business through CFSG (including provision of financial services such as brokerage, margin financing, corporate finance, wealth management and asset management), (ii) retail management business including the retail business via the CRMG Group and the Retail Group, (iii) online game business via the Game Group, (iv) property investment and other investments holding.

As shown in the 2008 annual report of the Company, CFSG (our financial services division) recorded a decrease of revenue from its financial services, from HK$671.4 million as recorded in year 2007 to HK$317.1 million in year 2008, due to reduction in both the commission income generated from its brokerage business and interest income from its financing activities. It was in turn the result of weak investor sentiment and the lack of mega IPO activities in the midst of the worsening US sub-prime credit crisis since last year, followed by the downturn in both the local and global economies in 2008. Despite the fact that 2008 had been a most difficult year for the financial services sector at home and overseas, CFSG's core financial services business still recorded an operating profit of HK$62.3 million for the whole year. For the Group's retail management business, though the CRMG Group (whole retail business group) recorded an operating loss for the year, the Retail Group had recorded a profit of HK$31.0 million in year 2008. Thanks to the solid labour market conditions towards the end of 2008, the overall consumer spending had not been severely affected by the recent financial market turbulence and economic slowdown. The Retail Group recorded a mild growth in revenue to HK$864.0 million for year 2008 as compared to revenue of HK$773.3 million in year 2007 while still being able to maintain decent gross profit margins for the household products amid the rising merchandising costs brought about by the galloping inflation at home and abroad. For our online game business division (Game Group), it recorded a net operating loss of HK$107.0 million (excluding impairment loss recognised on goodwill) for year 2008. The loss was mainly attributable to the decrease in revenue and the provisions for investments in Moli Taiwan, the business of which had been discontinued at the end of the year 2008 for the purpose of more focused allocation of resources in Moli's PRC's operation. The results of online game business was also hard hit by the adverse impact of illegal pirate services and Sichuan earthquake in the PRC. Its original plan to launch the major new game "Radiant Arcana" was postponed and the scheduled investments in commercial advertising could not achieve the expected promotion performance. The property investment and other investments also experienced a fall in value and rental income after the global financial crises. The Group recorded a recognition of investment loss of HK$239.7 million on financial assets in year 2008. In view of the above, the Group recorded revenue of HK$1,312.7 million and net loss of HK$396.5 million (after taxation) in year 2008. In the first half of 2009, the stock and the property market have been improved. The Group has disposed one of the residential properties in Hong Kong held by the Properties Group.

Looking forward, it is anticipated that the financial turmoil will persist for a considerable period of time, rendering the most difficult operating environment in the recent decade. Global economic uncertainties have subdued demand worldwide while the unprecedented joint policy responses of various US-Euro governments have yet to take effect. However, China is expected to be among the first to recover, assisted by the huge capital spending programme launched by the central government and its commitment to maintain GDP growth of about 8% p.a. With the support of the central government, and closer economic ties with the Mainland, Hong Kong is expected to benefit from the recovery.

Upon the completion of the Transfer, the Retail Group will remain as subsidiaries of the Group but via CFSG Group. The New Group will continue to share the results of the Retail Group via the CFSG Group. In 2009, the New Group will focus on maintaining and leveraging our operational excellence, healthy financial position, disciplined management and innovation to ride out market adversity. The Board is cautiously optimistic about the long-term outlook of Hong Kong and hence the performance of the New Group.

MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP

Business and financial review for the year ended 31 December 2006

The CFSG Group

Business review and result

- Achieved a net profit of HK$40.2 million as compared to HK$27.3 million in the previous year. Such increase was mainly attributable to an improved performance of the CFSG Group's broking business during the year.

- Recorded revenue of HK$346.0 million from its financial services business as compared to HK$213.6 million for the previous year. The increase was attributable to the significant growth in securities brokerage income due to the continued speculation over appreciation of RMB as well as the continuous boom of initial public offerings (IPO) during the year under review, especially for mega China-related enterprises.

- During the year, the CFSG Group's share in the Hong Kong stock market by turnover improved handsomely due partly to the general market strength and partly to the CFSG Group's previous efforts to improve the delivery channels and execution platforms, which contributed to the significant growth in operating profits. There was strong demand for margin financing from clients as a result of the robust market environment. The investment banking division continued to focus its efforts on emerging Chinese private and state-owned enterprises which were listing candidates. During the year, the CFSG Group successfully sponsored the listing of Lingbao Gold, a high profile H-share, on the Stock Exchange which drew good publicity and attention from the financial services industry. Despite a fast growing financial planning industry, CFSG's wealth management division (CFT), while encountering fierce competition, experienced a slowdown in growth rate during 2006. To solidify and expand its market share in the increasingly competitive environment, the division reviewed its remuneration packages to attract industry professions and to strengthen cross-selling synergy with the house-served brokerage clients. Meanwhile, the Game Group's online game business which was held by the CFSG Group in 2006, recorded loss of HK$27.5 million.

Financial resources and liquidity

- Total equity amounted to HK$483.6 million on 31 December 2006, the improvement of which was due to the growth in retained earnings and new funds raised to strengthen capital bases during the first half of the year.

- Cash and bank balances including trust and segregated accounts totaled HK$675.6 million. The cash and bank balances of the trust and segregated accounts increased as compared with the end of previous year due to a rise in clients' deposits as they became more active in trading near year end. On the other hand, the cash and bank balances of our house accounts decreased because of intense demand for margin financing from our clients during the year.

- Total outstanding bank borrowings were HK$279.8 million, comprising bank loans of HK$190.4 million and overdrafts of HK$89.4 million. The bank borrowings of HK$277.4 million were drawn to fund securities margin financing to our clients. HK$262.3 million of these bank borrowings were collateralised by our margin clients' securities pledged to us for seeking financing. A cash deposit of HK$10.2 million was pledged as collateral for a general overdraft facility of HK$30 million. However, no overdraft was drawndown under this facility at the balance sheet date. Another deposit of HK$0.9 million was pledged to secure a general banking facility granted to a subsidiary.

- In addition, pursuant to a letter of undertaking provided by the Group to a bank, the CFSG Group covenanted to maintain deposits of not less than HK$15.0 million with the bank as a pre-condition for an overdraft facility granted by the bank. At the year-end, a bank deposit of approximately HK$16.7 million was held for the purpose. The remaining bank borrowing of HK$2.4 million was drawn for financing the working capital of the Game Group. It was secured by personal guarantee from a director of a subsidiary, Fugleman Entertainment Company.

- There was a convertible loan note with outstanding nominal value amounted to HK$30.5 million as at the end of the previous year. During the year, the noteholder partially exercised the note in the amount of HK$16.2 million at the conversion price of HK$0.27 each to convert into a total number of 60 million new Shares and CFSG had made early partial repayments of the note in the total amount of HK$14.3 million. The convertible loan note was fully repaid as at the end the year.

- Liquidity ratio on 31 December 2006 remained healthy at 1.2 times.

- Gearing ratio, which was calculated based on the total borrowings of the CFSG Group divided by the total shareholders' equity, was approximately 0.58 time on 31 December 2006.

- There was no material contingent liability at the year-end.

Foreign exchange risks

- There was no material un-hedged foreign exchange exposure or interest rate mismatch at the year-end.

Material acquisitions and disposals

- There was no material acquisitions or disposals during the year.

Capital commitments

- There was no outstanding material capital commitment as at the year-end.

Material investments

- As at 31 December 2006, the CFSG Group was holding a portfolio of listed investments with market value of approximately HK$54.3 million and a profit on such listed investments of HK$10.3 million was recorded for the year.

- Save as disclosed, the CFSG Group did not have any future plans for material investments, nor addition of capital assets.

Employee information

- As at 31 December 2006, the CFSG Group had 390 employees. The total amount of remuneration cost of employees of the CFSG Group for the year under review was approximately HK$79.5 million.

- Its employees were remunerated according to their performance, working experience and market conditions.

- The CFSG Group also have mandatory provident fund scheme, medical insurance scheme, discretionary share options, performance bonus and sales commission for staffs.

- The CFSG 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 CFSG Group.

The Retail Group

Business review and result

- Achieved a net profit of HK$5.0 million which was attributable to the continuing improvement in the local economy throughout the year, the revamping of the retail network and product ranges and improvement in profit margin for household products.

- Recorded revenue of HK$763.2 million for the year under review.

- The Retail Group had seen a continuing improvement in the local economy in 2006. However, it was being hit hard by the increase in rental and staff costs. The Group's retail management unit had managed to revamp its retail network and product ranges in order to reduce the pressure of the rising costs on its retail business. It had also improved its profit margins by sourcing its household products at better prices but without compromising the product qualities expected from its customers upon setting up a new sourcing center in the Yangtze River Delta in addition to its long established sourcing one in the Pearl River Delta in 2006.

Financial resources and liquidity

- Total equity stood at a deficit of HK$23.8 million on 31 December 2006.

- Cash, bank balances and pledged bank deposits totaled HK$85.7 million at the year-end. Bank deposits of HK$47.8 million were pledged to secure the general banking facilities granted by banks.

- Total outstanding bank borrowings of HK$85.5 million were secured bank loans and trust receipt loans.

- Liquidity ratio on 31 December 2006 was 0.6 time.

- Gearing ratio, which was calculated based on the total borrowings of the Retail Group divided by the total shareholders' equity, stood at a deficit of approximately 3.59 times on 31 December 2006.

- There was no material contingent liability at the year-end.

Foreign exchange risks

- There was no material un-hedged foreign exchange exposure or interest rate mismatch at the year-end.

Material acquisitions and disposals

- The Retail Group did not make any material acquisitions or disposals during the year.

Capital commitments

- There was no outstanding material capital commitment as at the year-end.

Material investments

- There was no investment in listed securities.

- There was no future plan for material investments, nor addition of capital assets.

Employee information

- As at 31 December 2006, the Retail Group had 784 employees. The total amount of remuneration cost of employees of the Retail Group for the year under review was approximately HK$85.0 million.

- Its employees were remunerated according to their performance, working experience and market conditions.

- The Retail Group also had mandatory provident fund scheme, medical insurance scheme, discretionary share options, performance bonus and sales commission for staffs. The Retail Group also provided its employees in the PRC with medical and other subsidies, and contributes to the retirement benefit plans.

- The Retail 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 Retail Group.

The Group

Business review and result

- The segment businesses of the Group with regard to financial services business of the CFSG Group and the retail management business of the Retail Group have been discussed above. The business of the Game Group was discussed under the sub-heading of the CFSG Group.

- Recorded revenue of HK$816.6 million which was increased as compared with previous year. The increase in revenue was partly due to the significant growth in financial services income recorded by the CFSG Group and partly due to consolidating the revenue of the CRMG Group.

- Taking into account the profit on disposal of the shares of OGHL, the operating profit of CFSG and the operating loss of CRM(HK), the Group recorded a turnaround result with a net profit of HK$53.4 million for the year ended 31 December 2006.

Financial resources and liquidity

- Total equity amounted to HK$567.3 million on 31 December 2006. The net increase in equity as compared with end of previous year was mainly attributed to the completion of a 2-for-1 rights issue in November 2006 raising approximately HK$61.2 million (before expenses) and the net profit reported for the year. This capital raising exercise has strengthened the capital base of the Group.

- Cash and bank balances were HK$821.2 million. The increase in cash and bank balances increased as compared with end of previous year was partly due to consolidating the cash and bank balances of CRM(HK) which became the wholly-owned subsidiaries of the Group in June 2006 and partly due to an increase in CFSG's clients' deposits as they became more active in trading near the year end.

- Total borrowings were HK$437.5 million. The increase in borrowings as compared with end of previous year was partly due to consolidating the borrowings of CRM(HK) and partly due to a rise in demand of margin financing from CFSG's clients near the year-end. Most of these borrowings were collateralised by our margin clients' securities pledged to us for seeking financing. A cash deposit of HK$78.1 million was pledged as collateral for a general banking facility granted to the Group. In addition, pursuant to a letter of undertaking provided by the Group to a bank, the Group covenants to maintain deposits of not less than HK$15.0 million with the bank as a pre-condition for an overdraft facility granted by the bank. At the year-end, a bank deposit of approximately HK$16.7 million was held for the purpose. A bank borrowing of HK$2.4 million was drawn down for financing the working capital of the Group. It was secured by personal guarantee from a director of 富格曼科技股份有限公司 (Fugleman Entertainment Company), a subsidiary of the Group.

- Liquidity ratio on 31 December 2006 remained healthy at 1.1 times.

- Gearing ratio, which was calculated based on the total borrowings of the Group divided by the total Shareholders' equity, was approximately 0.77 time on 31 December 2006.

- There was no material contingent liability at the year-end.

Foreign exchange risks

- There was no material un-hedged foreign exchange exposure or interest rate mismatch at the year-end.

Material acquisitions and disposals

- In September 2005, CFSG announced a major transaction for proposed acquisition of the Game Group at a consideration of HK$110 million and several funds raising activities. These transactions were approved and completed in January 2006. Accordingly, 155 million placing shares at a placing price of HK$0.40 per share and 120 million subscription shares at a subscription price of HK$0.40 per share were issued by CFSG to the Group and to various independent third parties respectively on 10 January 2006.

- On 30 June 2006, the Group acquired 100% equity interest in CRM(HK) from OGHL at a final consideration of HK$130.6 million.

- On 27 February 2006, the Group disposed of about 5% shareholding interest in OGHL at a total consideration of about HK$30 million. On 19 October 2006, the Group disposed of about 27% shareholding interest in OGHL at a final consideration of HK$106.2 million. OGHL was no longer an associated company of the Group since then. In March 2007, the Group disposed of all the remaining 7.89% shareholding interest in OGHL at a total consideration of about HK$19.8 million. The Group did not hold any shareholding interest in OGHL after the disposals.

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

Capital commitments

- The Group did not have any material capital commitment at the end of the year.

Material Investments

- As at 31 December 2006, the Group was holding a portfolio of listed and unlisted investment with a total value of approximately HK$49.3 million. During the year, a gain of HK$18.6 million on investments held for trading was recorded.

- Save as disclosed, the Group did not hold any significant investment during the year nor did we have any future plans for material investments or capital assets.

Employee information

- As at 31 December 2006, the Group had 1,296 employees, of which 390 were at the CFSG Group and 784 were at the Retail Group. The total amount of remuneration cost of employees of the Group for the year under review was approximately HK$228.4 million.

- Our employees were remunerated according to their performance, working experience and market conditions.

- The Company and some of its subsidiaries also have mandatory provident fund scheme, medical insurance scheme, discretionary share options, performance bonus and sales commission for staffs.

- 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.

Business and financial review for the year ended 31 December 2007

The CFSG Group

Business review and result

- Ceased to consolidate the revenue and operating results of the Game Group subsequent to the completion of the disposal of the Game Group operated by the CFSG Group on 1 June 2007.

- Achieved a net profit of HK$206.7 million as compared to HK$40.2 million recorded in the previous year. Such a significant increase was mainly attributable to an improved performance of the CFSG Group's broking business and the incorporation of the gain on disposal of the Game Group of HK$41.7 million.

- Recorded revenue from the continuing operations of HK$666.4 million as compared to HK$346.0 million for the previous year. The increase was attributable to the significant growth in the CFSG Group's brokerage business and interest income from its financing activities for the year, which in turn, was mainly due to the buoyant stock markets in Hong Kong and the PRC throughout 2007.

- During the year, the CFSG Group's market share and securities turnover surged sharply as a result of the large inflow of funds after the announcement that Mainland individuals would be allowed to invest directly in the Hong Kong stock market and the commencement of QDII investments. The strong appetite for IPO subscriptions increased the demand for margin financing which also led to the satisfactory growth of the CFSG Group's broking business. Thanks to the buoyant market, the CFSG Group's investment banking unit was particularly active in financial advisory and continued to look for IPO sponsorships opportunities for emerging private and state-owned enterprises in China. The wealth management division (CFT) made a number of significant changes including the re-engineering of its pricing and payout scheme to attract and retain sales professionals in 2007. In addition, it strengthened the recruitment to nearly double the number of sales representatives. As a result of these changes, its sales revenue increased by a high double-digit and the earnings before interest and tax doubled. With a view to enhancing its service experience, the business unit launched an after-sale survey, a pioneer in its field, to gather feedback and strengthen client relationships. On the other hand, the Game Group's online game services division operated by the CFSG Group was discontinued on 1 June 2007.

Financial resources and liquidity

- Total equity amounted to HK$899.4 million on 31 December 2007, the improvement of which, apart from the growth of retained earnings, was mainly attributed to the completion of 5-for-2 rights issue in November 2007 raising approximately HK$237.4 million (before expenses) to strengthen capital bases during the year.

- Cash and bank balances including trust and segregated accounts totaled HK$1,213.9 million. The cash and bank balances increased significantly as compared with the end of previous year was the combined results of the cash generated from the net profit and the net proceeds raised by the aforesaid rights issue during the year as well as an increase in clients' deposits at the year end date.

- Total outstanding bank borrowings were HK$231.1 million, comprising bank loans of HK$229.0 million and overdrafts of HK$2.1 million. Bank borrowings of HK$126.1 million, which were drawn to fund securities margin financing to its clients, were collateralised by its margin clients' securities pledged to the CFSG Group for seeking financing. The CFSG Group had obtained a 3-year term syndicated bank loan with total facilities of HK$175.0 million and the total bank borrowings of HK$231.1 million had included a partial draw-down of the syndicated bank loan amounting to HK$105 million at the year-end date.

- Cash deposit of approximately HK$10.6 million was pledged as collateral for a loan facility of HK$10.0 million but the facility had not been drawn down at the year-end. A further deposit of HK$1.0 million was pledged to secure a general banking facility granted to a subsidiary of CFSG. In addition, pursuant to a letter of undertaking provided by the CFSG Group to a bank, the CFSG Group covenanted to maintain deposits of not less than HK$15.0 million with the bank as a pre-condition for an overdraft facility of HK$15.0 million granted by the bank. Therefore a bank deposit of approximately HK$17.1 million was held for this purpose.

- Liquidity ratio on 31 December 2007 remained healthy at 1.3 times.

- Gearing ratio, which was calculated based on the total borrowings of the CFSG Group divided by the total shareholders' equity, was approximately 0.29 time on 31 December 2007.

- There was no material contingent liability at the year-end.

Foreign exchange risks

- There was no material un-hedged foreign exchange exposure or interest rate mismatch at the year-end.

Material acquisitions and disposals

- On 9 January 2007, CFSG proposed the disposal of the Game Group to the Group. The final consideration was fixed at HK$120 million and the transaction was completed on 1 June 2007. Details of the disposal were disclosed in CFSG's announcement dated 9 January 2007 and the circular dated 4 April 2007.

- On 27 June 2007, CFSG announced the formation of a joint venture entity with two independent third parties in equal shares for investing in a PRC property with maximum capital contribution of the CFSG Group up to RMB150 million (approximately HK$153.2 million). Details of the transaction were disclosed in CFSG's announcement dated 27 June 2007 and the circular dated 18 July 2007.

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

Capital commitments

- Outstanding material capital commitment was HK$11.6 million in relation to decoration works and acquisitions of equipment.

- Save as aforesaid, the CFSG Group did not have any material capital commitment as at the year-end.

Material investments

- As at 31 December 2007, the CFSG Group was holding a portfolio of listed investments with a market value of approximately HK$59.3 million and a gain on such investments of HK$20.3 million was recorded for the year.

- Save as disclosed, the CFSG Group did not have any future plans for material investments, nor addition of capital assets.

Employee information

- As at 31 December 2007, the CFSG Group had 283 employees. The total amount of remuneration cost of employees of the CFSG Group for the year under review was approximately HK$80.0 million.

- Our employees were remunerated according to their performance, working experience and market conditions.

- CFSG and some of its subsidiaries also have mandatory provident fund scheme, medical insurance scheme, discretionary share options, performance bonus and sales commission for staffs. CFSG also provides its employees in the PRC with medical and other subsidies, and contributes to the retirement benefit plans.

- The CFSG 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 CFSG Group.

The Retail Group

Business review and result

- Achieved a net profit of HK$30.1 million which was attributable to the stable growth in the Hong Kong economy and the territory's property boom in the second half of the year which led to strong domestic consumption.

- Recorded a mild growth of revenue to HK$773.3 million due to local strong domestic consumption and consistent improvement in its service and products quality and operational effectiveness of the retail business.

- Benefiting from the stable growth in the Hong Kong economy and the territory's property boom in 2007, the Retail Group recorded a mild growth in revenue while achieving a continued improvement in its gross profit margins for the household products amid the recent rises in merchandising costs as a result of the appreciation of RMB against Hong Kong dollar. The achievement was partly due to the local strong domestic consumption and partly due to the consistent improvement in its services and products quality and operational effectiveness.

Financial resources and liquidity

- Total equity amounted to HK$6.3 million on 31 December 2007, which was due to the increase in retained earnings and the reported profit for the year.

- Cash, bank balances and pledged bank deposits totaled HK$81.8 million. Bank deposits of HK$48.6 million were pledged to secure the general banking facilities granted by banks.

- Total outstanding bank borrowings were HK$77.6 million, all of which were secured bank loans and trust receipt loans which would be due within one year.

- Liquidity ratio on 31 December 2007 was 0.8 time.

- Gearing ratio, which was calculated based on the total borrowings of the Retail Group divided by the total shareholders' equity, was approximately 12.33 times on 31 December 2007.

- There was no material contingent liability at the year-end.

Foreign exchange risks

- There was no material un-hedged foreign exchange exposure or interest rate mismatch at the year-end.

Material acquisitions and disposals

- There was no material acquisition or disposal during the year.

Capital commitments

- There was no outstanding material capital commitment as at the year-end.

Material investments

- There was no investment in listed securities.

- There was no future plan for material investments, nor addition of capital assets.

Employee information

- As at 31 December 2007, the Retail Group had 811 employees. The total amount of remuneration cost of employees of the Retail Group for the year under review was approximately HK$98.7 million.

- Our employees were remunerated according to their performance, working experience and market conditions.

- The Retail Group also had mandatory provident fund scheme, medical insurance scheme, discretionary share options, performance bonus and sales commission for staffs. The Retail Group also provided its employees in the PRC with medical and other subsidies, and contributes to the retirement benefit plans.

- The Retail 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 Retail Group.

The Group

Business review and result

- The segment businesses of the Group with regard to financial services business of the CFSG Group and the retail management business of the Retail Group have been discussed above. The Company has acquired the Game Group from the CFSG on 1 June 2007. For Game Group's business, it achieved remarkable revenue and user base growth in Mainland China, Taiwan and overseas in 2007. With the strong foundation and existing links with leading online game operators in different countries, the Game Group would seek to enhance game distribution capabilities by expanding the game portfolio and geographical presence in order to license games to more countries and regions.

- Recorded revenue of HK$1,665.5 million which was increased as compared with previous year. The increase in revenue was partly due to the significant growth in financial services income recorded by the CFSG Group for the year, and partly due to having consolidated the revenue of the CRMG Group for the full year of 2007 subsequent to the completion of its acquisition by the Group in June 2006.

- Taking into account the operating profits of CFSG and the Game Group and the operating loss of the CRMG Group, the Group recorded a net profit of HK$139.6 million for the year ended 31 December 2007.

Financial resources and liquidity

- Total equity amounted to HK$1,140.2 million on 31 December 2007. The improvement, apart from the net profit reported for the year, was mainly attributed to the issue of a total of 230.3 million new Shares in the Company, raising approximately HK$315.2 million (before expenses) to strengthen the capital bases during the year.

- Cash and bank balances were HK$1,348.2 million. The cash and bank balances increased as compared with end of previous year was the combined results of the cash generated from the operating profit of CFSG, the proceeds raised by the aforesaid issue of new Shares in the Company, the proceeds raised upon completion of a 5 for 2 rights issue by CFSG in November 2007 and an increase in clients' deposits of CFSG at the year-end date. CFSG's clients would like to place more readily liquid fund with CFSG for catching instant investment opportunities under active market conditions.

- Total bank borrowings were HK$326.0 million. The substantial decrease in borrowings as compared with end of previous year was partly due to partial repayments of the bank borrowings with the net proceeds raised by the aforesaid rights issue by CFSG in November 2007, and partly due to the reduction in margin financing needs by CFSG's clients in the last quarter of 2007 as a result of the unfavourable investment sentiment caused by the recent sub-prime crisis in USA and the global credit crunch.

- The bank borrowings drawn to fund securities margin financing were collateralised by CFSG's margin clients' securities pledged to us in turn by them for the purpose of securing their financing from us. Cash deposits of HK$90.2 million were pledged as collaterals for the general banking facilities granted to the Group. In addition, pursuant to a letter of undertaking provided by the Group to a bank, the Group had maintained deposits of not less than HK$15.0 million with the bank as a pre-condition for an overdraft facility granted to the Group.

- Liquidity ratio on 31 December 2007 remained healthy at 1.3 times.

- Gearing ratio, which was calculated based on the total borrowings of the Group divided by the total Shareholders' equity, was approximately 0.29 time on 31 December 2007.

- There was no material contingent liability at the year-end.

Foreign exchange risks

- There was no material un-hedged foreign exchange exposure or interest rate mismatch at the year-end.

Material acquisitions and disposals

- In March 2007, the Group disposed of all the remaining 7.89% shareholding interest in OGHL at a total consideration of about HK$19.8 million. The sale of such listed share investments resulted in a gain of approximately HK$0.5 million for the Group for the year.

- In June 2007, the Group acquired the whole interest in the Game Group from CFSG at a final consideration of HK$120 million.

- In June 2007, the Company, through Marvel Champ Investments Limited (a 65%-owned subsidiary of CFSG), formed an associate with two independent third parties. The associate, in turn, invested in a property developed in Shanghai, the PRC that comprises an 11-storey office tower, a single-storey retail podium and a single-storey car-parking basement, and part of property is used as the Group's offices. According to the preliminary plan, the maximum commitment of the Group was up to RMB150 million (approximately HK$153.2 million). During the year, the associate had also sought certain banking facilities as the partial payment for the purchase price of the property. The Group will provide its share of corporate guarantee for the banking facilities, if required. Accordingly, the outstanding capital contribution of the Group was reduced to HK$84.4 million. Up to 31 December 2007, total amounts of HK$78.1 million had been paid to the associate by the Group as its share of capital contribution and shareholders' loans. The Group's remaining capital contribution on this project was HK$6.3 million.

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

Capital commitments

- The Group has another capital commitments of HK$30.2 million in relation to the decoration works and acquisitions of equipment as at 31 December 2007.

- Save as aforesaid, the Group did not have any material capital commitment at the end of the year.

Material Investments

- 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 disclosed, the Group did not hold any significant investment during the year nor did we have any future plans for material investments or capital assets.

Employee information

- As at 31 December 2007, the Group had 1,835 employees, of which 283 were at the CFSG Group and 811 were at the Retail Group. The total amount of remuneration cost of employees of the Group for the year under review was approximately HK$236.4 million.

- Our employees were remunerated according to their performance, working experience and market conditions.

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

- 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.

Business and financial review for the year ended 31 December 2008

The CFSG Group

Business review and result

- Recorded a net loss of HK$86.2 million which was mainly due to recognition of investment loss of HK$163.4 million on financial assets when the financial crisis in the last quarter of 2008.

- Recorded revenue of HK$324.7 million which was significantly decreased as compared with previous year. It was due to reduction in both the commission income generated from the brokerage business and interest income from its financing activities, which had in turn resulted from the weak investors' sentiment and the lack of mega IPO activities in the midst of the worsening US sub-prime credit crisis since late 2007, followed by the downturn in both the local and global economies in 2008.

- Its financial services business still recorded an operating profit of HK$62.3 million even though the poor investment sentiment caused by the US sub prime credit crisis started to take toll on the local stock market.

- The CFSG Group's securities broking industry was hit hard by the unprecedented financial turmoil and economy downturn, resulting in significant fall in turnover and operating profit. With the decline in market turnover and the lack of mega IPO activities, interest income for margin financing business substantially dropped. Under this challenging environment, the CFSG Group's corporate finance unit shifted its focus to financial advisory and special transactions such as corporate restructuring and capital injections. The financial meltdown following the Lehman Brothers collapse in the fourth quarter of 2008 had far-reaching effects on both the world's wealth management and asset management markets. The wealth management business (CFT) experienced a fall in average order size on its business, and a reduction in asset under management due to global market sell-offs and fund withdrawals. On the other hand, investors were increasingly interested in protection-based investment, while the number of clients increased for its asset management business, reflecting the underlying need for professional investment service in times of rising volatility. CFT will continue to grow its client base and assets under management.

Financial resources and liquidity

- Total equity amounted to HK$706.1 million on 31 December 2008, which was due to reduction in retained earnings and the loss for the year.

- Cash and bank balances including the trust and segregated accounts totaled HK$752.5 million. The cash balances decreased as compared with end of previous year due to drop in deposits by securities' clients whose confidence in the stock market had been weakened as the financial crisis was deepening in the last quarter of 2008.

- Total outstanding bank borrowings were HK$232.1 million, comprising bank loans of HK$179.0 million, mortgage loans of HK$38.1 million and overdrafts of HK$15.0 million. Among the above bank borrowings, HK$14.0 million were collateralised by its margin clients' securities pledged to the CFSG Group. Another bank loan of HK$10.0 million was secured by a pledged deposit. Mortgage loans of HK$38.1 million were secured by the investment properties under construction with a total carrying amount of approximately HK$63.3 million. There were also unsecured borrowings including a syndicated bank loan of HK$105.0 million, unsecured bank loans of HK$50.0 million and unsecured overdrafts of HK$15.0 million.

- Bank deposits of HK$10.7 million was pledged as collateral for a bank loan of HK$10.0 million. Another deposit of HK$0.2 million was pledged to facilitate a bank guarantee of a rental deposit. A further deposit of HK$7.1 million was pledged to facilitate a standby letter of credit facility granted by a bank to an associate of CFSG. In addition, pursuant to a letter of undertaking provided by the CFSG Group to a bank, the CFSG Group undertakes to maintain deposits of not less than HK$15.0 million with the bank as a pre-condition for an overdraft facility of HK$15.0 million granted by this bank. Accordingly, a bank deposit of approximately HK$17.1 million was held for this purpose.

- Liquidity ratio on 31 December 2008 remained healthy at 1.4 times.

- Gearing ratio, which was calculated based on the total borrowings of the CFSG Group divided by the total shareholders' equity, was approximately 0.38 time on 31 December 2008.

- There was no material contingent liability at the year-end.

Foreign exchange risks

- There was no material un-hedged foreign exchange exposure or interest rate mismatch at the year-end.

Material acquisitions and disposals

- On 19 December 2008, the CFSG Group entered into the S&P Agreement relating to the Proposed Transfer at a total consideration of approximately HK$300 million (subject to Adjustment), details of the Transactions are disclosed in the First Announcement and this circular.

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

Capital commitments

- There was no outstanding material capital commitment as at the year-end.

Material investments

- As at 31 December 2008, the CFSG Group was holding a portfolio of listed investments and unlisted investment funds with market values of approximately HK$79.2 million and net losses on listed investments, unlisted investment funds, equity-linked structured deposits and derivative financial instruments totally of HK$163.4 million was recorded for the year.

- Save as disclosed, the CFSG Group did not have any future plans for material investments, nor addition of capital assets.

Employee information

- As at 31 December 2008, the CFSG Group had 258 employees. The total amount of remuneration cost of employees of the CFSG Group for the year under review was approximately HK$71.8 million.

- Its employees were remunerated according to their performance, working experience and market conditions.

- CFSG and some of its subsidiaries also had mandatory provident fund scheme, medical insurance scheme, discretionary share options, performance bonus and sales commission for staffs. CFSG also provides its employees in the PRC with medical and other subsidies, and contributes to the retirement benefit plans.

- The CFSG Group had 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 CFSG Group.

The Retail Group

Business review and result

- Despite the adverse external environment in 2008, the Retail Group still made remarkable progress in 2008, with revenue and profits both recording satisfactory growth.

- Achieved a net profit of HK$31.0 million, reflecting the consistent improvement in the services and products quality and operational effectiveness, including the continued overhaul brand rejuvenation for its retail network since late last year of the retail business.

- Recorded revenue of HK$864.0 million with a mild growth as compared with the previous year. The overall consumer spending had not been severely affected by the recent financial market turbulence and economic slowdown beginning in the last quarter of the year, as a result of the solid labour market conditions towards the year-end.

- Thanks to the solid labour market conditions towards the end of 2008, the overall consumer spending had not been severely affected by the recent financial market turbulence and economic slowdown. The Retail Group recorded a mild growth in revenue while still being able to maintain decent gross profit margins for the household products amid the rising merchandising costs brought about by the galloping inflation at home and abroad. In the global financial crisis, the Group's retail management unit took a proactive approach in rationalising costs and refining retail strategies.

Financial resources and liquidity

- Total equity amounted to HK$37.5 million on 31 December 2008, which was due to the increase in retained earnings and the reported profit for the year.

- Cash, bank balances and pledged bank deposits totaled HK$91.8 million, which was kept at a similar level as compared with the previous year. Bank deposits of HK$54.0 million were pledged to secure the general banking facilities granted by banks.

- Total outstanding bank borrowings were HK$79.1 million, all of which were secured bank borrowings of trust receipt loans which would be due within one year.

- Liquidity ratio on 31 December 2008 was 0.9 time.

- Gearing ratio, which was calculated based on the total borrowings of the Retail Group divided by the total shareholders' equity, was approximately 2.11 times on 31 December 2008.

- There was no material contingent liability at the year-end.

Foreign exchange risks

- There was no material un-hedged foreign exchange exposure or interest rate mismatch at the year-end.

Material acquisitions and disposals

- The Retail Group did not make any material acquisitions or disposals during the year.

Capital commitments

- There was no outstanding material capital commitment as at the year-end.

Material investments

- There was no investment in listed securities.

- There was no future plan for material investments, nor addition of capital assets.

Employee information

- As at 31 December 2008, the Retail Group had 814 employees. The total amount of remuneration cost of employees of the Retail Group for the year under review was approximately HK$101.2 million.

- Our employees were remunerated according to their performance, working experience and market conditions.

- The Retail Group also had mandatory provident fund scheme, medical insurance scheme, discretionary share options, performance bonus and sales commission for staffs.

- The Retail 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 Retail Group.

The Group

Business review and result

- The segment businesses of the Group with regard to financial services business of the CFSG Group and the retail management business of the Retail Group have been discussed above. These two segment businesses still recorded operating profits even though the poor investor confidence and consumer sentiment caused by the US subprime credit crisis and the economic downturn started to take their toll on the local stock market and retail business. For the online game service business, the Game Group postponed the original plan to launch "Radiant Arcana", which is the major game in its PRC operation, in light of the Sichuan earthquake. As such, the scheduled investments in commercial advertising could not achieve the expected promotion performance. Game revenue declined due also to the adverse impact of pirate servers. The Game Group's online game service unit would work closely with law enforcement departments to combat pirate servers and would adopt strong defensive measures to mitigate internet security risk.

- Recorded revenue of HK$1,312.7 million which was decreased as compared with previous year. The decrease in revenue was mainly due to a drop in financial services income recorded by the CFSG Group for the year.

- Posted a net loss of HK$396.5 million as compared to a net profit of HK$139.6 million recorded in the previous year. The recorded loss was mainly due to (i) recognition of the investment loss of HK$239.7 million on financial assets when the financial crisis in the last quarter of 2008 damaged investor confidence, causing the share prices of most listed securities in the local stock market to reach their new lows since the aftermath of SARS outbreak in 2003; and (ii) the impairment loss of HK$84.7 million on goodwill which was recognised as delay in return to profitability of the Game Group's online business had been expected amid significant deterioration in economic conditions in the PRC and Taiwan during the year.

Financial resources and liquidity

- Total equity amounted to HK$628.7 million on 31 December 2008. The net decrease in equity was attributed to the net loss reported for the year and the distribution of 2007 final dividend made during the year.

- Cash and bank balances were HK$971.3 million. The cash and bank balances decreased as compared with end of previous year mainly due to decrease in deposits by securities clients of CFSG whose confidence in the stock market had been weakened as the financial crisis was deepening in the last quarter of 2008.

- Total borrowings were HK$511.3 million. The substantial increase in borrowings as compared with end of previous year was mainly due to the drawdown of a term loan of HK$100 million on 31 December 2008, the proceeds of which were intended to be used as additional working capital to strengthen the Group's financial position. The drawdown of several mortgage loans for the purchase of several properties in Shanghai also explained the increase in the borrowings during the year.

- The bank borrowings drawn to fund securities margin financing were collateralised by CFSG's margin clients' securities pledged to us in turn by them for the purpose of securing their financing from us. Cash deposits of HK$101.7 million were pledged as collaterals for the general banking facilities granted to the Group. In addition, pursuant to a letter of undertaking provided by the Group to a bank, the Group had maintained deposits of not less than HK$15.0 million with the bank as a pre-condition for an overdraft facility granted to the Group.

- Liquidity ratio on 31 December 2008 remained healthy at 1.1 times.

- Gearing ratio, which was calculated based on the total borrowings of the Group divided by the total Shareholders' equity, was approximately 0.81 time on 31 December 2008.

- There was no material contingent liability at the year-end.

Foreign exchange risks

- There was no material un-hedged foreign exchange exposure or interest rate mismatch at the year-end.

Material acquisitions and disposals

- On 31 January 2008, the discloseable transaction of the Company for deemed disposal relating to issue of 60,000 new shares in Netfield (BVI), a subsidiary of the Game Group, at a consideration of US$6 million (approximately HK$46,800,000) was completed.

- On 18 September 2008, the Group entered into the license agreements with an independent third party for the grant of Moli exclusive licenses to operate two online games. The signing of the license agreements constituted a discloseable transaction of the Company under the Listing Rules.

- On 11 November 2008, the Group entered into a convertible note agreement and sale and purchase agreement with the controlling shareholder of the Company to acquire the Properties Group. The situation of the principal establishments of the Properties Group is the same as the principal place of business of the Company. The consideration was fixed at HK$43,243,000 on the date of completion on 17 February 2009, and a convertible note in the principal amount of HK$43,243,000 was issued by the Company to the controlling shareholder as consideration for the acquisition on the same date. There is no variation on the remuneration payable to and benefits in kind receivable by the directors of the Properties Group in consequence of the acquisition.

- On 17 November 2008, the Group entered into a sale and purchase agreement for acquisition of the remaining 3.4% equity shareholding interest in Netfield (BVI) at a consideration of HK$38 million from an independent third party. The transaction was completed on 26 November 2008 and Netfield (BVI) became a wholly-owned subsidiary of the Group since then.

- On 19 December 2008, the Group entered into the S&P Agreement relating to the Proposed Transfer at a total consideration of approximately HK$300 million (subject to Adjustment), detail of the Transactions are disclosed in this circular;

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

Capital commitments

- There was no outstanding material capital commitment as at the year-end.

Material Investments

- As at 31 December 2008, the Group was holding a portfolio of listed and unlisted investments with a total value of approximately HK$79.2 million and a loss on such investments of HK$239.7 million was recorded for the year.

- Save as disclosed, the Group did not hold any significant investment during the year nor did we have any future plans for material investments or capital assets.

Employee information

- As at 31 December 2008, the Group had 1,443 employees, of which 258 were at the CFSG Group and 814 were at the Retail Group. The total amount of remuneration cost of employees of the Group for the year under review was approximately HK$240.4 million.

- Our employees were remunerated according to their performance, working experience and market conditions.

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

- 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.

MANAGEMENT DISCUSSION AND ANALYSIS OF THE PROPERTIES GROUP

Business and financial review for the year ended 31 December 2006

Business review and result

- 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.

- 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 Mr Kwan Pak Hoo Bankee 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.

- 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.

- Liquidity ratio on 31 December 2006 was approximately 0.002 time.

- Gearing ratio, which was calculated based on the total borrowings of the Properties Group divided by the total shareholders' equity, was approximately 10.6 times on 31 December 2006.

- There was no material contingent liability at the year-end.

Foreign exchange risks

- There was no material un-hedged foreign exchange exposure or interest rate mismatch at the year-end.

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 review and result

- 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. 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.

- 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.

- 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.

- Liquidity ratio on 31 December 2007 was approximately 0.004 time.

- Gearing ratio, which was calculated based on the total borrowings of the Property Group divided by the total shareholders' equity, was approximately 4.6 times on 31 December 2007.

- There was no material contingent liability at the year-end.

Foreign exchange risks

- There was no material un-hedged foreign exchange exposure or interest rate mismatch at the year-end.

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 year ended 31 December 2008

Business review and result

- During the year ended 31 December 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). 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.

- Recorded a revenue of approximately HK$2.8 million which was entirely generated from rental income. The Properties Group recorded an audited consolidated net profit of approximately HK$0.9 million during the year under review. The total shareholders' equity of the Properties Group amounted to HK$7.1 million on 31 December 2008.

Financial resources and liquidity

- The Properties Group relied principally on a shareholder's loan from Mr Kwan Pak Hoo Bankee to fund its acquisition of properties and operations during the year under review and the loan was interest free, unsecured and repayable on demand.

- Cash and bank balances of the Properties Group were approximately HK$148,000 as at 31 December 2008.

- Total bank borrowings of the Properties Group amounted to HK$64.8 million on the same day, out of which HK$58.0 million were mortgage loans and the said investment properties were pledged as collateral for the loans.

- Liquidity ratio on 31 December 2008 was approximately 0.02 time.

- Gearing ratio, which was calculated based on the total borrowings of the Properties Group divided by the total shareholders' equity, was approximately 9.2 times on 31 December 2008.

- There was no material contingent liability at the year-end.

Foreign exchange risks

- There was no material un-hedged foreign exchange exposure or interest rate mismatch at the year-end.

Material investments, acquisitions and disposals

- At 31 December 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 year ended 31 December 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 December 2008.

Employee information

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

EFFECTS OF THE VERY SUBSTANTIAL DISPOSAL ON THE EARNINGS, ASSETS AND LIABILITIES OF THE NEW GROUP

Earnings

The effects and analysed based on the unaudited pro forma income statement of the New Group set out in the Appendix III to this circular, prepared on the assumption that the First Completion and the Second Completion had been completed on 1 January 2008.

Upon the First Completion and the Second Completion, the result of the Retail Group before the First Completion and the Second Completion will be accounted for as the pre-acquisition result in the financial statements of the New Group. The Group will record gains of HK$57.3 million and HK$51.7 million respectively on dilution of shareholdings in the Retail Group upon the First Completion and the Second Completion.

Assets and liabilities

Based on the unaudited pro forma assets and liabilities statement of the New Group set out in the Appendix III to this circular, prepared on the assumption that the First Completion and the Second Completion had been completed on 31 December 2008, the assets and the liabilities of the New Group as at 31 December 2008 would remain unchanged.

EFFECTS OF FULL CONVERSION OF CONVERTIBLE NOTE(S) ISSUED BY CFSG ON THE EARNINGS, ASSETS AND LIABILITIES OF THE NEW GROUP

Based on the pro forma statement of assets and liabilities of the New Group as set out in Appendix III to this circular, as a result of the full conversion of Convertible Note(s) issued by CFSG, the Group's total assets will be increased by approximately HK$2.7 million while the total liabilities of the Group will remain unchanged. The net asset value of the Group will remain unchanged. Upon the full conversion of the Convertible Note(s), the Group will record a gain of approximately HK$15.2 million.

GENERAL

Under the Listing Rules, the Proposed Transfer and the issue of the Convertible Note(s) by CFSG to the Company constituted the Very Substantial Disposal and the Very Substantial Acquisition and is subject to (among other things) the approval of the Shareholders at the SGM. As no Shareholder has material interest in the Transactions, no Shareholder is required to abstain from voting at the SGM.

The current principal activities of the CFSG Group are provision of (a) online and traditional brokerage of securities, options, futures, and leveraged foreign exchange contracts as well as mutual funds and insurance-linked investment products, (b) margin financing, (c) corporate finance, and (d) other financial services.

SGM

Set out on pages 258 to 260 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 Shareholders for approving the S&P Agreement, the issue of Convertible Note(s) by CFSG to the Company and the Agreements. The proposed 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

The Directors are of the view that the Proposed Transfer, the issue of Convertible Note(s) by CFSG and the Agreements are in the interests of the Company and the Shareholders as a whole. The Directors recommend the Shareholders to vote in favour of the ordinary resolutions as set out in the notice of the SGM.

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

The following is the text of a report, prepared for the sole purpose of inclusion in this circular received from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong.

Deloitte.
德勤

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香港金鐘道88號
太古廣場一座35樓

Deloitte Touche Tohmatsu
35/F One Pacific Place
88 Queensway
Hong Kong

26 May 2009

The Directors
Celestial Asia Securities Holdings Limited
28/F Manhattan Place
23 Wang Tai Road
Kowloon Bay
Hong Kong

Dear Sirs,

We set out below our report on the financial information ("Financial Information") regarding Celestial Asia Securities Holdings Limited ("Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for each of the three years ended 31 December 2008 ("Relevant Periods") for inclusion in a circular issued by the Company dated 26 May 2009 ("Circular") in connection with the proposed disposal of CASH Retail Management (HK) Limited ("CRM(HK)") and its subsidiaries to CASH Financial Services Group Limited ("CFSG"), a company incorporated in Bermuda with its shares being listed on the main board of The Stock Exchange of Hong Kong Limited ("Stock Exchange"), pursuant to the agreement dated 19 December 2008 entered into between the Company and CFSG.

The Company was incorporated in Bermuda under The Companies Act 1981 of Bermuda (as amended) as an exempted company with limited liabilities and acts as an investment holding company.

As at the date of this report, the Company has direct and indirect interest in the subsidiaries as set out below.

Name	Place of incorporation	Nominal value of issued and fully paid ordinary share capital/ registered capital	Voting power held by the Company	Proportion of nominal value of issued share capital held by the Company	Principal activities
			%	%	
3C Digital Limited	Hong Kong	HK$100	60	60	Retailing of digital products and electrical appliances through corporate sales
3C Electrical Appliances Limited	Hong Kong	HK$1	100	100	Retailing of electrical appliances
3C Retail Group Limited	British Virgin Islands ("BVI")	US$100	60	60	Investment holding and trading
Agostini Limited	Hong Kong	HK$1	55.58	48.32	Investment holding
All Success Limited	Hong Kong	HK$10 (voting) HK$2 (non-voting)	55.58	48.32	Provision of treasury functions and money lending
CASH Assets Limited	BVI	US$1	100	100	Inactive
CASH Asset Management Limited	Hong Kong	HK$10,000,000	55.58	48.32	Provision of asset management services
CASH (China) Holdings Limited	BVI	US$1	100	100	Investment holding
CASH (China) Financial Services Limited	BVI	US$1	55.58	48.32	Inactive
CASH (China) Investment Consultancy Limited	BVI	US$1	55.58	48.32	Contracting arm
CASH E-Surance Limited	Hong Kong	HK$2	55.58	48.32	Inactive
CASH E-Trade Limited	Hong Kong	HK$4,000,000	55.58	48.32	Provision of management services for group companies

Name	Place of incorporation	Nominal value of issued and fully paid ordinary share capital/ registered capital	Voting power held by the Company	Proportion of nominal value of issued share capital held by the Company	Principal activities
			%	%	
CASH Group Limited ("CGL") *(Note 4)*	BVI	US$1	100	100	Investment holding
CASH on-line Limited	BVI	US$50,000	55.58	48.32	Inactive
CASH Payment Services Limited	Hong Kong	HK$2	55.58	48.32	Provision of payment gateway services for group companies
CRM(HK)	BVI	US$1	100	100	Investment holding
CASH Retail Management Group Limited	BVI	US$100	100	100	Investment holding
CASH Retail Management Group Limited	Hong Kong	HK$1	100	100	Inactive
Cashflow Credit Limited	Hong Kong	HK$6,000,100	100	100	Money lending
Celestial Asia Investment Limited	Hong Kong	HK$2	55.58	48.32	Contracting arm
Celestial Asset Management Limited	Hong Kong	HK$4,000,100	55.58	48.32	Provision of treasury functions
Celestial Capital Limited	Hong Kong	HK$27,000,000	55.58	48.32	Provision of corporate finance services, investment and financial advisory services
Celestial (China) Asset Management Limited	BVI	US$1	55.58	48.32	Inactive
Celestial Commodities Limited	Hong Kong	HK$10,000,000	55.58	48.32	Futures and options broking and trading
Celestial Finance Limited	Hong Kong	HK$40,000,002	55.58	48.32	Provision of treasury functions and money lending

Name	Place of incorporation	Nominal value of issued and fully paid ordinary share capital/ registered capital	Voting power held by the Company	Proportion of nominal value of issued share capital held by the Company	Principal activities
			%	%	
Celestial Financial Services Limited	BVI	US$10,000	55.58	48.32	Investment holding
CFSG	Bermuda	HK$61,710,811	55.58	48.32	Investment holding
CFSG (China) Limited	BVI	US$1	55.58	48.32	Investment holding
CASH Frederick Taylor Limited (Renamed as CASH Wealth Management Limited with effect from 21 May 2009) ("CFT")	Hong Kong	HK$1,000,000	55.58	48.32	Financial advisory consultancy
CFT Nominees Limited	BVI	US$1	55.58	48.32	Inactive
Celestial Investment Group Limited ("CIGL")	BVI	US$10,000	100	100	Investment holding
Celestial Investments (HK) Limited	Hong Kong	HK$10,000,000	55.58	48.32	Money lending
Celestial IT Investments Limited	BVI	US$2	100	100	Inactive
Celestial (Nominees) Limited	Hong Kong	HK$2	55.58	48.32	Provision of nominees services
Celestial Securities Limited ("Celestial Securities")	Hong Kong	HK$140,000,000	55.58	48.32	Securities, equity options broking and trading, leveraged foreign exchange contracts
Champion Ford Limited	Hong Kong	HK$2	100	100	Provision of management services for group companies
Character Properties Limited	BVI	US$1	100	100	Investment holding
Chateron Corporate Finance Limited	Hong Kong	HK$10,000,000	55.58	48.32	Inactive
Cheer Forever Limited	Hong Kong	HK$2	100	100	Investment holding
Confident Profits Limited	BVI	US$2	55.58	48.32	Investment holding

Name	Place of incorporation	Nominal value of issued and fully paid ordinary share capital/ registered capital	Voting power held by the Company %	Proportion of nominal value of issued share capital held by the Company %	Principal activities
Dragon Kind Group Limited	BVI	US$1	100	100	Inactive
East Lake Development Limited	Hong Kong	HK$2	100	100	Holding of equipments
Excel Smart Profits Limited	BVI	US$1	100	100	Inactive
Excelbright Enterprises Limited	BVI	US$1	100	100	Investment holding
Golden Riverside Industrial Limited	Hong Kong	HK$102	55.58	48.32	Holding of domain name
Go Lucky Investments Limited	BVI	US$100	100	100	Property holding
Honest Joy Properties Limited	BVI	US$2	100	100	Property holding
icoupon Limited	BVI	US$1	55.58	48.32	Investment holding and trading
Kawoo Finance Limited	BVI	US$2	55.58	48.32	Investment holding and trading
Improve Fame Trading Limited	BVI	US$1	100	100	Investment holding
Libra Capital Management (HK) Limited	BVI	US$1	100	100	Securities trading
Libra Capital Management Limited	BVI	US$1	100	100	Investment holding
Lifeztore Limited	Hong Kong	HK$2	100	100	Inactive
Lifeztore (HK) Limited	Hong Kong	HK$1	100	100	Retailing of furniture and household goods through corporate sales
Lifeztore International Limited	Hong Kong	HK$1	100	100	Inactive
Linkup Assets Management Limited	BVI	US$1	55.58	48.32	Investment holding and trading
Majestic Assets Limited	BVI	US$1	100	100	Investment holding

Name	Place of incorporation	Nominal value of issued and fully paid ordinary share capital/ registered capital	Voting power held by the Company %	Proportion of nominal value of issued share capital held by the Company %	Principal activities
Marvel Champ Investments Limited	BVI	US$100	36.13	31.41	Investment holding
Max Luck Associates Limited	BVI	US$1	55.58	48.32	Investment holding
Moli Group Limited	BVI	US$1	100	100	Investment holding
Moli Profits Limited	BVI	US$1	100	100	Licensing contracting arms
Moli Publish Limited	BVI	US$1	100	100	Licensing contracting arms
Moli Trading Limited	BVI	US$1	100	100	Licensing contracting arms
Moliyo (Hong Kong) Limited	Hong Kong	HK$26,000,000	100	100	Online game operator
Moliyo P2P Limited	BVI	US$100	67	67	Holding of domain name
Netfield Technology Limited ("Netfield (Bermuda)")	Bermuda	HK$78,000	100	100	Investment holding
Netfield Technology Limited ("Netfield (BVI)")	BVI	US$1,740,000	100	100	Investment holding
Nimble Mind Profits Limited	BVI	US$10	90	90	Inactive
Praise Joy Limited *(Note 4)*	BVI	US$1	100	100	Investment holding
Pricerite (China) Limited	Hong Kong	HK$2	100	100	Investment holding
Pricerite.com.hk Limited	Hong Kong	HK$2	100	100	Retailing of furniture and household goods through corporate sales
Pricerite Development Limited	Hong Kong	HK$2	100	100	Inactive
Pricerite International Holdings Limited	BVI	US$1	100	100	Inactive
Pricerite Marketing Limited	Hong Kong	HK$2	100	100	Holding of equipment

Name	Place of incorporation	Nominal value of issued and fully paid ordinary share capital/ registered capital	Voting power held by the Company %	Proportion of nominal value of issued share capital held by the Company %	Principal activities
Pricerite SA (HK) Limited	Hong Kong	HK$2	100	100	Inactive
Pricerite (Saudi Arabia) Limited	BVI	US$1	100	100	Inactive
Pricerite Stores Limited	Hong Kong	HK$200,000,000	100	100	Retailing of furniture and household goods
RACCA Capital Inc.	BVI	US$3	55.58	48.32	Investment holding
RACCA Capital Limited	Hong Kong	HK$50,000	55.58	48.32	Provision of management services
Richwell Target Limited	Hong Kong	HK$2	100	100	Property holding
Sky Rich Investments Limited	Hong Kong	HK$1	55.58	48.32	Investment holding
Think Right Investments Limited	BVI	US$1	55.58	48.32	Properties holding
Value Success Finance Limited	BVI	US$100	50	50	Inactive
Vantage Giant Limited	BVI	US$1	55.58	48.32	Investment holding
Wealthy View Investment Limited	BVI	US$10	100	100	Investment holding
Worldwide Luck Limited	Hong Kong	HK$2	55.58	48.32	Holding of club membership
摩力游(上海)信息科技有限公司 (MOLI China Information Technology Limited) *(Note 2)*	The People's Republic of China ("PRC")	US$5,370,000	100	100	Online game developer and operator
上海摩力游數字娛樂有限公司 (Shanghai Moliyo Digital Entertainment Limited) *(Note 3)*	PRC	RMB1,000,000	100	100	Online game developer and operator
生活經艶(上海)商貿有限公司 (LifeZtore (Shanghai) Limited) *(Note 2)*	PRC	HK$24,920,000	100	100	Retailing of furniture and household goods
廣州時惠家居用品有限公司 *(Note 3)*	PRC	RMB1,000,000	100	100	Retailing of furniture and household goods

Name	Place of incorporation	Nominal value of issued and fully paid ordinary share capital/ registered capital	Voting power held by the Company %	Proportion of nominal value of issued share capital held by the Company %	Principal activities
時福投資諮詢(上海)有限公司 (CASH Investment Consulting (Shanghai) Company Limited) *(Note 2)*	PRC	US$840,000	100	100	Investment and management consultancy
上海雅盈家居用品有限公司 *(Note 3)*	PRC	RMB500,000	100	100	Retailing of furniture and household goods
上海經艷家居用品有限公司 *(Note 2)*	PRC	US$1,000,000	100	100	Design and production of furniture and household goods
上海雅室家居用品有限公司 *(Note 3)*	PRC	RMB1,000,000	100	100	Retailing and design of household goods
上海益華投資諮詢有限公司 *(Note 2)*	PRC	US$1,540,000	55.58	48.32	Investment and management consultancy
深圳時富企業管理諮詢有限公司 *(Note 2)*	PRC	RMB1,970,079	55.58	48.32	Management consultancy
深圳市品致生活家居用品有限公司 *(Note 3)*	PRC	RMB3,500,000	100	100	Sourcing services company
北京時富京訊投資諮詢有限公司 *(Note 2)*	PRC	RMB300,000	55.58	48.32	Investment and management consultancy
上海沂源信息技術有限公司	PRC	RMB500,000	100	100	Technical consultancy service provider

Notes:

(1) The Group holds 48.32% equity interests in CFSG through CIGL as at the date of this report. Cash Guardian Limited ("Cash Guardian"), a company in which Mr Kwan Pak Hoo Bankee has a beneficial interest and is also a Director, holds 2.75% equity interest in CFSG. Cash Guardian has agreed that it will cast all votes at all shareholders' meeting of CFSG, in accordance with the voting decision of the Company at all times. Mr Kwan Pak Hoo Bankee, Mr Lin Che Chu George and Mr Law Ping Wah Bernard, Directors of the Company, who have 1.32%, 0.96% and 2.23% equity interests and voting power respectively in CFSG, have agreed that they will not vote against the voting decision of the Company at all times, this arrangement is effective and enforceable until the year end of 2009, in the opinion of the Directors, this arrangement can be extended at a minimal cost. As a result, the Group is able to control the voting power at all the general meetings of CFSG. Accordingly, CFSG and its subsidiaries are accounted for a subsidiaries of the Company.

(2) Wholly-owned foreign enterprise established in the PRC.

(3) Domestic enterprise with limited liabilities established in the PRC which is indirectly held by the Company through the declarations of trust.

(4) CGL and Praise Joy Limited are directly held by the Company and the remaining subsidiaries are indirectly held by the Company as at date of this report.

No statutory audited financial statements have been prepared for those companies incorporated in BVI and Bermuda as these companies were incorporated in jurisdictions where there is no such statutory requirement.

The statutory financial statements of following subsidiaries established in the PRC were prepared in accordance with the relevant accounting principles and financial regulations applicable to enterprises established in the PRC and were audited by the following certified public accountants registered in the PRC.

Name of subsidiary	Periods covered	Certified Public Accountants
摩力游(上海)信息科技有限公司	Two years ended 31 December 2007	上海兆信會計師事務所有限公司
	Year ended 31 December 2008	上海至臻聯合會計師事務所
上海摩力游數字娛樂有限公司	Two years ended 31 December 2007	上海惠中會計師事務所有限公司
	Year ended 31 December 2008	上海至臻聯合會計師事務所
生活經艷(上海)商貿有限公司	Year ended 31 December 2006	上海兆信會計師事務所有限公司
	Year ended 31 December 2007	上海金城會計師事務所有限公司
	Year ended 31 December 2008	上海至臻聯合會計師事務所
廣州時惠家居用品有限公司	Two years ended 31 December 2007	廣州市大同會計師事務所
	Year ended 31 December 2008	廣州市華托會計事務所
時福投資諮詢(上海)有限公司	From date of incorporation to 31 December 2008	上海至臻聯合會計師事務所
上海雅盈家居用品有限公司	Year ended 31 December 2006	上海兆信會計師事務所有限公司
	Year ended 31 December 2007	上海金城會計師事務所有限公司
	Year ended 31 December 2008	上海至臻聯合會計師事務所
上海經艷家居用品有限公司	Year ended 31 December 2006	上海兆信會計師事務所有限公司
	Year ended 31 December 2007	上海金城會計師事務所有限公司
	Year ended 31 December 2008	上海至臻聯合會計師事務所

Name of subsidiary	Periods covered	Certified Public Accountants
上海雅室家居用品有限公司	Year ended 31 December 2006 Year ended 31 December 2007 Year ended 31 December 2008	上海兆信會計師事務所有限公司 上海金城會計師事務所有限公司 上海至臻聯合會計師事務所
上海益華投資諮詢有限公司	From date of incorporation to 31 December 2008	上海至臻聯合會計師事務所
深圳時富企業管理諮詢有限公司	From date of incorporation to 31 December 2008	深圳誠華會計師事務所有限公司
深圳市品致生活家居用品有限公司	Three years ended 31 December 2008	深圳誠華會計師事務所有限公司
北京時富京訊投資諮詢有限公司	From date of incorporation to 31 December 2008	北京國府嘉盈會計師事務所有限公司
上海沂源信息技術有限公司	From date of incorporation to 31 December 2008	上海至臻聯合會計師事務所

We have acted as auditor of the Company for the Relevant Periods. Audited consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

We have examined the audited consolidated financial statements of the Group ("Underlying Financial Statements") for the Relevant Periods in accordance with the Auditing Guideline 3.340 "Prospectus and the Reporting Accountant" as recommended by the HKICPA.

The Financial Information of the Group for the Relevant Periods set out in this report has been prepared based on the Underlying Financial Statements for the purpose of preparing our report for inclusion in the Circular. No adjustments were considered necessary to adjust the Underlying Financial Statements in preparing our report for inclusion in the Circular.

The Directors of the Company are responsible for the Underlying Financial Statements and the contents of the Circular in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, the Financial Information together with the notes thereon gives, for the purpose of this report, a true and fair view of the state of affairs of the Group as at 31 December 2006, 2007 and 2008 and of the consolidated results and cash flows of the Group for the Relevant Periods.

(A) FINANCIAL INFORMATION

Consolidated income statements

		Year ended 31 December		
		2006	**2007**	**2008**
	NOTES	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	*6*	816,622	1,665,452	1,312,746
Other income		4,104	5,828	10,645
Cost of sales for retailing business		(277,100)	(485,890)	(498,173)
Cost of sales and services for online game business		(11,906)	(83,800)	(59,077)
Convertible loan note settlement income		291	–	–
Salaries, allowances and commission	*8*	(228,369)	(400,799)	(319,664)
Other operating, administrative and selling expenses		(244,345)	(420,659)	(476,913)
Depreciation of property and equipment		(25,252)	(39,708)	(46,607)
Finance costs	*9*	(63,500)	(104,690)	(30,453)
Net gain (loss) on financial assets at fair value through profit or loss	*10*	18,621	52,106	(239,721)
Realised gain on disposal of available-for-sale investments		–	456	–
Fair value change on derivative financial instruments		–	(12,683)	235
Bad debt recovered		–	4,540	1,802
(Allowance for) reversal of bad and doubtful debts		(2,876)	(673)	176
Loss on disposal of property and equipment		(2,331)	–	(4,241)
Loss on disposal of subsidiaries	*37(c)*	–	–	(3,292)
(Loss) gain on dilution of shareholding in subsidiaries	*20*	(4,182)	(5,623)	41,655
Discount on acquisition of additional interests in subsidiaries		–	708	–
Share of profit (loss) of associates	*21*	14,374	(3,370)	39,096
Gain on disposal of associates	*21*	71,100	–	–
Impairment loss recognised on goodwill		–	–	(84,687)
Impairment loss recognised on intangible assets		–	–	(5,420)
Impairment loss recognised on accounts and other receivables		–	–	(22,319)
Impairment loss recognised in respect of property and equipment	*16*	(5,951)	(1,472)	(2,869)
Profit (loss) before taxation		59,300	169,723	(387,081)
Taxation charge	*12*	(5,939)	(30,079)	(9,425)
Profit (loss) for the year	*13*	53,361	139,644	(396,506)

		Year ended 31 December		
		2006	**2007**	**2008**
	NOTES	*HK$'000*	*HK$'000*	*HK$'000*
Attributable to:				
Equity holders of the Company		32,057	51,902	(358,113)
Minority interests		21,304	87,742	(38,393)
		53,361	139,644	(396,506)
Dividend recognised as distribution:				
Proposed final dividend – 31 December 2006: Nil; 31 December 2007: HK$0.04 per ordinary share; 31 December 2008: Nil	*15*	–	36,101	–
Earnings (loss) per share	*14*			
– Basic		HK$0.35	HK$0.34	HK$(1.98)
– Diluted		HK$0.31	HK$0.32	–

Consolidated balance sheets

		As at 31 December		
		2006	**2007**	**2008**
	NOTES	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets				
Property and equipment	*16*	98,750	109,252	172,019
Prepaid lease payments	*17*	16,378	15,963	15,548
Investment property	*18*	5,000	5,000	–
Available-for-sale investments	*19*	33,392	–	–
Goodwill	*20*	212,027	233,115	192,547
Interests in associates	*21*	–	65,778	111,684
Loan to an associate	*21*	–	10,296	10,296
Intangible assets	*22*	68,712	68,255	55,929
Other assets	*24*	16,241	9,136	9,447
Deposits paid for purchase of property and equipment		–	16,136	63,271
Loan receivables	*25*	656	692	671
Deferred tax assets	*12*	1,575	–	–
		452,731	533,623	631,412
Current assets				
Inventories	*26*	49,624	42,028	39,263
Accounts receivable	*27*	782,181	938,998	305,923
Loan receivables	*25*	19,275	28,915	13,677
Prepayments, deposits and other receivables	*27*	58,454	91,126	73,045
Receivable for disposal of an associate		76,187	–	–
Tax recoverable		–	–	1,230
Amounts due from associates		373	260	260
Investments held for trading	*28*	49,325	60,254	79,155
Deposits with brokers	*29*	–	131,751	2,730
Bank deposits under conditions	*29*	78,075	90,183	101,719
Bank balances – trust and segregated accounts	*29*	574,577	928,527	542,079
Bank balances (general accounts) and cash	*29*	168,569	329,501	327,480
		1,856,640	2,641,543	1,486,561

		As at 31 December		
		2006	**2007**	**2008**
	NOTES	*HK$'000*	*HK$'000*	*HK$'000*
Current liabilities				
Accounts payable	*30*	1,071,830	1,511,664	823,593
Deferred revenue		8,027	4,059	5,981
Accrued liabilities and other payables		109,467	121,520	85,714
Payable for acquisition of subsidiaries	*37(a)(iii)*	100,590	–	–
Taxation payable		4,869	23,149	24,072
Obligations under finance leases – amount due within one year	*31*	756	487	127
Borrowings – amount due within one year	*32*	405,189	324,792	383,071
Derivative financial instruments	*33*	–	12,683	3,067
Loan from a minority shareholder	*34*	–	27,437	27,437
		1,700,728	2,025,791	1,353,062
Net current assets		155,912	615,752	133,499
		608,643	1,149,375	764,911
Capital and reserves				
Share capital	*36*	65,623	90,253	18,051
Reserves		239,332	557,748	240,344
Equity attributable to equity holders of the Company		304,955	648,001	258,395
Share option reserve of a listed subsidiary		2,496	88	–
Minority interests		259,880	492,118	370,324
Total equity		567,331	1,140,207	628,719
Non-current liabilities				
Deferred tax liabilities	*12*	8,494	7,879	7,606
Obligations under finance leases – amount due after one year	*31*	541	40	315
Borrowings – amount due after one year	*32*	32,277	1,249	128,271
		41,312	9,168	136,192
		608,643	1,149,375	764,911

Consolidated statements of changes in equity

		Attributable to equity holders of the Company													
	Notes	Share capital HK$'000	Share premium HK$'000 (Note (a))	Contributed surplus HK$'000 (Notes (b)&(c))	General reserve HK$'000	Other reserve HK$'000 (Note (d))	Translation reserve HK$'000	Share option reserve HK$'000	Revaluation reserve HK$'000 (Note (n))	Accumulated profits (losses) HK$'000	Total HK$'000	Equity component of convertible loan note of a listed subsidiary HK$'000	Share option reserve of a listed subsidiary HK$'000	Minority interests HK$'000	Total HK$'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 *(note 37(a)(iii))*		–	–	–	–	–	–	–	15,564	–	15,564	–	–	–	15,564
Fair value changes on available-for-sale investments		–	–	–	–	–	–	–	14,095	–	14,095	–	–	–	14,095
Total income and expenses recognised directly in equity		–	–	–	–	–	(288)	–	29,659	–	29,371	–	–	–	29,371
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	*(g)(ii)*	–	–	–	–	–	–	–	–	–	–	(308)	–	–	(308)
Arising from early repayment of convertible loan note of a subsidiary	*(e)*	–	–	–	–	–	–	–	–	–	–	(273)	–	–	(273)
2006 interim dividend paid by subsidiary		–	–	–	–	–	–	–	–	–	–	–	–	(22,298)	(22,298)
Issue of new shares due to rights issue	*(f)*	21,875	39,373	–	–	–	–	–	–	–	61,248	–	–	–	61,248
Issue of new shares by subsidiary	*(g)*	–	–	–	–	–	–	–	–	–	–	–	–	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 and 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
Exchange difference arising from translation of foreign operations		–	–	–	–	–	(755)	–	–	–	(755)	–	–	–	(755)
Fair value changes on available-for- sale investments		–	–	–	–	–	–	–	(13,639)	–	(13,639)	–	–	–	(13,639)
Share of translation reserve of associates		–	–	–	–	–	855	–	–	–	855	–	–	460	1,315
Total income and expenses 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)

	Notes	Share capital HK$'000	Share premium HK$'000 (Note (a))	Contributed surplus HK$'000 (Notes (b)&(c))	General reserve HK$'000	Other reserve HK$'000 (Note (d))	Translation reserve HK$'000	Share option reserve HK$'000	Revaluation reserve HK$'000 (Note (n))	Accumulated profits (losses) HK$'000	Total HK$'000	Equity component of convertible loan note of a listed subsidiary 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 31 December 2007 and 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
Exchange difference arising from translation of foreign operations		–	–	–	–	–	183	–	–	–	183	–	–	–	183
Share of translation reserve of associate		–	–	–	–	–	4,425	–	–	–	4,425	–	–	2,384	6,809
Total income recognised directly in equity		–	–	–	–	–	4,608	–	–	–	4,608	–	–	2,384	6,992
Loss for the year		–	–	–	–	–	–	–	–	(358,113)	(358,113)	–	–	(38,393)	(396,506)
Total recognised income and expense for the year		–	–	–	–	–	4,608	–	–	(358,113)	(353,505)	–	–	(36,009)	(389,514)
2008 dividend paid by subsidiary		–	–	–	–	–	–	–	–	–	–	–	–	(54,950)	(54,950)
Reduction of shares due to share consolidation and reduction	*(k)*	(72,202)	–	72,202	–	–	–	–	–	–	–	–	–	–	–
Amount transferred from share premium to contributed surplus	*(l)*	–	(100,000)	100,000	–	–	–	–	–	–	–	–	–	–	–
Amount transferred to set off accumulated losses	*(m)*	–	–	(50,000)	–	–	–	–	–	50,000	–	–	–	–	–
Amount transferred to accumulated losses as a result of expiration of a subsidiary's share options		–	–	–	–	–	–	–	–	–	–	–	(88)	–	(88)
Transfer upon lapsed of share options		–	–	–	–	–	–	(422)	–	422	–	–	–	–	–
Acquisition of additional interest in a subsidiary		–	–	–	–	–	–	–	–	–	–	–	–	(31,436)	(31,436)
Issue of new shares by a subsidiary		–	–	–	–	–	–	–	–	–	–	–	–	601	601
2008 dividend paid		–	–	–	–	–	–	–	–	(36,101)	(36,101)	–	–	–	(36,101)
At 31 December 2008		18,051	317,255	138,926	1,160	12,314	4,420	652	15,564	(249,947)	258,395	–	–	370,324	628,719

Notes:

(a) 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.

(b) 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.

(c) 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.

(d) 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.

(e) During the year ended 31 December 2006, 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.

(f) 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.

(g) (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 per 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.

(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 shares of HK$0.10 each were issued by subscription 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 the 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 CFSG's share, resulting in the 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) 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 Share");

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

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

(l) Pursuant to a resolution of an annual general meeting held on 6 June 2008, an amount of HK$100,000,000 was transferred from the share premium account to contributed surplus account where it may be utilised in accordance with the bye-laws of the Company and all the applicable laws.

(m) Pursuant to a resolution of a board of directors' meeting held on 13 June 2008, an amount of HK$50,000,000 was transferred from contributed surplus account to set off against the accumulated losses of the Company.

(n) The balance of revaluation reserve as at 31 December 2007 and 2008 represented fair value adjustment attributable to the Group's interest in an associate before the acquisition of additional interests in that associate (which became a subsidiary after the acquisition of additional interest).

Consolidated cash flow statements

		Year ended 31 December		
		2006	**2007**	**2008**
	NOTES	*HK$'000*	*HK$'000*	*HK$'000*
Operating activities				
Profit (loss) before taxation		59,300	169,723	(387,081)
Adjustments for:				
Convertible loan note settlement income		(291)	–	–
Advertising and telecommunication services expenses	*38(a)*	5,393	2,233	–
Allowance for (reversal of allowance for) bad and doubtful debts		2,876	673	(176)
Amortisation of intangible assets		4,131	4,119	6,906
Amortisation of prepaid lease payments		207	415	415
Depreciation of property and equipment		25,252	39,708	46,607
Employee share option benefits		2,035	1,129	–
Loss (gain) of disposal on intangible assets		199	(9)	–
Allowance for (reversal of allowance for) inventory obsolescence and write-off of inventories		3,544	8,829	(3,171)
Dividends from investments		(471)	(1,617)	(5,890)
Loss (gain) on dilution of shareholding in subsidiaries		4,182	5,623	(41,655)
Discount on acquisition of additional interests in subsidiaries		–	(708)	–
Gain on disposal of associates		(71,100)	–	–
Fair value change on investment property		–	–	(823)
Revaluation deficit on buildings		–	–	1,388
Loss on disposal of subsidiaries		–	–	3,292
Impairment loss recognised on goodwill		–	–	84,687
Impairment loss recognised on intangible assets		–	–	5,420
Impairment loss recognised on accounts and other receivables		–	–	22,319
Impairment loss recognised in respect of property and equipment		5,951	1,472	2,869
Realised gain on disposal of available-for-sale investments		–	(456)	–
Interest expense		63,500	104,690	30,453
Loss on disposal of property and equipment		2,331	–	4,241
Change in fair value of derivative financial instruments		16	12,683	(235)
Share of (profit) loss of associates		(14,374)	3,370	(39,096)
Impairment loss on amount due from an associate		–	4,075	–

		Year ended 31 December		
		2006	2007	2008
	NOTES	*HK$'000*	*HK$'000*	*HK$'000*
Operating cashflow before movements in working capital		92,681	355,952	(269,530)
Decrease (increase) in inventories		9,424	(1,233)	5,832
(Increase) decrease in accounts receivable		(307,574)	(158,085)	623,479
Decrease (increase) in loan receivables		19,052	(9,974)	14,359
Decrease (increase) in prepayments, deposits and other receivables		11,837	(33,739)	1,367
Increase in amounts due from associates		(373)	(4,519)	–
Increase in investments held for trading and derivative financial instruments		(11,725)	(10,929)	(28,282)
(Increase) decrease in deposits with brokers		–	(131,751)	129,021
(Increase) decrease in bank balances – trust and segregated accounts		(221,675)	(353,950)	386,448
Increase (decrease) in accounts payable		331,051	439,834	(681,689)
Increase (decrease) in deferred revenue		8,027	(3,968)	1,737
Increase (decrease) in accrued liabilities and other payables		18,221	12,053	(30,168)
Net cash (used in) from operations		(51,054)	99,691	152,574
Income taxes paid		(1,045)	(10,839)	(10,005)
Dividends received		471	1,617	5,890
Net cash (used in) from operating activities		(51,628)	90,469	148,459
Investing activities				
Loan to an associate		–	(10,296)	–
Increase in investment in associate		–	(67,833)	–
Proceeds from disposal of available-for-sale investments		–	19,753	–
Disposal of subsidiaries	*37(a)*	–	–	(867)
Acquisition of subsidiaries	*37*	(44,053)	(24,403)	–
Acquisition of assets and liabilities	*37(b)*	–	37	–
Acquisition of additional interest in subsidiaries		–	(12,456)	(69,723)
Proceeds from disposal of an associate		60,000	–	–
Increase in bank deposits under conditions		(16,550)	(12,108)	(11,536)
Proceeds from disposal of property and equipment		616	–	1,280
Proceeds on disposal of investment property		–	–	5,823
Purchase of property and equipment		(28,799)	(50,708)	(126,983)
Deposits paid for purchases of property and equipment		–	(16,136)	(47,135)
Statutory and other deposits (paid) refunded		(8,677)	7,105	(311)
Expenditure on intangible assets		(1,931)	(5,422)	–
Proceeds from disposal of intangible assets		–	1,769	–
Net cash used in investing activities		(39,394)	(170,698)	(249,452)

		Year ended 31 December		
		2006	2007	2008
	NOTES	*HK$'000*	*HK$'000*	*HK$'000*
Financing activities				
Loan from a minority shareholder		–	27,437	–
Increase in borrowings		254,267	263,828	284,050
Repayment of borrowings		(191,719)	(287,972)	(111,924)
Increase (decrease) in bank overdrafts		59,610	(87,281)	12,415
Repayments of obligations under finance leases		(149)	(770)	(630)
Repayments of convertible loan note		(14,300)	–	–
Proceeds on issue of shares		61,248	321,002	–
Proceeds on issue of shares to minority interests		63,012	159,948	47,368
Dividends paid to minority shareholders by CFSG		(22,298)	(30,474)	(54,950)
Dividends paid by the Company		–	–	(36,101)
Payment of repurchase of shares of by CFSG		–	–	(10,904)
Interest paid on obligations under finance leases		(108)	(108)	(74)
Share issue expenses		(1,487)	(16,992)	–
Share issue expenses paid by CFSG		–	(467)	(40)
Interest paid on convertible loan note		(212)	–	–
Interest paid on bank and other loans		(63,212)	(104,582)	(30,379)
Deemed disposals of partial interest in subsidiaries		(3,319)	–	–
Net cash from financing activities		141,333	243,569	98,831
Net increase (decrease) in cash and cash equivalents		50,311	163,340	(2,162)
Cash and cash equivalents at beginning of year		118,219	168,569	329,501
Effect of foreign exchange rate changes		39	(2,408)	141
Cash and cash equivalents at end of year		168,569	329,501	327,480
Being:				
Bank balances (general accounts) and cash		168,569	329,501	327,480

Notes to Financial Information

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. The address of the registered office and principal place of business of the Company are disclosed on page 8 of the Circular.

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

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

For the purpose of preparing and presenting the Financial Information for the Relevant Periods, the Group has consistently applied HKFRSs, Hong Kong Accounting Standards ("HKAS(s)") amendments and interpretations ("INT") issued by the HKICPA that are effective for annual accounting periods beginning on 1 January 2008.

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

HKFRSs (Amendments)	Improvements to HKFRSs [1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009 [2]
HKAS 1 (Revised)	Presentation of financial statements [3]
HKAS 23 (Revised)	Borrowing costs [3]
HKAS 27 (Revised)	Consolidated and separate financial statements [4]
HKAS 32 & 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation [3]
HKAS 39 (Amendment)	Eligible hedged items [4]
HKFRS 1	First-time adoption of financial reporting standards [4]
HKFRS 1 & HKAS 27 (Amendments)	Cost of an investment in a subsidiary, jointly controlled entity or associate [3]
HKFRS 2 (Amendment)	Vesting conditions and cancellations [3]
HKFRS 3 (Revised)	Business combinations [4]
HKFRS 7 (Amendment)	Improving disclosures about financial instruments [3]
HKFRS 8	Operating segments [3]
HK(IFRIC) – INT 9 & HKAS 39 (Amendments)	Embedded derivatives [5]
HK(IFRIC) – INT 13	Customer loyalty programmes [6]
HK(IFRIC) – INT 15	Agreements for the construction of real estate [3]
HK(IFRIC) – INT 16	Hedges of a net investment in a foreign operation [7]
HK(IFRIC) – INT 17	Distribution of non-cash assets to owners [4]
HK(IFRIC) – INT 18	Transfer of assets from customers [8]

1 *Effective for annual periods beginning on or after 1 January 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009.*
2 *Effective for annual periods beginning on or after 1 January 2009, 1 July 2009 and 1 January 2010, as appropriate.*
3 *Effective for annual periods beginning on or after 1 January 2009.*
4 *Effective for annual periods beginning on or after 1 July 2009.*
5 *Effective for annual periods ending on or after 30 June 2009.*
6 *Effective for annual periods beginning on or after 1 July 2008.*
7 *Effective for annual periods beginning on or after 1 October 2008.*
8 *Effective for transfers on or after 1 July 2009.*

The application of HKFRS 3 (Revised) may affect the Group's accounting for business combination for which the acquisition date is on or after 1 January 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary. The Directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. Significant accounting policies

The Financial Information has 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 Financial Information has been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the Financial Information includes 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 Financial Information incorporates 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.

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.

When a business combination involves more than one exchange transaction, each exchange transaction shall be treated separately by the acquirer, using the cost of the transaction and fair value information at the date of each exchange transaction to determine the amount of any goodwill associated with that transaction. Any adjustment to those fair values relating to previously held interests of the Group is credited to the revaluation reserve.

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.

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.

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 associates

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 Financial Information 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.

Where a group ceases to have significant influence over an associate, the carrying amount of the investment in an associate at the date that it ceases to be an associate is regarded as its cost on initial measurement as an available-for-sale investments.

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; and
- 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 subscription 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; and
- 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 or revaluation less subsequent accumulated depreciation and accumulated impairment losses.

Buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the consolidated balance sheet at their revalued amounts, being the fair value at the date of revaluation less any subsequent accumulated depreciation and any subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the balance sheet dates.

Any revaluation increase arising on revaluation of buildings is credited to the revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised as an expense, in which case the increase is credited to the consolidated income statement to the extent of the decrease previously charged. A decrease in net carrying amount arising on revaluation of an asset is dealt with as an expense to the extent that exceeds the balance, if any, on the revaluation reserve relating to a previous revaluation of that asset. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred to accumulated profits.

Depreciation is provided to write off the cost or revaluation 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.

Leasehold land and buildings

The land and building elements of a lease of land and building are considered separately for the purpose of lease classification, unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire lease is generally treated as a finance lease and accounted for as property and equipment. To the extent the allocation of the lease payments can be made reliably, leasehold interests in land are accounted for as operating leases except for those that are classified and accounted for as investment properties under the fair value model.

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. Contingent rents is determined with reference to the turnover generated by respective shops using the predetermined formulae and is recognized in the consolidated income statement when relevant turnover is recognised.

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 Financial Information, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (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

Payment 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 Financial Information 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 and associates, 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.

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.

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.

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, unless the relevant asset is carried at a revalued amount under another standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that standard.

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 except for the reclassification of the carrying amount of investment in an associate to available-for-sale investments at the date of transfer. 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 financial assets at fair value through profit or loss, 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.

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.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss has two subcategories, including financial assets held for trading and those designated at fair value through profit or loss on initial recognition.

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.

A financial asset other than a financial asset held for trading may be designated as at fair value through profit or loss upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at fair value through profit or loss.

At each balance sheet dates subsequent to initial recognition, financial assets at fair value through profit or loss 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 dates subsequent to initial recognition, loans and receivables (including accounts receivable, loan receivables, loan to an associate, deposits and other receivables, receivable for disposal of an associate, deposits with brokers, bank deposits and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

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 dates 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 (see accounting policy on impairment loss on financial assets below).

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 dates subsequent to initial recognition (see accounting policy on impairment loss on financial assets below).

Impairment of financial assets

Financial assets, other than these at fair value through profit or loss, are assessed for indicators of impairment at each balance sheet dates. 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 assets, 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 assets, such as loan receivables and accounts receivable, 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 loss 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.

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

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.

Transaction costs that relate to the issue of the convertible notes are allocated to the liability, equity and early redemption components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the early redemption option are charged to profit or less immediately. Transaction costs relating to the early redemption option are charged to profit or loss immediately. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible notes using the effective interest method.

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 .

When the convertible notes are early redeemed, the consideration paid and the transaction costs for the redemption are allocated to the liability (based on fair value of the liability component at the date of redemption) and equity components (being the residual) of the convertible notes at the date of the redemption.

The difference between the considerations allocated to the liability components and the carrying amount of the liability component and is recognised as gain or loss and charged to income statement. The amount of consideration relating to the equity component is recognised in equity.

Other financial liabilities

Other financial liabilities including accounts payable, other payables, borrowings, payable for acquisition of subsidiaries and loan from a minority shareholder are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

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

Consideration paid to repurchase the entity's own equity instruments are deducted from equity. No gain or loss is recognised in profit or loss.

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 dates. 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 dates, 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/profits.

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 dates, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next twelve months of each balance sheet date.

Income taxes

No deferred tax asset was recognised as at 31 December 2007 and 2008 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 sheets in relation to the remaining unused tax losses of approximately HK$452,956,000, HK$452,234,000 and HK$891,964,000 as at 31 December 2006, 2007 and 2008 respectively. 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.

Allowance for bad and doubtful debts

The policy for allowance for bad and doubtful debts of the Group is based on the evaluation of collectability and aging analysis of accounts and on management's judgment. A considerable amount of judgment is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each client. If the financial conditions of debtors and their ability to make payments worsen, additional allowance may be required. The aggregate carrying amount of accounts and loan receivables and loan to an associate is HK$802,112,000, HK$978,901,000 and HK$330,567,000 (net of allowance for bad and doubtful debts) as at 31 December 2006, 2007 and 2008 respectively.

Estimated impairment of goodwill and intangible assets

Determining whether goodwill and trading rights allocating to the cash generating units ("CGUs") of financial services are impaired requires an estimation of the value in use of the financial services CGUs. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the CGUs 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. The carrying amounts of goodwill and trading rights allocating to financial services CGUs are approximately HK$16,563,000 and HK$9,092,000; HK$15,827,000 and HK$9,092,000; and HK$23,667,000 and HK$9,092,000, as at 31 December 2006, 2007 and 2008 respectively. Details of the recoverable amount calculation are disclosed in note 23.

Determining whether goodwill and online game related intellectual property allocating to CGUs are impaired requires an estimation of the value in use of the online game services CGUs. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the CGUs, 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. During the year ended 31 December 2008, an impairment loss of HK$84,687,000 and HK$2,690,000 (2006 and 2007: Nil) was recognised in the goodwill and online game related intellectual property respectively. The carrying amounts of goodwill and online game related intellectual property allocating to online game services CGUs are approximately HK$109,945,000 and HK$12,292,000; HK$131,769,000 and HK$8,194,000 and HK$83,361,000 and HK$4,096,000 as at 31 December 2006, 2007 and 2008 respectively. Details of the recoverable amount calculation are disclosed in note 23.

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. During the year ended 31 December 2008, an impairment loss of HK$2,730,000 (2006 and 2007: Nil) was recognised on domain name. The carrying amount of the domain name is approximately HK$5,460,000, HK$5,460,000 and HK$2,730,000 as at 31 December 2006, 2007 and 2008 respectively. Details of the recoverable amount calculation are disclosed in note 22.

Determining whether goodwill and trademarks allocating to CGUs of retailing business are impaired requires an estimation of the value in use of the retailing business CGUs. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the CGUs and trademarks 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. The carrying amounts of goodwill and trademarks allocating to retailing business CGUs are approximately HK$85,519,000 and HK$38,000,000 as at 31 December 2006, 2007 and 2008 respectively. Details of the recoverable amount calculation are disclosed in note 23.

5. Financial instruments

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 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/losses 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 Relevant Periods.

Certain group entities are regulated by the Hong Kong 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 Hong Kong Securities and Futures (Financial Resources) Rules.

Categories of financial instruments

	As at 31 December		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Financial assets			
Available-for-sale investments	33,392	–	–
Investments held for trading	49,325	60,254	79,155
Loans and receivables (including cash and cash equivalents)	1,736,458	2,502,986	1,339,850
Financial liabilities			
Amortised cost	1,540,407	1,884,432	1,399,760
Derivative financial liabilities	–	12,683	3,067

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, accounts receivable, other receivables, loan receivables, loan to an associate, accounts payable, 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 as a result of changes in fair value of its investments in equity securities and derivative financial instruments. The Directors of the Company manages the exposure by closely monitoring the portfolio of equity investments and derivative financial instruments.

Equity price sensitivity

The sensitivity analyses below have been determined based on the Group's exposure to equity price risk at the reporting date. The analysis is prepared assuming the Group's listed investments held for trading and available-for-sale investments outstanding at the balance sheet date were outstanding for the whole year. As a result of the volatility of the financial market in 2008, the management adjusted the sensitivity rate from 10% for 2006 and 2007 to 30% for 2008 for the purpose of assessing equity price risk. A 30 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.

If the market bid prices of the Group's listed investments had been 10 percent higher/lower, the Group's profit for each of the years ended 31 December 2006 and 2007 would increase/decrease by HK$4,933,000 and HK$6,025,000 respectively and the Group's investment revaluation reserve will increase/decrease by HK$3,339,000 for the year ended 31 December 2006. If the market bid prices of the Group's listed equity investments had been 30 percent higher/lower, the Group's loss for the year ended 31 December 2008 would decrease/increase by HK$23,747,000. This is mainly attributable to the changes in fair values of the listed investments held for trading and available-for-sale investments respectively.

For derivative financial instruments, the Group has obligations to take up equity securities based on the relevant contract. In addition, since these contracts are mark-to-market at reporting date, the Group will have profit and loss exposure in these contracts. No sensitivity analysis is prepared as the impact for the remaining contracts are expected to be insignificant (see note 33 for loss on settlement subsequent to 31 December 2008).

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 ended 31 December 2007 and 2008. An unexpected decrease in market bid price may result in the Group suffering significant loss due to the leverage feature.

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank balances, fixed-rate loan receivables and deposits with brokers. The Group currently does not have a fair value hedging policy.

The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank borrowings, loans receivable and loans to margin clients. The Group currently does not have a cash flow interest rate hedging policy. However, management is closely monitoring its exposure arising from margin financing and other lending activities undertaken by allowing an appropriate margin on the interest received and paid by the Group. 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 Hong Kong Prime Rate and Hong Kong Interbank Offered Rate ("HIBOR") arising from the Group's variable interest rate instruments.

The sensitivity analysis is prepared assuming the financial instruments outstanding at the balance sheet date were outstanding for the whole year. If the interest rate of borrowings, loan receivables and loans to margin clients had been 100 basis point higher/lower, the Group's profit for each of the years ended 31 December 2006 and 2007 would increase/decrease by HK$1,680,000 and HK$5,028,000 respectively and the Group's loss for the year ended 31 December 2008 would increase/decrease by HK$3,638,000.

Foreign currency risk

Foreign exchange risk is the risk of loss due to adverse movements in foreign exchange rate relating to foreign currency denominated accounts receivable with foreign brokers and bank balances. 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$") or Hong Kong Dollars ("HK$"), while US$ is not the functional currency of the group entities. 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 of the Company, 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 dates.

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 date in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheets.

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.

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.

Other than concentration of credit risk on receivable for disposal of an associate as at 31 December 2006 and loan to an associate as at 31 December 2007 and 2008, the Group has no significant concentration of credit risk, as the exposure spread over a number of counterparties and customers.

Liquidity risk

As part of ordinary broking activities, the Group is exposed to liquidity risk arising from (1) timing difference between settlement with clearing houses or brokers and customers and (2) derivative financial instruments (trading as accumulator) if it has difficulties in fulfilling its obligation to purchase the agreed amount of equity securities at any agreed point as set out in the contract. Securities market bid price and the associated volatility will affect the Group's future cash flows and profit and loss. 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.

Liquidity and interest risk tables

The Group does not have derivative financial liabilities as at 31 December 2006. The following tables detail the Group's remaining contractual maturity for derivative financial liabilities as at 31 December 2007 and 2008, which are to be settled on gross basis. The expected cash outflow is calculated with reference to the number of listed securities to be received on the assumption that market price of the underlying securities as at the balance sheet dates remained constant until expiry.

	Less than 1 month *HK$'000*	Between 1 to 3 months *HK$'000*	Between 3 months and 1 year *HK$'000*	Total contractual expected cash flows *HK$'000*
At 31 December 2007				
Derivative financial liabilities	24,733	49,467	148,400	222,600
At 31 December 2008				
Derivative financial liabilities	3,600	3,600	–	7,200

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 sheets.

	Weighted average effective interest rate *%*	Repayable on demand *HK$'000*	Less than 1 month *HK$'000*	Between 1 to 3 months *HK$'000*	Between 3 months to 1 year *HK$'000*	Between 1 to 2 years *HK$'000*	Between 2 to 5 years *HK$'000*	Over 5 years *HK$'000*	Total undiscounted cash flows *HK$'000*	Carrying amount at balance sheet date *HK$'000*
At 31 December 2006										
Accounts payable	N/A	574,577	402,353	94,900	–	–	–	–	1,071,830	1,071,830
Other payables	N/A	–	18,035	2,356	9,423	–	–	–	29,814	29,814
Borrowings	*Note*	–	82,854	157,196	175,623	32,528	–	–	448,201	437,466
Obligations under finance leases	6%	–	3	6	546	824	–	–	1,379	1,297
		574,577	503,245	254,458	185,592	33,352	–	–	1,551,224	1,540,407
At 31 December 2007										
Accounts payable	N/A	928,527	485,882	97,255	–	–	–	–	1,511,664	1,511,664
Other payables	N/A	–	16,212	510	2,041	–	–	–	18,763	18,763
Borrowings	*Note*	–	23,222	52,438	259,648	1,286	–	–	336,594	326,041
Loan from a minority shareholder	N/A	27,437	–	–	–	–	–	–	27,437	27,437
Obligations under finance leases	4%	–	2	4	502	42	–	–	550	527
		955,964	525,318	150,207	262,191	1,328	–	–	1,895,008	1,884,432
At 31 December 2008										
Accounts payable	N/A	542,079	192,698	88,816	–	–	–	–	823,593	823,593
Other payables	N/A	–	24,253	2,539	10,154	–	–	–	36,946	36,946
Borrowings	*Note*	–	39,516	56,218	298,780	96,927	4,756	42,416	538,613	511,342
Loan from a minority shareholder	N/A	27,437	–	–	–	–	–	–	27,437	27,437
Obligations under finance leases	6%	–	10	21	100	147	218	–	496	442
		569,516	256,477	147,594	309,034	97,074	4,974	42,416	1,427,085	1,399,760

Note: Variable-rate borrowings carry interest at HIBOR plus a spread or Hong Kong Prime Rate. The prevailing market rate at the balance sheet date is used in the maturity analysis.

The following table details the Group's expected maturity for its financial assets. 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$'000* *(Note 1)*	*HK$'000*	*HK$'000*
At 31 December 2006										
Available-for-sale investments	N/A	–	–	33,392	–	–	–	–	33,392	33,392
Investments held for trading	N/A	–	49,325	–	–	–	–	–	49,325	49,325
Accounts receivable	Hong Kong Prime Rate plus spread *(Note 2)*	443,524	338,657	–	–	–	–	–	782,181	782,181
Loan receivables	*(Note 3)*	–	19,330	–	71	75	617	–	20,093	19,931
Receivable for disposal of an associate	N/A	–	–	–	76,187	–	–	–	76,187	76,187
Other receivables	N/A	–	11,549	–	25,016	–	–	–	36,565	36,565
Amounts due from associates	N/A	–	373	–	–	–	–	–	373	373
Bank balances with fixed interest rate	1.5% – 3.5%	–	–	495,865	27,889	–	–	–	523,754	513,657
Bank balances with variable interest rate	1.5% – 3.5%	–	177,869	–	–	–	–	–	177,869	177,647
Bank balances without interest-bearing	N/A	129,917	–	–	–	–	–	–	129,917	129,917
		573,441	597,103	529,257	129,163	75	617	–	1,829,656	1,819,175
At 31 December 2007										
Investments held for trading	N/A	–	60,254	–	–	–	–	–	60,254	60,254
Accounts receivable	Hong Kong Prime Rate plus spread *(Note 2)*	452,624	489,890	–	–	–	–	–	942,514	938,998
Loan receivables	*(Note 3)*	–	28,931	–	210	179	546	–	29,866	29,607
Loan to an associate	N/A	–	–	–	–	–	–	10,296	10,296	10,296
Other receivables	N/A	–	10,168	–	33,695	–	–	–	43,863	43,863
Amounts due from associates	N/A	–	260	–	–	–	–	–	260	260
Deposits with brokers	1.5%	–	131,916	–	–	–	–	–	131,916	131,751
Bank balances with fixed interest rate	1.5% – 3.5%	–	301,376	346,854	90,446	–	–	–	738,676	731,872
Bank balances with variable interest rate	1.5% – 3.5%	–	135,754	–	–	–	–	–	135,754	135,088
Bank balances without interest-bearing	N/A	481,251	–	–	–	–	–	–	481,251	481,251
		933,875	1,158,549	346,854	124,351	179	546	10,296	2,574,650	2,563,240

	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$'000* *(Note 1)*	*HK$'000*	*HK$'000*
At 31 December 2008										
Investments held for trading	N/A	–	79,155	–	–	–	–	–	79,155	79,155
Account receivables	Hong Kong Prime Rate plus spread *(Note 2)*	97,858	208,750	–	–	–	–	–	306,608	305,923
Loan to an associate	N/A	–	–	–	–	–	–	10,296	10,296	10,296
Loan receivables	Hong Kong Prime Rate plus spread *(Note 2)*	–	–	10,083	3,792	250	440	–	14,565	14,348
Other receivables	N/A	–	2,594	–	32,421	–	–	–	35,015	35,015
Amounts due from associates	N/A	–	260	–	–	–	–	–	260	260
Deposits with brokers	0.5%	–	2,731	–	–	–	–	–	2,731	2,730
Bank balances with fixed interest rate	0.01% – 1%	–	49,472	82,062	159,130	–	–	–	290,664	290,402
Bank balances with variable interest rate	0.01% – 1%	–	216,674	–	–	–	–	–	216,674	216,604
Bank balances without interest-bearing	N/A	464,272	–	–	–	–	–	–	464,272	464,272
		562,130	559,636	92,145	195,343	250	440	10,296	1,420,240	1,419,005

Notes:

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

(2) The prevailing market rate at the balance sheet date is used in the maturity analysis.

(3) For the fixed rate instrument, the interest rate ranged from 5% to 32.6%, and for those variable rate instrument, the interest rate is Hong Kong Prime Rate plus spread. The prevailing market rate at the balance sheet date is used in the maturity analysis.

Fair values

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

- the fair values of financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices;
- the fair values 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 determined based on valuation techniques that incorporate market observable date such as share market price, risk-free and dividend yield.

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

6. Revenue

	Year ended 31 December		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Fees and commission income	263,032	511,881	278,464
Interest income	83,067	159,560	38,605
Online game subscription income	25,316	121,613	82,893
Sales of online game auxiliary products	9,459	41,669	27,020
Licensing income	2,476	6,379	6,724
Sales of furniture and household goods and trendy digital products, net of discounts and returns	433,272	824,350	879,040
	816,622	1,665,452	1,312,746

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 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 2006

	Financial services	**Online game services**	**Retailing**	**Consolidated**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'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
Gain on disposal of associates				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 *HK$'000*	Online game services *HK$'000*	Retailing *HK$'000*	Consolidated *HK$'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 *HK$'000*	Online game services *HK$'000*	Retailing *HK$'000*	Unallocated *HK$'000*	Consolidated *HK$'000*
Additions to property and equipment	9,416	10,890	7,775	1,685	29,766
Addition to 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
Net gain on financial assets at fair value through profit or loss	(18,621)	–	–	–	(18,621)

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 to property and equipment	5,045	21,246	22,086	2,331	50,708
Addition to 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
Net gain on financial assets at fair value through profit or loss	(52,106)	–	–	–	(52,106)

Consolidated income statement for the year ended 31 December 2008

	Financial services HK$'000	Online game services HK$'000	Retailing HK$'000	Consolidated HK$'000
Revenue	317,069	116,637	879,040	1,312,746
Segment loss	(211,984)	(191,697) *(Note)*	(4,483)	(408,164)
Share of profit of associates				39,096
Gain on dilution of shareholding in subsidiaries				41,655
Unallocated corporate income				1,802
Unallocated corporate expenses				(61,470)
Loss before taxation				(387,081)
Taxation charge				(9,425)
Loss for the year				(396,506)

Note: Segment loss of online game services represented an operating loss of approximately HK$107,010,000 and impairment loss recognised on goodwill of HK$84,687,000.

Consolidated balance sheet as at 31 December 2008

	Financial services *HK$'000*	Online game services *HK$'000*	Retailing *HK$'000*	Consolidated *HK$'000*
ASSETS				
Segment assets	1,456,846	136,125	316,175	1,909,146
Interests in associates				111,684
Unallocated corporate assets				97,143
Consolidated total assets				2,117,973
LIABILITIES				
Segment liabilities	998,689	30,654	242,330	1,271,673
Unallocated corporate liabilities				217,581
Consolidated total liabilities				1,489,254

Other information for the year ended 31 December 2008

	Financial services *HK$'000*	Online game services *HK$'000*	Retailing *HK$'000*	Unallocated *HK$'000*	Consolidated *HK$'000*
Additions to property and equipment	98,799	8,823	18,074	1,832	127,528
Allowance for (reversal of) bad and doubtful debts	900	–	(1,076)	–	(176)
Impairment loss recognised on accounts and other receivables	–	22,319	–	–	22,319
Impairment loss recognised on intangible assets	–	5,420	–	–	5,420
Impairment loss recognised on goodwill	–	84,687	–	–	84,687
Depreciation of property and equipment	15,655	8,648	19,887	2,417	46,607
Amortisation of prepaid lease payments	–	–	415	–	415
(Gain) loss on disposal of property and equipment	(35)	–	4,276	–	4,241
Impairment loss recognised in respect of property and equipment	–	–	2,869	–	2,869
Net loss on financial assets at fair value through profit or loss	239,721	–	–	–	239,721

Geographical segments

The Group's operations are located in Hong Kong, the 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 the Relevant Periods are derived mainly from the PRC and Taiwan.

The following table provides an analysis of the Group's revenue by geographical location of its customers:

	Year ended 31 December		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Hong Kong	778,066	1,501,929	1,201,650
PRC	26,830	105,394	79,786
Taiwan *(Note)*	11,726	58,129	31,310
	816,622	1,665,452	1,312,746

Note: The revenue derived from Taiwan was contributed by the subsidiaries disposed of during the year ended 31 December 2008. Details of the disposal of subsidiaries are disclosed in note 37(c).

The following is an analysis of the carrying amount of segment assets and 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

	As at 31 December		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Hong Kong	1,871,917	2,724,104	1,733,537
PRC	148,444	168,685	175,609
Taiwan	39,226	46,528	–
	2,059,587	2,939,317	1,909,146

Geographical segments

Additions to property and equipment and expenditure on intangible assets

	As at 31 December		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Hong Kong	17,066	32,441	114,036
PRC	12,100	11,444	10,499
Taiwan	600	12,492	2,993
	29,766	56,377	127,528

8. Salaries, allowances and commission

	Year ended 31 December		
	2006	**2007**	**2008**
	HK$'000	*HK$'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	220,216	393,874	305,980
Contributions to retirement benefits schemes	6,289	10,718	13,684
Employee share option benefits	2,035	1,129	–
Less: Amount capitalised in online game development costs	(171)	(4,922)	–
	228,369	400,799	319,664

9. Finance costs

	Year ended 31 December		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Interest on:			
Bank overdrafts, bank loans and other borrowings:			
– repayable within five years	63,212	104,582	29,748
– repayable more than five years	–	–	631
Finance leases	108	108	74
Effective interest expense on convertible loan note	180	–	–
	63,500	104,690	30,453

10. Net gain (loss) on financial assets at fair value through profit or loss

	Year ended 31 December		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Held-for-trading investments			
– Equity securities listed in Hong Kong	18,621	51,893	(232,826)
– Investment funds	–	213	(922)
Designated at fair value through profit or loss			
– Equity-linked structured deposits *(Note 33)*	–	–	(5,973)
	18,621	52,106	(239,721)

11. Directors' and employees' remuneration

Directors' remuneration

The remuneration of Directors of the Company during the Relevant Periods was as follows:

	Kwan Pak Hoo Bankee	Lin Che Chu George	Law Ping Wah Bernard	Wong Kin Yick Kenneth	Li Yuen Cheuk Thomas	Kwok Oi Kuen Joan Elmond	Chan Hak Sin	Leung Ka Kui Johnny	Wong Chuk Yan	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'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	153	100	–	9,489

	Kwan Pak Hoo Bankee	Lin Che Chu George	Law Ping Wah Bernard	Wong Kin Yick Kenneth	Leung Ka Kui Johnny	Chan Hak Sin	Wong Chuk Yan	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'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	Lin Che Chu George	Law Ping Wah Bernard	Wong Kin Yick Kenneth	Leung Ka Kui Johnny	Chan Hak Sin	Wong Chuk Yan	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2008								
Fees:								
Executive Directors	–	–	–	–	–	–	–	–
Independent Non-executive Directors	–	–	–	–	100	100	–	200
Other remuneration paid to Executive Directors:								
Salaries, allowances and benefits in kind	5,340	600	1,050	1,156	–	–	–	8,146
Performance related incentive payments	2,000	2,000	1,500	2,000	–	–	–	7,500
Employee share option benefits	–	–	–	–	–	–	–	–
Contributions to retirement benefit scheme	69	–	52	58	–	–	–	179
Total remuneration	7,409	2,600	2,602	3,214	100	100	–	16,025

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

During the year ended 31 December 2008, Mr Wong Kin Yick Kenneth resigned as an executive Director of the Company.

During the Relevant Periods, 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 the Relevant Periods.

Employees' remuneration

Of the five individuals with the highest emoluments in the Group, two were Directors of the Company for each of two years ended 31 December 2006 and 2007, while four were Directors of the Company for the year ended 31 December 2008, details of whose emoluments are included in the disclosures above. The emoluments of the remaining individuals were as follows:

	Year ended 31 December		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Salaries, allowances and benefits in kind	2,920	2,080	1,920
Contributions to retirement benefit scheme	156	107	99
Performance related incentive payments	4,124	14,442	400
	7,200	16,629	2,419

Their remuneration were within the following band:

	Year ended 31 December		
	2006	**2007**	**2008**
	Number of employees	*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	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. Taxation charge

	Year ended 31 December		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
The charge (credit) comprises:			
Current tax:			
– Hong Kong	4,140	29,047	9,055
– PRC	143	457	845
	4,283	29,504	9,900
Overprovision in prior years	(94)	(385)	(202)
	4,189	29,119	9,698
Deferred taxation charge (credit)	1,750	960	(273)
	5,939	30,079	9,425

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

On 16 March 2007, the PRC promulgated the Law of the PRC 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. Under the New Law and Implementation Regulations, the Enterprise Income Tax rate of certain Group's subsidiaries in the PRC was reduced from 33% to 25% from 1 January 2008 onwards. The relevant tax rate for Group's subsidiaries in the PRC is 25% (2006 and 2007: 33%) and will affect the PRC subsidiaries of the Company from 1 January 2008, except for 摩力游(上海)信息科技有限公司 (MOLI China Information Technology Limited) as disclosed below. The Directors of the Company consider that the effect on deferred tax balance is insignificant.

Pursuant to relevant laws and regulations in the PRC, 摩力游(上海)信息科技有限公司 (MOLI China Information Technology Limited) is entitled to an exemption from PRC Enterprise 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 Enterprise Income Tax has made for 摩力游(上海)信息科技有限公司 (MOLI China Information Technology Limited) for the Relevant Periods as fiscal year ended 31 December 2007 was its first profit making year and the entity continues to enjoy such tax exemption under the New Law.

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced corporate tax rate from 17.5% to 16.5% effective from the year of assessment 2008/2009. Therefore, Hong Kong Profits Tax is calculated at 16.5% (2006 and 2007: 17.5%) of the estimated assessable profits for the year.

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

	Year ended 31 December		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Profit (loss) before taxation	59,300	169,723	(387,081)
Taxation charge (credit) at income tax rate (2006: 17.5%, 2007: 17.5%, 2008: 16.5%)	10,378	29,702	(63,868)
Overprovision in respect of prior years	(94)	(385)	(202)
Tax effect of share of results of associates	(2,515)	590	(6,451)
Tax effect of expenses not deductible for tax purpose	7,926	5,744	17,028
Tax effect of income not taxable for tax purpose	(15,703)	(4,617)	(12,447)
Tax effect of estimated tax losses and deductible temporary difference not recognised	14,018	20,898	80,593
Tax effect of utilisation of estimated tax losses and deductible temporary difference previously not recognised	(8,712)	(19,399)	(6,636)
Effect of different tax rates of subsidiaries operating in other jurisdictions	587	483	1,408
Effect of tax exemption granted	–	(2,937)	–
Others	54	–	–
Taxation charge	5,939	30,079	9,425

The following are the major deferred tax (liabilities) 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)
(Charge) credit to consolidated income statement	(342)	–	615	273
At 31 December 2008	(342)	–	(7,264)	(7,606)

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

	Year ended 31 December		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Deferred tax assets	1,575	–	–
Deferred tax liabilities	(8,494)	(7,879)	(7,606)
	(6,919)	(7,879)	(7,606)

At 31 December 2006, 2007 and 2008, the Group had estimated unused tax losses of HK$459,025,000, HK$452,234,000 and HK$891,964,000 respectively and deductible temporary difference in respect of accelerated accounting depreciation of HK$11,618,000, HK$20,908,000 and HK$29,402,000 respectively available to offset against future profits. A deferred tax asset has been recognised in respect of HK$6,069,000 of such losses for the year ended 31 December 2006, while no deferred tax asset has been recognised during the year ended 31 December 2007 and 2008. No deferred tax asset has been recognised in respect of the remaining estimated unused tax losses of HK$452,956,000, HK$452,234,000 and HK$891,964,000 respectively and deductible temporary difference due to the unpredictability of future profit streams for each of years ended 31 December 2006, 2007 and 2008.

13. Profit (loss) for the year

	Year ended 31 December		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Profit (loss) for the year has been arrived at after charging (crediting):			
Advertising and promotion expenses	39,250	57,453	92,109
Allowance for (reversal of allowance for) inventory obsolescence and write-off of inventories *(Note (a))*	3,544	8,829	(3,171)
Amortisation of intangible assets	4,131	4,119	6,906
Amortisation of prepaid lease payments	207	415	415
Auditor's remuneration	3,500	4,000	3,300
Loss (gain) on disposal on intangible assets	199	(9)	–
Consultancy fees	9,783	7,800	5,396
Impairment loss on amount due from an associate	–	4,075	–
Cost of inventories recognised as an expense	277,100	477,610	498,173
Operating lease rentals in respect of land and buildings:			
Minimum lease payments	71,543	136,262	170,022
Contingent rents *(Note (b))*	1,562	3,455	5,429
Less: Amount capitalised in online game development costs	–	(500)	–
	73,105	139,217	175,451
Net foreign exchange (gain) loss	(166)	(2,213)	250
Dividends from investments	(471)	(1,617)	(5,890)

Notes:

(a) Certain obsolete inventories which made allowance in previous years were sold during the year ended 31 December 2008, thus, a reversal of allowance for inventories resulted.

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

14. Earnings (loss) per share

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

	Year ended 31 December		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Profit (loss) for the purpose of basic earnings (loss) per share	32,057	51,902	(358,113)
Effect of dilutive potential ordinary shares:			
Interest on convertible loan note	274	–	–
Decrease in share of profits in CFSG and loss on dilution	(3,488)	(1,379)	–
Profit (loss) for the purpose of diluted earnings (loss) per share	28,843	50,523	(358,113)

	Year ended 31 December		
	2006	**2007**	**2008**
Number of shares			
Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share	92,770,543	152,231,669	180,505,148
Effect of dilutive potential ordinary shares assumed exercise of share options	99,801	5,029,505	–
Weighted average number of ordinary shares for the purpose of diluted earnings (loss) per share	92,870,344	157,261,174	180,505,148

Pursuant to a special resolution passed by the shareholders at the annual general meeting of the Company held on 6 June 2008, every 5 issued shares of the issued share capital of the Company have been consolidated to 1 share (details disclosed in note 36(e)). The weighted average number of ordinary shares for the purpose of basic and diluted earnings (loss) per share for the Relevant Periods have taken into account such impact.

No diluted loss per share information is presented for the year ended 31 December 2008 as exercise of potential ordinary shares would decrease loss per share.

15. Dividend

	Year ended 31 December		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Dividend recognised as distribution during the year:			
2007 Final dividend paid – HK$0.04 per share	–	–	36,101

The Directors of the Company did not recommend the payment of a final dividend for the year ended 31 December 2006 and 31 December 2008.

16. 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 OR VALUATION					
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
Deficit on revaluation	(700)	–	–	–	(700)
At 31 December 2006	30,300	80,545	101,311	3,856	216,012
Additions	–	21,123	29,261	324	50,708
Disposals	–	(4,254)	(7,037)	–	(11,291)
Arising on acquisition of subsidiaries	–	137	110	–	247
Exchange differences	–	90	659	–	749
Deficit on revaluation	(1,400)	–	–	–	(1,400)
At 31 December 2007	28,900	97,641	124,304	4,180	255,025
Additions	1,688	63,848	59,882	2,110	127,528
Disposals/written off	–	(28,164)	(19,722)	(657)	(48,543)
Eliminated on disposal of subsidiaries	–	–	(15,724)	(170)	(15,894)
Exchange differences	–	535	2,318	49	2,902
Deficit on valuation	(2,788)	–	–	–	(2,788)
At 31 December 2008	27,800	133,860	151,058	5,512	318,230
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)
Eliminated on revaluation	(700)	–	–	–	(700)
At 31 December 2006	–	56,125	58,955	2,182	117,262
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
Eliminated on revaluation	(1,400)	–	–	–	(1,400)
At 31 December 2007	–	74,856	67,910	3,007	145,773
Provided for the year	1,400	20,688	23,673	846	46,607
Eliminated on disposals	–	(23,015)	(19,350)	(657)	(43,022)
Eliminated on disposal of subsidiaries	–	–	(5,049)	(62)	(5,111)
Impairment loss recognised	–	140	2,729	–	2,869
Exchange differences	–	138	354	3	495
Eliminated on revaluation	(1,400)	–	–	–	(1,400)
At 31 December 2008	–	72,807	70,267	3,137	146,211
NET BOOK VALUES					
At 31 December 2006	30,300	24,420	42,356	1,674	98,750
At 31 December 2007	28,900	22,785	56,394	1,173	109,252
At 31 December 2008	27,800	61,053	80,791	2,375	172,019

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 7 years
Motor vehicles	3 to 5 years

The buildings of the Group are situated in Hong Kong and situation in land under medium-term lease.

The buildings of the Group were valued during the Relevant Periods by Knight Frank Petty Limited, a firm of independent professional property valuers, on a market value basis. Knight Frank Petty Limited is not connected with the Group. The revaluation deficit on buildings of HK$1,388,000 (2006 and 2007: Nil) has been charged to the consolidated income statement during the year ended 31 December 2008.

If the buildings had not been revalued, they would have been included in these consolidated financial statements at historical cost less accumulated depreciation of HK$30,300,000, HK$28,900,000 and HK$27,500,000 as at 31 December 2006, 2007 and 2008 respectively.

The net book values of motor vehicles included an amount of HK$1,508,000, HK$661,000 and HK$407,000 as at 31 December 2006, 2007 and 2008 respectively in respect of assets held under finance leases.

The Directors of the Company reassessed the recoverable amount of the property and equipment of certain shops of which continuous losses incurred and recognised an impairment loss of approximately HK$5,951,000, HK$1,472,000 and HK$2,869,000 respectively for each of the years ended 31 December 2006, 2007 and 2008.

17. Prepaid lease payments

		As at 31 December	
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
The Group's prepaid lease payments comprise:			
Leasehold land in Hong Kong under medium-term lease	16,793	16,378	15,963
Analysed for reporting purposes as:			
Current asset (included in prepayments, deposits and other receivables)	415	415	415
Non-current asset	16,378	15,963	15,548
	16,793	16,378	15,963

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

18. 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
Increase in fair value recognised in consolidated income statement	823
Disposal	(5,823)
At 31 December 2008	–

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 is classified and accounted for as investment property.

The fair value of the Group's investment property as at 31 December 2006 and 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 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.

19. Available-for-sale investments

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

	As at 31 December		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Listed investments at fair value:			
Equity securities listed in Hong Kong	33,392	–	–
Unlisted investments:			
Unlisted shares, at cost	10,800	10,800	10,800
Less: Impairment loss recognised	(10,800)	(10,800)	(10,800)
	33,392	–	–

The above unlisted investments represent investments in unlisted equity securities issued by private entities incorporated in Taiwan and the BVI. 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.

20. 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 subsidiary from CFSG *(note (i))*	21,824
Deemed disposal of CFSG	(736)
At 31 December 2007	233,115
Deemed disposal of Netfield (BVI) *(note (ii))*	(4,544)
Arising on acquisition of additions interests in subsidiaries	48,663
At 31 December 2008	277,234
IMPAIRMENT	
At 1 January 2006, 31 December 2006 and 31 December 2007	–
Impairment loss recognised *(note 23)*	84,687
At 31 December 2008	84,687
CARRYING AMOUNTS	
At 31 December 2006	212,027
At 31 December 2007	233,115
At 31 December 2008	192,547

Particulars regarding impairment testing on goodwill are disclosed in note 23.

Notes:

(i) During the year ended 31 December 2007, the Group acquired the entire issued share capital of Netfield (BVI) from CFSG, a non-wholly owned subsidiary of the Company. After the acquisition, the Group's effective equity interest in Netfield (BVI) was increased from 45.27% to 100%.

(ii) During the year ended 31 December 2008, Netfield (BVI) issued 60,000 shares by subscription to an independent third party at a consideration of US$6,000,000 (equivalent to HK$46,800,000). The Group's effective equity interest in Netfield (BVI) was then decreased from 100% to 96.6%, as a result, a gain on dilution of shareholding in subsidiaries of approximately HK$41,655,000 was recognised in the consolidated income statement.

21. Interests in associates

	As at 31 December		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Cost of investments in associates:			
Unlisted in Hong Kong	–	67,833	67,833
Share of post-acquisition reserve	–	1,315	8,125
Share of post-acquisition (loss) profits	–	(3,370)	35,726
	–	65,778	111,684
Loan to an associate *(Note)*	–	10,296	10,296

Note: Pursuant to the shareholders 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 of the Company, the loan will not be repaid within the next twelve months from the balance sheet dates.

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

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).

As at 31 December 2007 and 2008, 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 ("China Able")	Incorporated	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

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

	As at 31 December		
	2006	2007	2008
	HK$'000	*HK$'000*	*HK$'000*
Total assets	1,776	327,781	704,248
Total liabilities	(3,318)	(130,446)	(369,197)
Net (liabilities) assets	(1,542)	197,335	335,051
Group's share of net assets of associates	–	65,778	111,684
Revenue	600	–	22,231
(Loss) profit for the year	(1,542)	(10,111)	117,288
Group's share of results of associates for the year	14,374	(3,370)	39,096

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 from the disposal. 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.

Pursuant to the shareholders agreement entered into between a subsidiary, Marvel Champ investments Limited, and the other shareholders of China Able on 27 June 2007, the Group is required to make capital contribution to China Able amounting to HK$153,200,000. During the year ended 31 December 2007, China Able 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 commitment by the Group was reduced from HK$153,200,000 to HK$84,388,000. During the year ended 31 December 2007, 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 China Able. During the year ended 31 December 2008, the Group has not made any further contributions to China Able. The remaining capital contribution committed by the Group as at 31 December 2007 and 2008 amounted to HK$6,259,000.

22. 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 and 31 December 2008	9,092	1,970	–	16,390	5,593	5,460	38,000	76,505
AMORTISATION AND IMPAIRMENT								
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
Charge for the year	–	–	–	4,098	2,808	–	–	6,906
Impairment loss recognised	–	–	–	–	2,690	2,730	–	5,420
At 31 December 2008	–	–	–	12,294	5,552	2,730	–	20,576
NET BOOK VALUES								
At 31 December 2006	9,092	3,730	–	12,292	138	5,460	38,000	68,712
At 31 December 2007	9,092	1,970	–	8,194	5,539	5,460	38,000	68,255
At 31 December 2008	9,092	1,970	–	4,096	41	2,730	38,000	55,929

Notes:

(a) Intangible assets with cost of HK$9,092,000 as at 31 December 2006, 2007 and 2008 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 23.

(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) Intangible assets of online game related intellectual property with carrying amounts of HK$12,292,000, HK$8,194,000 and HK$4,096,000 as at 31 December 2006, 2007 and 2008 respectively 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 23.

(d) Intangible assets of online game development costs with carrying amounts of HK$138,000, HK$5,539,000 and HK$41,000 as at 31 December 2006, 2007 and 2008 respectively 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. During the year ended 31 December 2008, the management of the Group reviewed the recoverable amounts of the online game development costs based on the value in use calculation and identified the actual future cashflows are less than expected and recognised an impairment loss of approximately HK$2,690,000 (2006 and 2007: Nil).

(e) Intangible assets with carrying amounts of HK$5,460,000, HK$5,460,000 and HK$2,730,000 as at 31 December 2006, 2007 and 2008 respectively 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 2006, 2007 and 2008 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, an impairment loss of HK$2,730,000 (2006 and 2007: Nil) on domain name was recognised during the year ended 31 December 2008 since the carrying amounts of domain name exceed the recoverable amounts.

(f) Intangible assets of trademarks amounting to HK$38,000,000 as at 31 December 2006, 2007 and 2008 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 are disclosed in note 23.

23. Impairment testings on goodwill and intangible assets

As explained in note 7, the Group uses business segments as its primary segment for reporting segment information. For the purposes of impairment testing on goodwill, trading rights, trademarks and online game related intellectual property set out in notes 20 and 22 respectively have been allocated to the following CGUs respectively. The carrying amounts of goodwill, trading rights, trademarks and online game related intellectual property as at each balance sheet dates allocated to these units are as follows:

	Goodwill			Trading rights			Trademarks			Online game related intellectual property		
	2006	2007	2008	2006	2007	2008	2006	2007	2008	2006	2007	2008
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Financial services	16,563	15,827	23,667	9,092	9,092	9,092	–	–	–	–	–	–
Online game services	109,945	131,769	83,361	–	–	–	–	–	–	12,292	8,194	4,096
Retailing business	85,519	85,519	85,519	–	–	–	38,000	38,000	38,000	–	–	–
	212,027	233,115	192,547	9,092	9,092	9,092	38,000	38,000	38,000	12,292	8,194	4,096

Management of the Group consider cashflow projections which were prepared based on financial budgets covering respective period of goodwill, trading rights, trademarks and online game related intellectual property to determine whether there was any impairment of its CGUs containing goodwill, trading rights trademarks and online game related intellectual property as at each balance sheet dates.

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 8%, 5% and 8% as at 31 December 2006, 2007 and 2008 respectively. A key assumption for the value in use calculations is the budgeted growth rate, which are determined based on past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of the assumptions would not cause the aggregate carrying amount of the above CGUs to exceed the aggregate recoverable amount of the above CGUs.

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 15%, 18% and 12% as at 31 December 2006, 2007 and 2008 respectively. 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. Due to continuous losses incurred by the subsidiaries principally engaging in online game services in the PRC and having taken into account of the uncertain future prospect and revenue to be generated from these subsidiaries, the Directors of the Company assessed the recoverable amount of goodwill and recognised an impairment losses amounting to HK$84,687,000 during the year ended 31 December 2008 (2006 and 2007: Nil). The reduction in recoverable amount was driven by higher losses than were expected, including delay in expected return to profitability of the business and significant deterioration in economic conditions in the PRC.

Management believes that if the budgeted usage rate of active concurrence user, peak concurrence user and payment subscribers decrease by 5%, the recoverable amount of the CGU of online game services as at 31 December 2008 will decrease by HK$4,283,000. There is no material changes in the recoverable amount of the CGU of online game business if the discount rate is decreased by 1%.

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 one-year period and discount rate of 12%, 16.4% and 10% as at 31 December 2006, 2007 and 2008 respectively. The cash flows beyond the one-year period are extrapolated having a steady 3% growth rate. The growth rate is based on the relevant industry growth forecasts and average long-term growth rate for the relevant industry. A key assumption for the value in use calculation is the budgeted growth rate, which is determined based on past performance and management's expectations for the market development. No impairment on goodwill and trademarks was noted. Management believes that any reasonably possible change in any of the assumptions would not cause the aggregate carrying amount of the above CGUs to exceed the aggregate recoverable amount of the above CGUs.

24. Other assets

	As at 31 December		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Statutory and other deposits	16,241	9,136	9,447

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

25. Loan receivables

	As at 31 December		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Fixed-rate loan receivables	601	1,925	527
Variable-rate loan receivables	45,900	33,399	17,554
	46,501	35,324	18,081
Less: Allowance for bad and doubtful debts	(26,570)	(5,717)	(3,733)
	19,931	29,607	14,348
Carrying amount analysed for reporting purposes:			
Non-current assets (receivable after one year from the balance sheet date)	656	692	671
Current assets (receivable within one year from the balance sheet date)	19,275	28,915	13,677
	19,931	29,607	14,348

All the loan receivables are denominated in Hong Kong dollars.

Interest rates underlying the variable-rate loan receivables are Hong Kong Prime Rate plus a spread for the Relevant Periods. Interest rates underlying the fixed-rate loan receivable are 5% per annum as at 31 December 2006, 2007 and 2008.

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:

	As at 31 December		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Balance at the beginning of the year	38,136	26,570	5,717
Amounts written off during the year	(11,566)	(21,151)	–
Charge for the year	–	1,997	900
Reversal for the year	–	(1,699)	–
Amounts recovered during the year	–	–	(2,884)
Balance at the end of the year	26,570	5,717	3,733

In determining the recoverability of the loan receivables, the Group considers any change in the credit quality of the loan receivables 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 of the Company believe that there is no further credit provision required in excess of the allowance for doubtful debts.

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:

	As at 31 December		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
0 – 30 days	4,268	4,267	–
31 – 60 days	–	23,312	–
61 – 90 days	–	–	–
Over 90 days	10,272	1,141	–
	14,540	28,720	–

As at 31 December 2006, 2007 and 2008, the loan receivables with a carrying amount of HK$5,391,000, HK$887,000 and HK$14,348,000 respectively are neither past due nor impaired at the reporting date for which the Group believes that the amounts are recoverable.

Loan receivables with an aggregate carrying value of approximately HK$4,968,000, HK$4,267,000 and HK$13,821,000 as at 31 December 2006, 2007 and 2008 respectively are secured by pledged marketable securities with fair values of HK$9,776,000, HK$11,934,000 and HK$3,357,000 as at 31 December 2006, 2007 and 2008 respectively and convertible instrument with nominal value of HK$13,000,000 as at 31 December 2008.

At 31 December 2006 and 31 December 2007, debtors with a carrying amount of HK$14,540,000 and HK$28,720,000 respectively are past due at the reporting date for which the Directors of the Company considered them as recoverable since the amounts are either fully secured by marketable securities pledged by debtors or subsequently settled. Accordingly, no further impairment is considered necessary.

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

	As at 31 December		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Within one year	48	1,313	48
More than one year but not exceeding two years	48	144	48
More than two years but not exceeding five years	144	144	144
More than five years	361	324	287
	601	1,925	527

The effective interest rate (which is equal to contractual interest rate) on the Group's fixed rate loan receivables as at 31 December 2006, 2007 and 2008 is 2% per annum. Interest rate term is fixed at the time when entering into loan agreement.

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

	As at 31 December		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Within one year	19,227	27,602	13,629
In more than one year but not more than two years	23	25	192
In more than two years but not more than five years	80	55	–
	19,330	27,682	13,821

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

26. Inventories

	As at 31 December		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Finished goods held for sale	48,950	39,693	39,113
Consumables for online game auxiliary products	674	2,335	150
	49,624	42,028	39,263

27. Other financial assets

	As at 31 December		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Accounts receivable arising from the business of dealing in securities and equity options:			
Clearing houses, brokers and dealers	125,450	216,343	72,199
Cash clients	112,334	166,310	36,425
Margin clients	443,524	449,162	97,185
Accounts receivables arising from the business of dealing in futures and options:			
Clients	–	68	65
Clearing houses, brokers and dealers	83,847	93,032	94,719
Commission receivables from brokerage of mutual funds and insurance-linked investment plans and products	3,479	5,238	2,349
Accounts receivable arising from the business of provision of corporate finance services	372	1,442	1,100
Accounts receivable arising from the business of provision of online game services	12,715	6,995	1,881
Trade debtors arising from retailing business	460	408	–
	782,181	938,998	305,923

The settlement terms of accounts receivable 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, accounts receivable 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:

	As at 31 December		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
0 – 30 days	11,160	9,967	3,382
31 – 60 days	2,409	1,192	499
61 – 90 days	1,693	1,730	523
Over 90 days	1,764	1,194	926
	17,026	14,083	5,330

As at 31 December 2006, 2007 and 2008, loans to margin clients are secured by clients' pledged securities at fair value of HK$731,854,000, HK$1,827,557,000 and HK$442,488,000 respectively which can be sold at the Group's discretion to settle any margin call requirements imposed by their respective securities transactions. The Group is able to use client's pledged securities up to the amount of 140% of the loans to margin clients as collateral of the Group's borrowings (with client's consent). 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.

Accounts receivable are netted off by allowance for bad and doubtful debts of HK$20,086,000, HK$9,330,000 and HK$7,524,000 as at 31 December 2006, 2007 and 2008 respectively.

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 creditworthiness, collaterals and the past collection history of each client.

Movement in the allowance for bad and doubtful debts:

	As at 31 December		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Balance at the beginning of the year	27,872	20,086	9,330
Amounts written off during the year	(7,886)	(11,797)	(7,934)
Charge for the year	100	1,041	6,720
Amounts recovered during the year	–	–	(592)
Balance at the end of the year	20,086	9,330	7,524

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 of the Company believe that there is no further credit provision required in excess of the allowance for bad and doubtful debts.

Included in the Group's accounts receivable are debtors, with a carrying amount of HK$30,666,000, HK$24,281,000 and HK$8,624,000 respectively 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 as at 31 December 2006, 2007 and 2008. The Group believes that the amounts are still recoverable given the substantial subsequent settlement after the respective balance sheet date.

Accounts receivable with carrying amounts of HK$7,886,000, HK$11,797,000 and HK$7,934,000 during each of the years ended 31 December 2006, 2007 and 2008 respectively and other receivables with HK$15,599,000 during the year ended 31 December 2008 (2006 and 2007: Nil) are individually impaired which have either been placed under liquidation or in severe financial difficulties. The Group does not hold any collateral over these balances.

In addition to the individually assessed allowance for bad and doubtful debt, the Group has also assessed, on a collective basis, loan impairment allowance for accounts receivable 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. Objective evidence of collective impairment could include Group's past experience of collecting payments and observable changes in national or local economic conditions that correlate with default on receivables. No further provision is considered necessary.

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:

	As at 31 December		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
0 – 30 days	24,949	21,771	6,549
31 – 60 days	2,387	619	826
61 – 90 days	1,690	697	323
Over 90 days	1,640	1,194	926
	30,666	24,281	8,624

The accounts receivable with a carrying amount of HK$751,515,000, HK$914,717,000 and HK$297,299,000 as at 31 December 2006, 2007 and 2008 respectively are neither past due nor impaired at the reporting date for which the Group believes that the amounts are recoverable.

Deposits with a carrying amount of HK$14,428,000, HK$14,323,000 and HK$15,518,000 as at 31 December 2006, 2007 and 2008 respectively are expected to be recovered after more than twelve months.

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

Name	**Balance at 1 January**	**Balance at 31 December**	**Maximum amount outstanding during the year**	**Market value of pledged securities at 31 December**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Directors of the Company				
Mr Wong Kin Yick Kenneth *(Note (1))* and associates				
2006	1,087	648	1,720	7,119
2007	648	1,678	28,842	3,941
2008	1,678	222	16,031	1,096
Mr Law Ping Wah Bernard and associates				
2006	–	–	345	–
2007	–	–	29,489	19,914
2008	–	–	15,401	6,049
Mr Lin Che Chu George and associates				
2006	–	–	–	–
2007	–	–	29,703	12,900
2008	–	–	–	6,372
Directors of CFSG				
Mr Cheng Man Pan Ben and associates				
2006	–	–	274	–
2007	–	–	23,349	1,945
2008	–	29	16,412	433

Name	Balance at 1 January HK$'000	Balance at 31 December HK$'000	Maximum amount outstanding during the year HK$'000	Market value of pledged securities at 31 December HK$'000
Mr Yuen Pak Lau Raymond and associates				
2006	–	–	–	–
2007	–	–	–	–
2008	–	–	996	748
Substantial shareholders of the Company				
Cash Guardian Limited				
2006	11,569	–	12,720	16,983
2007	–	–	–	930
2008	–	–	–	8,895
Mr Kwan Pak Hoo Bankee and associates				
2006	–	–	–	–
2007	–	–	29,021	10,161
2008	–	–	1,792	1,363
Abdulrahman Saad Al-Rashid & Sons Company Limited ("ARTAR") and associates				
2006	–	–	–	–
2007	–	–	2,060,400	218,735
2008 *(Note 2)*	–	–	–	5,387

Notes:

(1) During the year ended 31 December 2008, Mr Wong Kin Yick Kenneth resigned as Executive Director of the Company.

(2) During the year ended 31 December 2008, ARTAR and associates were not the substantial shareholders of the Company, while they are still the substantial shareholders of CFSG.

(3) 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.

28. Listed investments held for trading

Listed investments held for trading included:

	As at 31 December		
	2006	2007	2008
	HK$'000	HK$'000	HK$'000
Equity securities listed in Hong Kong	49,325	58,596	78,419
Investment funds	–	1,658	736
	49,325	60,254	79,155

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.

29. Bank deposits under conditions, deposits with brokers and bank balances

Bank deposits under conditions

	As at 31 December		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Other bank deposits *(note (a))*	16,685	17,105	17,142
Pledged bank deposits *(notes (b), (c) and (d))*	61,390	73,078	84,577
	78,075	90,183	101,719

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 during the Relevant Periods 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$60,473,000, HK$72,082,000 and HK$77,283,000 as at 31 December 2006, 2007 and 2008 respectively are pledged to secure the general banking facilities granted by banks.

(c) The Group's bank deposits of HK$917,000, HK$996,000 and HK$223,000 as at 31 December 2006, 2007 and 2008 were pledged for bank guarantee of rental deposit. The bank deposits will mature when the bank guarantee is expired.

(d) The Group's bank deposits of HK$7,071,000 as at 31 December 2008 were pledged to secure the general facilities granted by a bank. The bank deposits will mature on clearance of the stand-by letter of credit facility.

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%, 3.2% and 0.5% per annum as at 31 December 2006, 2007 and 2008 respectively.

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 accounts payable 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. Accounts payable

	As at 31 December		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Accounts payable arising from the business of dealing in securities and equity options:			
Cash clients	679,498	963,379	400,345
Margin clients	106,132	255,425	120,928
Accounts payable to clients arising from the business of dealing in futures and options	142,500	151,097	167,545
Accounts payable to clients arising from the business of dealing in leveraged foreign exchange contracts	2,798	9,620	357
Accounts payable arising from the online game services	937	6,368	2,334
Trade creditors arising from retailing business	139,965	125,775	132,084
	1,071,830	1,511,664	823,593

The settlement terms of accounts payable arising from the business of dealing in securities are two days after trade date. Except for the amounts payable 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.

Accounts payable to clients arising from the business of dealing in futures and options and leveraged foreign exchange contracts are margin deposits received from clients for their trading of these contracts. The 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 accounts payable amounting to HK$574,577,000, HK$928,527,000 and HK$542,079,000 as at 31 December 2006, 2007 and 2008 respectively was payable to clients and other institutions 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.

Accounts payable arising from the online game services are payable for production of online game auxiliary products. The entire accounts payable 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:

	As at 31 December		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
0 – 30 days	57,432	54,474	54,166
31 – 60 days	37,468	32,772	34,877
61 – 90 days	32,879	22,897	17,537
over 90 days	12,186	15,632	25,504
	139,965	125,775	132,084

31. Obligations under finance leases

The Group leases certain of its motor vehicles under finance leases. The average lease term is 3 to 4 years (2006 and 2007: 2 to 3 years). Interest rates underlying all obligations under finance leases are fixed at respective contract dates ranging from 6% (2006: 2.95% to 6%, 2007: 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**		
	2006	**2007**	**2008**	**2006**	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Amount payable under finance leases						
Within one year	824	500	150	756	487	127
In more than one year but not more than two years	555	41	338	541	40	315
	1,379	541	488	1,297	527	442
Less: Future finance charges	(82)	(14)	(46)	–	–	–
Present value of lease obligations	1,297	527	442	1,297	527	442
Less: Amount due for settlement within one year (shown under current liabilities)				(756)	(487)	(127)
Amount due for settlement after one year				541	40	315

The Group's obligations under finance leases are secured by the lessor's charge over the leased assets.

32. Borrowings

	As at 31 December		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Secured bank borrowings:			
Bank overdrafts	89,347	2,066	15,023
Bank loans	200,922	244,535	225,803
Trust receipt loans	74,989	71,327	79,066
	365,258	317,928	319,892
Secured other borrowings	–	–	100,012
Unsecured other borrowings	72,208	8,113	91,438
	437,466	326,041	511,342

The maturity profile of the above borrowings is as follows:

	As at 31 December		
	2006	**2007**	**2008**
	HK\$'000	*HK\$'000*	*HK\$'000*
Within one year	405,189	324,792	383,071
More than one year but not exceeding two years	32,277	1,249	92,716
More than two years but not exceeding five years	–	–	4,136
More than five years	–	–	31,419
	437,466	326,041	511,342
Less: Amount due within one year shown under current liabilities	(405,189)	(324,792)	(383,071)
Amount due after one year	32,277	1,249	128,271

At 31 December 2006, 2007 and 2008, bank borrowings of HK\$362,837,000, HK\$316,679,000 and HK\$319,892,000 respectively were secured by:

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

(b) marketable securities of the Group's clients with carrying value of HK\$634,548,000, HK\$502,840,000 and HK\$175,432,000 as at 31 December 2006, 2007 and 2008 respectively) (with client's consent);

(c) the pledged bank deposits as disclosed in note 29;

(d) all buildings and prepaid lease payments as disclosed in notes 16 and 17; and

(e) a charge over the properties to be delivered by the residential property developer as at 31 December 2008 (2006 and 2007: nil).

The other borrowings amounting to HK\$100,012,000 as at 31 December 2008 (2006 and 2007: Nil) was secured by the shares of Celestial Investment Group Limited, a wholly-owned subsidiary of the Company.

In addition, 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 with a bank as a condition precedent to an overdraft facility granted by the bank *(note 29)* during the Relevant Periods.

Bank overdrafts amounting to HK\$89,347,000, HK\$2,066,000 and HK\$15,023,000 carry interest at either HIBOR plus a spread or Hong Kong Prime Rate plus a spread as at 31 December 2006, 2007 and 2008 respectively. Bank loans amounting to HK\$188,000,000, HK\$238,659,000 and HK\$225,083,000 are at variable-rate borrowings which carry interest at either HIBOR plus a spread or Hong Kong Prime Rate plus a spread as at 31 December 2006, 2007 and 2008 respectively. Trust receipt loans amounting to HK\$74,989,000, HK\$71,327,000 and HK\$79,066,000 carry interest at Hong Kong Prime Rate plus a spread as at 31 December 2006, 2007 and 2008 respectively.

As at 31 December 2006 and 2007, the bank loan amounting to HK\$2,421,000 and HK\$1,249,000 respectively (2008: Nil) was guaranteed by a director of a subsidiary, 台灣摩力遊數位娛樂股份有限公司 (previously known as 富格曼科技股份有限公司).

As at 31 December 2006 and 2007, bank loan amounting to HK\$10,501,000 and HK\$4,627,000 were at fixed rate of 5.75% and 4.75% per annum respectively, moreover, another fixed-rate borrowing amounting to HK\$2,421,000 and HK\$1,249,000 at fixed rate of 6% were denominated in New Taiwan dollars, a currency other than the group entity's functional currency of Hong Kong dollars as at 31 December 2006 and 2007 respectively. No bank loan were at fixed-rate or denominated in a currency other than the group entity's functional currency as at 31 December 2008.

As at 31 December 2006, unsecured other borrowing of HK\$51,000,000 was non-interest bearing and repayable on demand. The unsecured other borrowings as at 31 December 2006, 2007 and 2008 amounting to HK\$21,208,000, HK\$8,113,000 and HK\$91,438,000 respectively carry interest at Hong Kong Prime Rate plus 3% per annum. Secured other borrowings of HK\$100,012,000 carry interest rate at HIBOR plus 4% per annum as at 31 December 2008 (2006 and 2007: Nil).

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

As at 31 December 2006, 2007 and 2008, the Group had undrawn borrowing facility amounting to HK$1,669,164,000, HK$1,107,609,000 and HK$1,340,935,000 with floating rate and expiring within one year from the balance sheet dates respectively.

33. Derivative financial instruments

The derivative financial instruments comprise equity-linked derivative contracts (trading as accumulators) with certain brokers for a period of one year. Under the equity-linked derivative contracts, the Group receives predetermined equity securities at stipulated strike prices on a weekly basis. When the market price of equity securities moves favorable to the Group (i.e. market price above strike price), the Group gets to buy the agreed amount of equity securities at the strike price. However, when the market price moves unfavorable to the Group (i.e. dropped below the strike price), the Group gets to buy 2 times the pre-determined equity securities at strike price. When the market price is above the knock out price, the derivative contract would be terminated (i.e. the profit is capped at the knock out price).

The fair value of derivative financial instruments is determined based on valuation techniques that incorporate market observable data. Such equity-linked derivative contracts are not accounted for using hedge accounting mechanism. They are measured at fair value at each balance sheet date with any gains or losses arising from changes in fair value being recognised in the profit and loss immediately. As at 31 December 2007 and 2008, there were 10 and 5 respectively outstanding equity linked derivative contracts with fair value of HK$12,683,000 and HK$3,067,000 respectively. All the equity-linked derivative contracts expired in 2009 and resulted in a loss of HK$2,982,000, calculated with reference to the number of equity securities taken up and the difference between the strike price and market price as at the date of settlement. The Group has no such instruments as at 31 December 2006.

In addition, during the year ended 31 December 2008, the Group acquired a number of equity-linked structured deposits with contract term of one year from inception date. It is a hybrid instrument which comprises a debt instrument with coupon payments and a put option with the underlying basket of equity securities. The coupon payments were determined based on the market price of the underlying basket of equity securities during the relevant period. According to the terms of the instruments, at maturity, if the market price of the underlying basket of equity securities is above a pre-determined level, the Group would receive par value of the bond and coupon interest. If the market price of the underlying basket of equity securities is below a pre-determined level, the Group would receive the underlying basket of equity securities at the strike price as set out in the instrument. All these equity-linked structured deposits were early redeemed by the Group during the year ended 31 December 2008 and there were no outstanding equity-linked structured deposits as at 31 December 2006, 2007 and 2008.

34. Loan from a minority shareholder

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:

	2006	**2007**	**2008**
	HK$'000	*HK$'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	**Par value of each ordinary share** *HK$*	**Number of shares** *'000*	**Amount** *HK$'000*
Ordinary shares				
Authorised:				
At 1 January 2006 and 31 December 2006		0.10	1,000,000	100,000
Increase on 3 September 2007	*(a)*	0.10	2,000,000	200,000
At 31 December 2007 and 31 December 2008		0.10	3,000,000	300,000
Issued and fully paid:				
At 1 January 2006		0.10	437,484	43,748
Issue of shares due to rights issue	*(b)*	0.10	218,742	21,875
At 31 December 2006		0.10	656,226	65,623
Exercise of share options	*(c)*	0.10	16,000	1,600
Issue of subscription shares	*(d)*	0.10	230,300	23,030
At 31 December 2007		0.10	902,526	90,253
Share consolidation	*(e)*		(722,021)	–
		0.50	180,505	90,253
Capital reduction	*(e)*		–	(72,202)
At 31 December 2008		0.10	180,505	18,051

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.

(e) Share consolidation and capital reduction

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;

(ii) reduced the issued share capital by cancelling paid up capital to the extent of HK$0.40 on each of the Consolidated Share in issue; and

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

37. Acquisition and disposal of subsidiaries

(a) Acquisition of businesses

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

On 10 January 2006, the Group acquired 100% of the equity interest of Netfield (BVI) 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 ("New Dragon") 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. 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
Accounts receivable	5,763
Other receivables, deposits and prepayments	6,975
Bank balances and cash	5,182
Accounts payable	(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 (includes 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) CRM(HK) and its subsidiaries ("Retail Group")

On 20 February 2006, the Group signed a sale and purchase agreement with Oriental Ginza, an associate of the Company, 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. 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 *HK$'000*	**Fair value adjustments** *HK$'000*	**Fair value** *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 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 ended 31 December 2007 as disclosed in note 38(c).

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 that year would have been approximately HK$1,258,428,000, and loss for that 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 assumed the following 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 inflow arising on acquisition:	
Cash consideration (US$2)	–
Bank balance acquired	38
Bank overdraft assumed	(1)
Net cash inflow arising on acquisition	37

(c) Disposal of subsidiaries

On 26 December 2008, the Group disposed of 100% interest of New Dragon and its subsidiary to an independent third party resulting in a loss of HK$3,292,000 and cash outflow arising on disposal (representing bank balances and cash disposed of) of HK$867,000.

The New Dragon Group contributed approximately HK$31,310,000 to the Group's revenue, and HK$15,922,000 loss to the Group's loss for the year ended 31 December 2008.

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 ended 31 December 2006 and 2007, the Group utilised approximately HK$5,393,000 and HK$2,233,000 respectively advertising and telecommunication services (2008: Nil).

(b) 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.

(c) 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 was discharged with payable for acquisition of subsidiaries with balance of HK$100,590,000 during the year ended 31 December 2007.

39. Contingent liabilities

(a) In 2002, Pang Po King Cannie ("Pang") filed a statement of claim against Celestial Securities, alleging that Celestial Securities, without knowledge or authority of or instructions from Pang, had misused the account opened by Pang with Celestial Securities to buy 1,046,000 shares of Takson Holdings Limited. The Directors of the Company confirmed that the subject transactions were made with knowledge and authority of Pang. Accordingly, no provision was made as at 31 December 2006 and 2007. Settlement has been reached between Pang and Celestial Securities during 2008 and no admission of liability was made by either party.

(b) During the year ended 31 December 2005, Theodore J Marr ("Marr") filed a cross-summons with the California 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 then 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. Accordingly, no provision has been made as at 31 December 2006, 2007 and 2008. In March 2009, California court ordered that the judgement was in favor of the Company.

(c) In 2003, Ka Chee Company Limited sued against Celestial (International) Securities & Investment Limited ("CISI"), a then 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 and the winding-up procedure are still in progress. Provision, which in the opinion of the Directors of the Company is adequate, has already been made for the claim during the Relevant Periods.

(d) On 11 May 2006, Hallmark Cards, Incorporated ("Petitioner") filed a petition for a winding-up order against Cosmos Global Limited ("Cosmos"), a then subsidiary of the Company, under which the Petitioner claimed that Cosmos was indebted to the Petitioner for a sum of US$41,591 (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 Cosmos on the same date and Cosmos is now in the process of liquidation. Cosmos is a dormant company and the winding up of Cosmos will not have any material impact to the operation of the Group.

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:

	As at 31 December		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Within one year	109,574	134,259	130,914
In the second to fifth year inclusive	92,386	117,227	122,612
Over five years	756	–	–
	202,716	251,486	253,526

Operating lease payments represent rental payable by the Group for office premises and retail shops. Leases are mainly negotiated for lease term of two to six years and rentals are fixed for an average of three years. 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. As at 31 December 2006, 2007 and 2008 the maximum number of shares was 8,749,676 shares, 13,124,515 shares and 18,050,514 shares (as adjusted on 6 June 2008 due to share consolidation), representing 6.7%, 7.3% and 7.3% respectively of the issued share capital of the Company as at the date of the Circular. 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:

Name of scheme	Date of grant	Exercise price per share (Note (3)) Before 6.6.2008 4:00 pm HK$	Exercise price per share (Note (3)) After 6.6.2008 4:00 pm HK$	Exercise period	Number of share options: 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 and 1.1.2008	adjusted on 6.6.2008 (Note (3))	lapsed in 2008	reallocated change in directorate	outstanding as at 31.12.2008
Directors														
Share Option Scheme	13.11.2006	0.323	1.615	13.11.2006 – 12.11.2008	–	16,000,000	16,000,000	–	–	16,000,000	(12,800,000)	(3,200,000)	–	–
	6.6.2007	0.490	2.450	6.6.2007 – 31.5.2009	–	–	–	10,000,000	–	10,000,000	(8,000,000)	–	(500,000)	1,500,000
					–	16,000,000	16,000,000	10,000,000	–	26,000,000	(20,800,000)	(3,200,000)	(500,000)	1,500,000
Employees														
Share Option Scheme	13.11.2006	0.323	1.615	13.11.2006 – 12.11.2008	–	16,000,000	16,000,000	–	(12,000,000)	4,000,000	(3,200,000)	(800,000)	–	–
	30.5.2007	0.480	2.400	30.5.2007 – 31.5.2009	–	–	–	11,700,000	(4,000,000)	7,700,000	(6,160,000)	–	–	1,540,000
	6.6.2007	0.490	2.450	6.6.2007 – 31.5.2009	–	–	–	32,300,000	–	32,300,000	(25,840,000)	–	500,000	6,960,000
					–	16,000,000	16,000,000	44,000,000	(16,000,000)	44,000,000	(35,200,000)	(800,000)	500,000	8,500,000
					–	32,000,000	32,000,000	54,000,000	(16,000,000)	70,000,000	(56,000,000)	(4,000,000)	–	10,000,000

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 HK0.480 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 have been 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) The number and the exercise price of options which remained outstanding have been adjusted due to share consolidation of the Company with effect from 4:00 pm on 6 June 2008.

The exercise in full of the outstanding 32,000,000, 70,000,000 and 10,000,000 share options at 31 December 2006, 2007 and 2008 respectively would, under the present capital structure of the Company, result in the issue of 32,000,000, 70,000,000 and 10,000,000 respectively additional shares of the Company for a total cash consideration, before expenses, of approximately HK$10,336,000, HK$30,883,000 and HK$24,423,000 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.

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.

These fair values are calculated using the Black-Scholes pricing model. The variables and assumptions used in computing the fair value of the share options are based on the Director's best estimate. The value of an opinion varies with different variables of certain subjective assumptions. The inputs into the model were as follows:

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

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

There were no share options granted and no expense was charged to consolidated income statement for year ended 31 December 2008.

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

(B) Share option schemes of CFSG

(a) CFSG New Option Scheme

CFSG's share option scheme ("CFSG New Option Scheme") was adopted pursuant to an ordinary resolution passed at the special general meeting of CFSG held on 22 February 2008, which took effect on 3 March 2008. During the year ended 31 December 2008, no option has been granted under the CFSG New Option Scheme.

The major terms of the CFSG New 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 employees (whether full time or part time), executives and officers (including executive and non-executive directors) and business consultants, agents and legal and financial advisers of the Group.

(iii) The maximum number of shares in respect of which options might be granted under the CFSG New Option Scheme must not exceed 10% of the issued share capital of CFSG as at the date of approval of the CFSG New 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 options granted and yet to be exercised under the CFSG New 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 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 option granted to the same participant under the CFSG New 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 option for a certain period before exercising the option save as determined by the board of Directors of CFSG and provided in the offer of grant of option.

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

(vii) The acceptance of an 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 an 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.

(ix) The life of the CFSG New Option Scheme is effective for 10 years from the date of adoption until 22 February 2018.

(b) CFSG Option Scheme

Prior to 3 March 2008, CFSG's share option scheme ("CFSG Share 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 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; 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 Share Option Scheme must not exceed 10% of the issued share capital of CFSG as at the date of approval of the CFSG Share 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 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 options cancelled) under any share option granted to the same participant under the CFSG 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 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 Share 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:

Name of scheme	Date of grant	Exercise price per share HK$	Exercise period	Notes	Number of share options: 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 and 1.1.2008	exercised in 2008 (Note (3))	lapsed in 2008 (Note (6))	adjusted on 1.5.2008 (Note (7))	outstanding as at 31.12.2008
Directors																
CFSG Share 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	*(4)*	–	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 Share 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 (after 4:00pm on 1.5.2008) 1.310 (after 4:00pm on 1.5.2008)	7.7.2006 – 31.7.2010	*(2),(4),(5) &(7)*	–	6,000,000	–	–	6,000,000	(1,200,000)	624,341	5,424,341	(1,203,000)	(1,834,100)	(2,274,241)	113,000
					41,370,000	75,500,000	(2,170,000)	(40,200,000)	74,500,000	(69,700,000)	624,341	5,424,341	(1,203,000)	(1,834,100)	(2,274,241)	113,000
					80,070,000	107,300,000	(2,170,000)	(78,900,000)	106,300,000	(101,500,000)	624,341	5,424,341	(1,203,000)	(1,834,100)	(2,274,241)	113,000

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** *HK$*	**Weighted average preceding closing price** *HK$* *(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
24 April 2008	1,000,000	0.262	3.034
15 July 2008	203,000	1.310	2.993

Note: This represents the weighted average closing price of the CFSG'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$0.290.

(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 CFSG.

(7) The number and the exercise price of options which remained outstanding have been adjusted due to share consolidation of CFSG with effect from 4:00 pm on 1 May 2008. The exercise price was adjusted from HK$0.262 to HK$1.310.

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 and 2008.

(C) Share option scheme of Netfield (Bermuda)

The Netfield (Bermuda)'s share option scheme ("Netfield Share Option Scheme") was adopted pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 6 June 2008. During the year ended 31 December 2008, no option has been granted under the Netfield Share Option Scheme. The major terms of the Netfield Share Option Scheme are summarised as follows:

(i) The purpose was to enable Netfield (Bermuda) to grant options to participants as incentives and/or rewards for their contribution to the Netfield (Bermuda) and its subsidiaries (known as "Moli Group") and any of its associated companies, the Moli's Group holding company and the subsidiaries and the associated companies to the Moli Group's holding company ("Members of the Moli Group").

(ii) The participants included eligible participant(s) to the Netfield Share Option Scheme, being employees (whether full time or part time), executives and officers of the Members of the Moli Group (including executive and non-executive directors of the Members of the Moli Group) and business consultants, agents and legal and financial advisers to the Members of the Moli Group who the board of directors of Netfield (Bermuda), in its sole discretion, will contribute or have contributed to the Members of the Moli Group.

(iii) The maximum number of shares in respect of which share options might be granted under the Netfield Share Option Scheme must not exceeded 10% of the issued share capital of Netfield (Bermuda) as at the date of approval of the Netfield Share 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 Netfield Share Option Scheme and any other share option scheme must not exceed 30% of the shares of Netfield (Bermuda) 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 Netfield Share Option Scheme or any other share option scheme within any 12 month period, must not exceed 1% of the relevant class of securities of Netfield (Bermuda) 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 Netfield (Bermuda) 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 Netfield (Bermuda) 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 Netfield (Bermuda).

(viii) The exercise price of a share option shall be such price as the board of directors of Netfield (Bermuda) at its absolute discretion shall determine, save that such price must not always be less than the nominal value of Netfield (Bermuda)'s share, which is currently of HK$0.10 each.

(ix) (a) The exercise price of a share option granted at any time after Netfield (Bermuda) has resolved to seek a separate listing of Netfield (Bermuda) and up to the listing date or during the period commencing 6 months before the lodgement of listing application and up to the listing date, shall not be less than the new issue price at listing.

(b) After the Netfield (Bermuda)'s share have been listed, the exercise price of a such option must be the highest of:

- the closing price of the Netfield (Bermuda)'s shares on the date of grant which day must be a trading day;

- the average closing price of the Netfield (Bermuda)'s shares for the 5 trading days immediately preceding the date of grant; and

- the nominal value of a Netfield (Bermuda)'s share.

(c) In the event that the exercise of share option by the grantee at the subscription price set out above at listing is prohibited or not allowed under the relevant laws, regulations and rules of the relevant stock exchange, the board of directors of Netfield (Bermuda) may, in its absolute discretion as may consider appropriate, redeem the share option by paying the grantee in cash such amount, which shall not less than the nominal value of the shares of Netfield (Bermuda) but not higher than the new issue price for listing, as determined solely by its board, before listing of the shares of Netfield (Bermuda). However, if the grantee is a connected person of the Company under the Listing Rules, such redemption shall be in compliance with the requirement of the Listing Rules.

(x) The life of the Netfield Share Option Scheme is effective for 10 years from the date of adoption until 5 June 2018.

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.

For members of MPF Schemes, the Group contributes 5% relevant payroll costs with a maximum contribution of HK$1,000 per person for the MPF Schemes, which contribution is matched by the employees.

The employer's contributions to the MPF Schemes charged to the income statement and the forfeited voluntary contributions of Old Scheme credited to the income statements amounted to approximately HK$5,455,000 and HK$340,000; HK$8,409,000 and HK$500,000; and HK$7,730,000 and HK$46,000 respectively for each of the years ended 31 December 2006, 2007 and 2008.

The subsidiary in Taiwan operates pension plan under the Labor Pension Act (the "Act"). The Act provides for a defined contribution benefit plan. Under the Act, the subsidiary makes monthly contributions at 6% of basic salaries (i.e. net of bonuses and benefits) to the employees' individual pension accounts. The Group recognised pension costs of HK$88,000, HK$315,000 and HK$437,000 for each of the years ended 31 December 2006, 2007 and 2008 respectively.

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. the Group recognised contributions to the aforesaid benefits schemes of HK$1,086,000, HK$2,494,000 and HK$3,930,000 for each of the years ended 31 December 2006, 2007 and 2008 respectively.

43. Commitments

Capital commitments

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

	As at 31 December		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Capital expenditure commitment in respect of the acquisition of property and equipment contracted for but not provided	–	30,241	–

44. Related party transactions

The Group had the following significant transactions with related parties:

		Year ended 31 December		
		2006	**2007**	**2008**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*
Commission and interest income received from the following substantial shareholders of the Company	*(a)*			
Cash Guardian		1,200	263	3
Mr Kwan Pak Hoo Bankee and associates		–	421	67
		1,200	684	70
Commission and interest income received from the following Directors of the Company	*(b)*			
Mr Lin Che Chu George and associates		2	386	8
Mr Law Ping Wah Bernard and associates		21	477	36
Mr Wong Kin Yick Kenneth and associates	*(c)*	112	542	104
		135	1,405	148
Commission and interest income received from the following Directors of CFSG	*(d)*			
Mr Cheng Man Pan Ben and associates		9	222	33
Mr Chan Chi Ming Benson and associates		–	3	–
Mr Yuen Pak Lau Raymond and associates		–	–	13
		9	225	46
Rental expenses paid to an associate of the Group	*(e)*	–	–	11,777

Notes:

(a) The Group received commission and interest income from margin financing of approximately HK$1,200,000, HK$684,000 and HK$70,000 from substantial shareholders of the Company for each of the years ended 31 December 2006, 2007 and 2008 respectively.

(b) The Group received commission and interest from margin financing of approximately HK$135,000, HK$1,405,000 and HK$148,000 from certain Directors of the Company for each of the years ended 31 December 2006, 2007 and 2008 respectively.

(c) During the year ended 31 December 2008, Mr Wong Kin Yick Kenneth resigned as executive Director of the Company.

(d) The Group received commission and interest from margin financing of approximately HK$9,000, HK$225,000 and HK$46,000 from certain Directors of CFSG for each of the years ended 31 December 2006, 2007 and 2008 respectively.

(e) During the year ended 31 December 2008, the Group paid rental expenses of approximately HK$11,770,000 (2006 and 2007: Nil) to an associate of the Group.

During the Relevant Periods, compensation of key management personnel represented Director's remuneration which is disclosed in note 11. The Directors' remuneration is determinated by the remuneration committee having regard to the performance, responsibilities and experience of individuals and market trends.

(B) EVENTS SUBSEQUENT TO 31 DECEMBER 2008

(i) Pursuant to the announcement dated 18 February 2009, the Group entered into an agreement to purchase the remaining equity interests of 30% in CFT from the minority shareholders at a consideration of HK$1,400,000. Upon Completion on 20 February 2009, CFT will be changed from a 70% owned subsidiary to a wholly-owned subsidiary of the Group and it does not have significant financial impact on the financial position and result of the Group.

(ii) On 11 November 2008, the Group entered into a sale and purchase agreement with Mr Kwan Pak Hoo Bankee, an executive Director of the Company and is a controlling shareholder of the Company pursuant to which, subject to conditions, the Group will acquire the entire equity shareholding interest and the shareholder's loan interest in Excelbright Enterprises Limited, a property holding company incorporated in BVI from Mr Kwan Pak Hoo Bankee, at the consideration of approximately HK$42.8 million, which will be fully settled by the issue of the convertible note of the Company. The above mentioned transaction was completed on 17 February 2009. The final consideration was agreed at HK$43,243,000 and a convertible note in the same principal amount of HK$43,243,000 was issued by the Company to Cash Guardian (controlling shareholder, a company controlled by Mr Kwan Pak Hoo Bankee and associates). The Directors of the Company are in the process of considering and quantifying the potential financial impact of the issuance of the convertible note. On 12 April 2009, the Group entered into a provisional sales and purchases agreement with an independent third party to dispose a residential property in Hong Kong held by Excelbright Enterprises Limited at the consideration of HK$51,000,000.

(iii) Pursuant to the announcement dated 20 February 2009, CFSG proposed a rights issue on the basis of 1 rights share for every 2 shares at a subscription price HK$0.45. Under this rights issue, 205,702,702 new shares are issued, raising approximately HK$92.6 million (before expenses) in April 2009. There is no change in the Company's equity interest in CFSG after this rights issue.

(iv) On 13 March 2009, 17,300,000 share options ("Share Options") to subscribe for ordinary shares of HK$0.10 each of the Company were granted under the Share Option Scheme. The exercise price of Share Options granted is HK$1.13 per share. The Directors of the Company are in the process of quantifying the potential financial impact of the exercise of the Share Options.

(v) On 24 March 2009, the Group disposed of its 10% equity interest in Transtech Optical Communication Company Limited, a company incorporated in BVI, to an independent third party at a consideration of approximately HK$14 million. The disposal will result in a gain of approximately HK$14 million as the investment in 10% equity interest in Transtech Optical Communication Company Limited had been fully impaired in previous years.

(vi) On 19 December 2008, CGL, a wholly-owned subsidiary of the Company, and CFSG entered into a sale and purchase agreement, pursuant to which, subject to conditions, CFSG will acquire 60% of the equity interests in Retail Group and the loan due from CGL to the Retail Group, at an aggregate consideration of approximately HK$184 million (subject to adjustment) and CFSG will be granted a purchaser call option entitling CFSG to acquire the remaining 40% of the equity interests in the Retail Group at the consideration of approximately HK$116 million (subject to adjustment) at any time from the date of the first completion date up to 31 December 2011 ("Purchaser Call Option"). On 21 May 2009, the Company and CFSG has entered into a Supplemental Agreement pursuant to which the terms of the Purchaser Call Option is amended to include also a vendor put option entitling the Company to dispose the remaining 40% of the equity interests in the Retail Group to CFSG on the same terms of the Purchaser Call Option. The transaction is conditional and is subject to the approval of the shareholders of the Company.

The consolidated balance sheets as at respective balance sheet dates, the consolidated income statement and consolidated cash flow statements of Retail Group during the Relevant Periods are set out as follows:

(a) Consolidated balance sheets of the Retail Group:

	As at 31 December		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Non-current assets			
Property and equipment	58,520	55,641	45,928
Prepaid lease payments	16,378	15,963	15,548
Deferred tax assets	–	–	2,000
	74,898	71,604	63,476
Current assets			
Inventories	48,950	39,693	38,407
Accounts receivable	460	408	–
Prepayments, deposits and other receivables	30,289	36,204	34,479
Amounts due from fellow subsidiaries	52,526	103,186	51,006
Pledged bank deposits	50,262	51,816	54,030
Bank balances and cash	75,606	36,674	37,786
	258,093	267,981	215,708
Current liabilities			
Accounts payable	139,965	125,775	97,528
Accrued liabilities and other payables	40,334	44,893	28,489
Taxation payable	200	200	2,031
Amounts due to fellow subsidiaries	12,506	92,365	34,618
Borrowings – amount due within one year	105,460	77,634	79,066
	298,465	340,867	241,732
Net current liabilities	(40,372)	(72,886)	(26,024)
Net assets (liabilities)	34,526	(1,282)	37,452
Capital and reserves			
Share capital	–	–	–
Reserves	29,896	(1,282)	37,452
	29,896	(1,282)	37,452
Non-current liability			
Borrowings – amount due after one year	4,630	–	–
	34,526	(1,282)	37,452

(b) Consolidated income statement of the Retail Group:

	Year ended 31 December		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Continuing operations			
Revenue	763,233	773,264	863,997
Cost of sales	(478,011)	(437,508)	(491,172)
Gross profit	285,222	335,756	372,825
Other income	5,343	5,763	7,621
Selling and distribution costs	(228,735)	(241,415)	(277,624)
Administrative expenses	(52,678)	(65,223)	(63,662)
Finance cost	(4,108)	(4,775)	(3,226)
Profit before taxation	5,044	30,106	35,934
Taxation charge	–	–	(4,900)
Profit for the year from continuing operations	5,044	30,106	31,034
Discontinued operations			
Loss for the year from discontinued operations	(79,737)	(61,810)	–
(Loss) profit for the year	(74,693)	(31,704)	31,034

(c) Consolidated cash flow statements of the Retail Group:

	Year ended 31 December		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Operating activities			
(Loss) profit before taxation	(74,693)	(31,704)	35,934
Adjustments for:			
Amortisation of prepaid lease payments	207	415	415
Depreciation of property and equipment	28,810	23,971	16,362
Allowance for inventory obsolescence and write-off of inventories	4,860	8,281	2,044
Impairment loss recognised in respect of property and equipment	5,951	1,472	–
Interest expense	4,168	5,333	3,226
Interest income	(2,721)	(2,641)	(942)
(Gain) loss on disposal of property and equipment	(4,402)	(15)	187
Revaluation deficit on buildings	–	–	1,388
Operating cashflow before movements in working capital	(37,820)	5,112	58,614
(Increase) decrease in inventories	(5,947)	976	(5,976)
Decrease (increase) in accounts receivable	778	52	(52)
Decrease (increase) in prepayments, deposits and other receivables	36,327	(5,915)	(7,110)
Decrease in held-for-trading investments	4,106	–	–
Decrease in accounts payable	(11,459)	(14,190)	(2,399)
Increase (decrease) in accrued liabilities and other payables	4,781	4,559	(10,511)
Net cash (used in) from operations	(9,234)	(9,406)	32,566
Income taxes paid	–	–	(5,069)
Net cash (used in) from operating activities	(9,234)	(9,406)	27,497

	Year ended 31 December		
	2006	2007	2008
	HK$'000	*HK$'000*	*HK$'000*
Investing activities			
Interest income	2,721	2,641	942
Addition in prepaid lease payments	(17,000)	–	–
Purchase of club membership	(1,330)	–	–
Disposal of subsidiaries	736	–	(6,663)
Proceeds from disposal of property and equipment	9,802	15	–
Purchase of property and equipment	(48,381)	(22,491)	(13,586)
Increase in pledged bank deposits	(11,362)	(1,554)	(2,214)
(Advance to) repayment from fellow subsidiaries	(50,826)	(50,660)	1,014
Repayment from ultimate holding company	49,242	–	–
Net cash used in investing activities	(66,398)	(72,049)	(20,507)
Financing activities			
New loans raised	239,712	265,508	286,845
Repayment of borrowings	(191,719)	(297,964)	(283,733)
Advance from (repayment to) fellow subsidiaries	11,491	79,859	(5,803)
Interest paid on bank and other loans	(4,168)	(5,333)	(3,226)
Net cash from (used in) financing activities	55,316	42,070	(5,917)
Net (decrease) increase in cash and cash equivalents	(20,316)	(39,385)	1,073
Cash and cash equivalents at beginning of year	95,922	75,606	36,674
Effect of foreign exchange rate changes	–	453	39
Cash and cash equivalents at end of year	75,606	36,674	37,786
Being:			
Bank balances and cash	75,606	36,674	37,786

(C) SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of any of the companies in the Group have been prepared in respect of any period subsequent to 31 December 2008.

Yours faithfully,
Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

1. FINANCIAL INFORMATION

A. SUMMARY OF FINANCIAL RESULTS FOR THE THREE YEARS ENDED 31 DECEMBER 2008

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 2008 as extracted from the annual reports of the CFSG Group for the respective years.

Consolidated Profit and Loss Account

	For the year ended 31 December		
	2008	**2007**	**2006**
	HK$'000	*HK$'000*	*HK$'000*
Continuing operations			
Revenue	324,651	666,378	345,997
(Loss) Profit before taxation	(81,924)	204,611	73,521
Taxation (charge) credit	(4,294)	(28,825)	(5,796)
(Loss) Profit for the year from continuing operations	(86,218)	175,786	67,725
Discontinued operations			
Profit (Loss) for the year from discontinued operation	–	30,904	(27,527)
(Loss) Profit for the year	(86,218)	206,690	40,198
Attributable to:			
Equity holders of CFSG	(99,595)	207,779	39,944
Minority interests	13,377	(1,089)	254
	(86,218)	206,690	40,198
	2008	**2007**	**2006**
		(restated)	(restated)
(Loss) Earnings per share			
– Basic	(24.1) HK cents	61.3 HK cents	12.5 HK cents
– Diluted	–	60.6 HK cents	12.5 HK cents

Consolidated Assets and Liabilities

	As at 31 December		
	2008	**2007**	**2006**
	HK$'000	*HK$'000*	*HK$'000*
Total assets	1,727,258	2,626,917	1,775,485
Total liabilities	(1,021,203)	(1,727,551)	(1,291,893)
Net assets	706,055	899,366	483,592

Note: There were no extraordinary items and exceptional items for the three years ended 31 December 2008.

B. FINANCIAL INFORMATION FOR THE TWO YEARS ENDED 31 DECEMBER 2008

The following financial information is extracted from the audited consolidated financial statements of the CFSG Group for each of the two years ended 31 December 2008.

Consolidated Income Statement
For the year ended 31 December 2008

	NOTES	2008 HK$'000	2007 HK$'000
Continuing operations			
Revenue	7	324,651	666,378
Other operating income		5,260	1,859
Salaries, commission and related benefits	9	(151,110)	(247,980)
Depreciation		(15,655)	(7,403)
Finance costs	10	(20,134)	(91,844)
Other operating and administrative expenses		(100,649)	(133,363)
Net (losses) gains on financial assets at fair value through profit or loss	6	(172,117)	20,334
Net increase in fair value on derivative financial instruments	6	8,734	–
Share of profit (loss) of an associate	24	39,096	(3,370)
(Loss) profit before taxation		(81,924)	204,611
Taxation charge	13	(4,294)	(28,825)
(Loss) profit for the year from continuing operations		(86,218)	175,786
Discontinued operations			
Profit for the year from discontinued operations	14	–	30,904
(Loss) profit for the year	15	(86,218)	206,690
Attributable to:			
Equity holders of CFSG		(99,595)	207,779
Minority interests			
– Continuing operations		13,377	(617)
– Discontinued operations		–	(472)
		(86,218)	206,690

	NOTES	2008 HK$'000	2007 HK$'000
Dividend:			
Proposed final dividend (31 December 2008: nil; 31 December 2007: HK$0.03 per ordinary share based on 2,076,972,027 shares)		–	62,309
Dividends recognised as distribution during the year			
– 2008 Interim – HK$0.10 per ordinary share (2007: HK$0.02 per ordinary share)			
– 2007 Final – HK$0.03 per ordinary share (2006: HK$0.02 per ordinary share)		103,566	57,333
(Loss) earnings per share	*16*		
From continuing and discontinued operations:			
– Basic		(24.1) HK cents	61.3 HK cents
– Diluted		–	60.6 HK cents
From continuing operations:			
– Basic		(24.1) HK cents	52.0 HK cents
– Diluted		–	51.4 HK cents
From discontinued operations:			
– Basic		–	9.3 HK cents
– Diluted		–	9.1 HK cents

Consolidated Balance Sheet
At 31 December 2008

	NOTES	2008 HK$'000	2007 HK$'000
Non-current assets			
Property and equipment	17	108,164	24,787
Investment property	18	–	5,000
Goodwill	19	4,933	4,933
Intangible assets	20	11,062	12,392
Other assets	22	132,718	9,136
Loans receivable	23	192	176
Interests in associates	24	111,684	65,778
Loan to an associate	24	10,296	10,296
Amounts receivable on disposal of subsidiaries	25	–	162,703
		379,049	295,201
Current assets			
Amounts receivable on disposal of subsidiaries	25	171,498	–
Accounts receivable	26	304,042	931,595
Loans receivable	23	13,629	28,867
Prepayments, deposits and other receivables		22,864	28,218
Amount due from an associate	25	260	260
Amounts due from fellow subsidiaries	25	341	447
Tax recoverable		1,230	–
Investments held for trading	27	79,155	59,271
Deposits with brokers	25	2,730	69,188
Bank deposits subject to conditions	28	35,180	28,675
Bank balances – trust and segregated accounts	25	542,079	928,527
Bank balances (general accounts) and cash	25	175,201	256,668
		1,348,209	2,331,716
Current liabilities			
Accounts payable	29	689,175	1,379,521
Accrued liabilities and other payables		46,482	68,534
Derivative financial liabilities	33	3,067	–
Taxation payable		20,172	20,993
Obligations under finance leases – amount due within one year	30	127	–
Bank borrowings – amount due within one year	31	195,253	231,066
Loan from a minority shareholder	25	27,437	27,437
		981,713	1,727,551
Net current assets		366,496	604,165
		745,545	899,366

	NOTES	2008 HK$'000	2007 HK$'000
Capital and reserves			
Share capital	32	41,140	207,697
Reserves		648,153	690,668
Equity attributable to equity holders of CFSG		689,293	898,365
Minority interests		16,762	1,001
Total equity		706,055	899,366
Non-current liabilities			
Deferred tax liabilities	13	2,342	–
Obligations under finance leases – amount due after one year	30	315	–
Bank borrowings – amount due after one year	31	36,833	–
		39,490	–
		745,545	899,366

Consolidated Statement of Changes in Equity

For the year ended 31 December 2008

	Attributable to equity holders of CFSG								
	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000 (Note a)	Share-based payment reserve HK$'000	Translation reserve HK$'000	(Accumulated losses) retained earnings HK$'000	Total HK$'000	Minority interests HK$'000	Total HK$'000
At 1 January 2007	138,205	220,970	128,550	2,496	(288)	(10,102)	479,831	3,761	483,592
Profit for the year	–	–	–	–	–	207,779	207,779	(1,089)	206,690
Share of translation reserve of associate	–	–	–	–	855	–	855	460	1,315
Total recognised income and expense for the year	–	–	–	–	855	207,779	208,634	(629)	208,005
Issue of new shares *(Note b)*	10,150	21,419	–	(1,525)	–	–	30,044	–	30,044
Issue of new shares due to rights issue *(Note c)*	59,342	178,026	–	–	–	–	237,368	–	237,368
Transaction costs attributable to issue of new shares	–	(467)	–	–	–	–	(467)	–	(467)
Amount transferred to retained earnings as a result of expiration of share option	–	–	–	(883)	–	883	–	–	–
Release on disposal of subsidiaries	–	–	–	–	288	–	288	(2,131)	(1,843)
2006 final dividends paid	–	–	–	–	–	(27,661)	(27,661)	–	(27,661)
2007 interim dividends paid	–	–	–	–	–	(29,672)	(29,672)	–	(29,672)
Amount transferred from share premium to contributed surplus *(Note d)*	–	(100,000)	100,000	–	–	–	–	–	–
Amount transferred to set off accumulated losses *(Note e)*	–	–	(58,000)	–	–	58,000	–	–	–
At 31 December 2007 and 1 January 2008	207,697	319,948	170,550	88	855	199,227	898,365	1,001	899,366
Loss for the year	–	–	–	–	–	(99,595)	(99,595)	13,377	(86,218)
Share of translation reserve of associate	–	–	–	–	4,426	–	4,426	2,384	6,810
Exchange differences arising on translation of foreign operations	–	–	–	–	79	–	79	–	79
Total recognised income and expense for the year	–	–	–	–	4,505	(99,595)	(95,090)	15,761	(79,329)
Issue of new shares *(Note f)*	120	408	–	–	–	–	528	–	528
Reduction of shares due to share consolidation and capital reduction *(Note g)*	(166,238)	–	166,238	–	–	–	–	–	–
Share repurchases	(439)	(10,465)	–	–	–	–	(10,904)	–	(10,904)
Transaction costs attributable to issue of new shares	–	(40)	–	–	–	–	(40)	–	(40)
Amount transferred to retained earnings as a result of expiration of share option	–	–	–	(88)	–	88	–	–	–
2007 final dividends paid	–	–	–	–	–	(62,339)	(62,339)	–	(62,339)
2008 interim dividends paid	–	–	–	–	–	(41,227)	(41,227)	–	(41,227)
Amount transferred to set off accumulated losses *(Note h)*	–	–	(60,000)	–	–	60,000	–	–	–
At 31 December 2008	41,140	309,851	276,788	–	5,360	56,154	689,293	16,762	706,055

Notes:

(a) The contributed surplus of the CFSG Group represents the difference between the nominal amount of the shares issued by CFSG and the aggregate of the nominal amount of the issued share capital and the reserves of CASH on-line Limited, the then holding company of the CFSG Group prior to the group reorganisation, pursuant to the group reorganisation after deducting the expenses in connection with the listing of CFSG's shares and the acquisition of subsidiaries, and the net amount arising from the capital reduction, reduction of share premium account and amounts transferred to eliminate accumulated losses.

(b) (i) In April 2007, 1,000,000 share options were exercised at an exercise price of HK$0.296 per share, resulting in the issue of 1,000,000 shares of HK$0.10 each on 23 April 2008 for a total consideration (before expenses) HK$296,000. These shares rank pari passu in all respect with other shares in issue.

(ii) In July 2007, 8,600,000 share options, 40,100,000 share options, 5,000,000 share options and 9,000,000 share options respectively were exercised at an exercise price of HK$0.296 per share, resulting in the issue of 8,600,000 shares, 40,100,000 shares, 5,000,000 shares and 9,000,000 shares of HK$0.10 each on 3 July 2007, 4 July 2007, 9 July 2007 and 27 July 2007 respectively for a total consideration (before expenses) of HK$18,559,200. These shares rank pari passu in all respects with other shares in issue.

(iii) In August 2007, 2,600,000 share options and 35,200,000 share options respectively were exercised at an exercise price of HK$0.296 per share, resulting in the issue of 2,600,000 shares and 35,200,000 shares of HK$0.10 each on 7 August 2007 and 13 August 2007 respectively for a total consideration (before expenses) of HK$11,188,800. These shares rank pari passu in all respects with other shares in issue.

(c) On 21 November 2007, 593,420,579 shares of HK$0.10 each were issued by way of rights issue at a subscription price of HK$0.40 per share. The gross proceeds before expenses were approximately HK$237,368,000.

(d) Pursuant to a minute of an annual general meeting of CFSG held on 1 June 2007, an amount of HK$100,000,000 was transferred from the share premium account to contributed surplus account where it may be utilised in accordance with the bye-laws of CFSG and all the applicable laws.

(e) (i) Pursuant to a meeting of the CFSG Board held on 8 June 2007, an amount of HK$28,000,000 was transferred from the contributed surplus account to set off against the accumulated losses of CFSG for the payment of 2006 final dividend of HK$27,661,000.

(ii) Pursuant to a minute of a meeting of the CFSG Board held on 3 September 2007, an amount of HK$30,000,000 was transferred from the contributed surplus account to set off against the accumulated losses of CFSG for the payment of 2007 interim dividend of HK$29,672,000.

(f) On 24 April 2008 and 15 July 2008, 1,000,000 share options and 203,000 share options were exercised at an exercise price of HK$0.262 each and HK$1.310 each respectively, resulting in the issue of a total of 1,203,000 new shares of HK$0.10 each for a total consideration (before expenses) of HK$528,000. These shares rank pari passu in all respects with other shares in issue.

(g) Pursuant to a special resolution passed by the shareholders at the annual general meeting of CFSG held on 30 April 2008, CFSG, with effect from 2 May 2008:

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

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

(iii) transferred the amount of paid up capital cancelled arising from the Capital Reduction of approximately HK$166,238,000 to the contributed surplus account.

(h) Pursuant to a minute of a meeting of the CFSG Board held on 3 September 2008, an amount of HK$60,000,000 was transferred from the contributed surplus account to set off against the accumulated losses of CFSG for the payment of 2008 interim dividend of HK$41,227,000.

Consolidated Cash Flow Statement
For the year ended 31 December 2008

	NOTES	2008 HK$'000	2007 HK$'000
Operating activities			
(Loss) profit before taxation		(81,924)	235,515
Adjustments for:			
Advertising and telecommunication services expenses	35	–	2,233
Allowance for bad and doubtful debt		900	1,339
Bad debt on accounts and loans receivable written off directly		177	227
Amortisation of intangible assets		–	1,731
Depreciation of property and equipment		15,655	9,809
Interest income arising from accounts receivable on disposal of subsidiaries		(8,795)	–
Interest expense		20,134	91,928
Gain on disposal of subsidiaries	37	–	(41,701)
Fair value change on investment property		(823)	–
Loss (gain) on disposal of intangible asset		830	(9)
Gain on disposal of property and equipment		(35)	–
Realised loss on equity-linked structured deposits		29,905	–
Impairment loss on amount due from an associate		–	4,075
Share of (profit) loss of an associate		(39,096)	3,370
Operating cash (outflows) inflows before movements in working capital		(63,072)	308,517
Increase in inventories		–	(676)
Decrease (increase) in accounts receivable		627,376	(151,142)
Decrease (increase) in loans receivable		14,322	(10,011)
Decrease (increase) in prepayments, deposits and other receivables		5,354	(34,645)
Decrease (increase) in deposits with brokers		64,902	(69,188)
Increase in amount due from an associate		–	(4,519)
Increase in amounts due from fellow subsidiaries		440	3,016
Increase in investments held for trading		(28,143)	(4,954)
Increase in derivative financial liabilities		(8,734)	–
Decrease in equity-linked structured deposits		28,507	–
Decrease (increase) in bank balances – trust and segregated accounts		386,448	(353,950)
(Decrease) increase in accounts payable		(690,346)	447,656
(Decrease) increase in accrued liabilities and other payables		(22,052)	62,980
Increase in deferred revenue		–	9,942

	NOTES	2008 HK$'000	2007 HK$'000
Cash from operations		315,002	203,026
Income taxes paid		(4,003)	(10,685)
Net cash from operating activities		310,999	192,341
Investing activities			
Investment in an associate		–	(67,833)
Increase in loan to an associate		–	(10,296)
Disposal of subsidiaries	37	–	(35,976)
Acquisition of subsidiaries	36(a)	(105)	37
Increase in bank deposits subject to conditions		(6,505)	(862)
Statutory and other deposits (paid) refunded		(311)	7,105
Purchases of property and equipment		(98,254)	(10,728)
Proceeds on disposal of property and equipment		35	–
Proceeds on disposal of intangible assets		500	1,769
Proceeds on disposal of investment property		5,823	–
Deposits paid for acquisition of fellow subsidiaries	22	(60,000)	–
Receipt on amounts receivable on disposal of subsidiaries		–	9,855
Net cash used in investing activities		(158,817)	(106,929)
Financing activities			
Increase in loan from a minority shareholder		–	27,437
Increase (decrease) in bank overdrafts		12,957	(87,281)
(Decrease) increase in bank loans		(76,613)	40,520
Repayment of loan payable		(35,853)	–
Payment of repurchase of shares		(10,904)	–
Proceeds on issue of shares		528	267,412
Share issue expenses		(40)	(467)
Dividends paid		(103,566)	(57,333)
Interest paid on bank borrowings		(20,125)	(91,923)
Interest paid on obligations under finance leases		(9)	(5)
Repayment of obligations under finance leases		(103)	(330)
Net cash (used in) from financing activities		(233,728)	98,030
Net (decrease) increase in cash and cash equivalents		(81,546)	183,442
Cash and cash equivalents at beginning of year		256,668	73,226
Effect of change in foreign exchange rate		79	–
Cash and cash equivalents at end of year		175,201	256,668
Bank balances (general accounts) and cash		175,201	256,668

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

1. General

CFSG was incorporated in Bermuda as an exempted company with limited liability under the Companies Act 1981 of Bermuda and its shares are listed on the Main Board of the Stock Exchange of Hong Kong Limited ("Stock Exchange"). Its immediate holding company is Celestial Investment Group Limited ("CIGL"), a limited company incorporated in the British Virgin Islands. Its ultimate holding company is Celestial Asia Securities Holdings Limited ("CASH"), a company incorporated in Bermuda with its shares being listed on the Main Board of the Stock Exchange. The address of the registered office of CFSG is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda, while the address of the principal place of business of CFSG is 21/F Low Block, Grand Millennium Plaza, 181 Queen's Road Central, Hong Kong.

The principal activity of CFSG is investment holding. The principal activities of the CFSG Group are the provision of (a) online and traditional brokerage of securities, futures, options and leverage foreign exchange contracts as well as mutual funds and insurance-linked investment products, (b) margin financing and money lending, and (c) corporate finance. In 2007, the operations of online game and related services were discontinued *(see note 14)*.

The consolidated financial statements are presented in Hong Kong dollars, which is also the functional currency of CFSG.

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs")

In the current year, the CFSG Group has applied the following amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") which are or have become effective.

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of financial assets
HK(IFRIC) – INT 11	HKFRS 2: Group and treasury share transactions
HK(IFRIC) – INT 12	Service concession arrangements
HK(IFRIC) – INT 14	HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction

The adoption of the new HKFRSs had no material effect on how the CFSG 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 CFSG Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs[1]
HKAS 1 (Revised)	Presentation of financial statements[2]
HKAS 23 (Revised)	Borrowing costs[2]
HKAS 27 (Revised)	Consolidated and separate financial statements[3]
HKAS 32 & 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation[2]
HKAS 39 (Amendment)	Eligible hedged items[3]
HKFRS 1	First-time adoption of financial reporting standards[3]
HKFRS 1 & HKAS 27 (Amendments)	Cost of an investment in a subsidiary, jointly controlled entity or associate[2]
HKFRS 2 (Amendment)	Vesting conditions and cancellations[2]
HKFRS 3 (Revised)	Business combinations[3]
HKFRS 7 (Amendments)	Improving disclosures about financial instruments[2]
HKFRS 8	Operating segments[2]
HK(IFRIC) – INT 13	Customer loyalty programmes[4]
HK(IFRIC) – INT 15	Agreements for the construction of real estate[2]
HK(IFRIC) – INT 16	Hedges of a net investment in a foreign operation[5]
HK(IFRIC) – INT 17	Distribution of non-cash assets to owners[3]
HK(IFRIC) – INT 18	Transfer of assets from customers[6]

[1] *Effective for annual periods beginning on or after 1 January 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009.*
[2] *Effective for annual periods beginning on or after 1 January 2009.*
[3] *Effective for annual periods beginning on or after 1 July 2009.*
[4] *Effective for annual periods beginning on or after 1 July 2008.*
[5] *Effective for annual periods beginning on or after 1 October 2008.*
[6] *Effective for transfers on or after 1 July 2009.*

The application of HKFRS 3 (Revised) may affect the CFSG Group's accounting for business combination for which the acquisition date is on or after 1 January 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in the CFSG Group's ownership interest in a subsidiary. The CFSG Directors anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the CFSG Group.

3. Significant accounting policies

The consolidated financial statements have been prepared under the historical cost basis except for certain financial instruments and investment property, 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 the 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 CFSG and entities controlled by CFSG (its subsidiaries). Control is achieved where CFSG 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 CFSG 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 CFSG 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 CFSG Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

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 CFSG 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, except for non-current assets that are classified as held for sale in accordance with HKFRS 5 "Non-current assets held for sale and discontinued operations", which are recognised and measured at fair value less costs to sell.

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 CFSG Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the CFSG 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 acquisitions prior to 1 January 2005

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

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 (see the accounting policy below).

Goodwill arising on acquisitions on or after 1 January 2005

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

Capitalised goodwill arising on acquisition of a business 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.

Investments in associates

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 associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the CFSG Group's share of the net assets of the associates, less any identified impairment loss. When the CFSG 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 CFSG Group's net investments in the associate), the CFSG 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 CFSG Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Any excess of the CFSG 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 CFSG Group, profits and losses are eliminated to the extent of the CFSG Group's interest in the relevant associate.

Revenue recognition

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; and

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

Revenue 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; and

- 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

An investment property is a 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 profit or loss for the year in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and 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 CFSG Group as lessee

Assets held under finance leases are recognised as assets of the CFSG 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 consolidated 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 its 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 exchange 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 purpose of presenting the consolidated financial statements, the assets and liabilities of the CFSG Group's foreign operations are translated into the presentation currency of the CFSG Group at the rates prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuated significantly during the period, in which case, the exchange rates prevailing at the dates of the 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 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 benefits costs

Payments to defined contribution retirement benefits plan/state-managed retirement benefits schemes/the Mandatory Provident Fund Scheme are charged as 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 CFSG 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 and associates, except where the CFSG 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 the accounting policy in respect of impairment losses on tangible and intangible assets 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.

Financial instruments

Financial assets and financial liabilities are recognised on the 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 CFSG Group's financial assets are classified into one of the two categories, including financial assets at fair value through profit or loss and loans and receivables. 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.

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.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss has two subcategories, including financial assets held for trading and those designated at fair value through profit or loss on initial recognition.

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 CFSG 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.

A financial asset other than a financial asset held for trading may be designated as at fair value through profit or loss upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the CFSG Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at fair value through profit or loss.

At each balance sheet date subsequent to initial recognition, financial assets at fair value through profit or loss 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 accounts receivable, loans receivable, loan to an associate, other receivables, deposits paid for acquisition of fellow subsidiaries, amounts due from associate and fellow subsidiaries, amounts receivable on disposal of subsidiaries, deposits with brokers, bank balances and deposits) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, 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.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty;
- 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 loans receivable and accounts receivable arising from the business of dealing in securities and equity options with margin clients, 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 loans receivable 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 loans receivable 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 loss 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.

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 CFSG Group after deducting all of its liabilities. The CFSG Group's financial liabilities are generally classified into other financial liabilities.

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.

Other financial liabilities

Other financial liabilities (including accounts payable, other payables, bank borrowings and loan from a minority shareholder) are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by CFSG are recorded at the proceeds received, net of direct issue costs. When CFSG reacquires its own equity instruments, those instruments shall be deducted from equity. No gain or loss shall be recognised in profit or loss on the purchase, sale, issue on cancellation of CFSG's own equity instruments.

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 CFSG 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 or payable is recognised in profit or loss.

Equity-settled share-based payment transactions (share options granted to employees of the CFSG Group for their services to the CFSG 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 expenses in full at the grant date when share options granted vested immediately, with a corresponding increase in equity (share-based payment reserve).

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

At the time when the share options are exercised, the amount previously recognised in share-based payment 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-based payment reserve will be transferred to accumulated losses/retained earnings.

Impairment losses on tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill above)

At each balance sheet date, the CFSG 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, but so 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.

4. Key Sources of Estimation Uncertainty

In the process of applying the CFSG Group's accounting policies, the management has made various estimates based on past experience, expectations of the future and other information. The key source of estimation uncertainty that may significantly affect the amounts recognised in the consolidated financial statements within the next financial year is disclosed below.

Allowance for bad and doubtful debts

The policy for allowance for bad and doubtful debts of the CFSG Group is based on the evaluation of collectability and aging analysis of accounts and on management's judgment. A considerable amount of judgment is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each client. If the financial conditions of debtors and their ability to make payments worsen, additional allowance may be required. As at 31 December 2008, the aggregate carrying amount of accounts and loans receivable and other amounts receivable is HK$328,159,000 (2007: HK$970,934,000) (net of allowance for bad and doubtful debts).

5. Capital risk management

Capital risk management

The CFSG Group manages its capital to ensure that entities in the CFSG 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 CFSG Group consists of debt, which includes the bank borrowings disclosed in note 31, and equity attributable to equity holders of CFSG, comprising issued share capital disclosed in note 32, reserves and retained earnings 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 CFSG 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 CFSG Group's overall strategy remains unchanged throughout the year.

Certain group entities are regulated by the Hong Kong Securities and Futures Commission ("SFC") and are required to comply with certain minimum capital requirements according to the Hong Kong Securities and Futures Ordinance. Management closely monitors, on a daily basis, the liquid capital level of these entities to ensure the compliance of the minimum liquid capital requirement under the Hong Kong Securities and Futures (Financial Resources) Rules.

6. Financial instruments

(i) Categories of financial instruments

	2008 *HK$'000*	**2007** *HK$'000*
Financial assets		
Fair value through profit or loss – held-for-trading	79,155	59,271
Loans and receivables (including cash and cash equivalents)	1,316,747	2,426,222
Financial liabilities		
Amortised cost	965,877	1,644,066
Derivative financial liabilities	3,067	–

(ii) Net (losses) gains on financial assets at fair value through profit or loss

	2008	**2007**
	HK$'000	*HK$'000*
Held-for-trading investments		
– Equity securities listed in Hong Kong	(141,290)	20,121
– Investment funds	(922)	213
Designated at fair value through profit or loss		
– Equity-linked structured deposits *(Note 34)*	(29,905)	–
	(172,117)	20,334

(iii) Net increase in fair value on derivative financial instrument

	2008	**2007**
	HK$'000	*HK$'000*
Equity-linked derivative contracts *(Note 33)*	8,734	–

Financial risk management objectives and policies

The CFSG Group's major financial instruments include equity investments, deposits paid for acquisition of fellow subsidiaries, other receivables, other payables, bank balances and deposits, bank borrowings, accounts receivable and accounts payable. 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 CFSG Group is exposed to equity price risk as a result of changes in fair value of its investments in equity securities and derivative financial instruments. The CFSG Directors manage the exposure by closely monitoring the portfolio of equity investments and derivative financial instrument *(see note 33)*.

Equity price sensitivity

The sensitivity analyses below have been determined based on the exposure to equity price risks at the reporting date. The analysis is prepared assuming the financial instruments outstanding at the balance sheet date were outstanding for the whole year. As a result of the volatility of the financial market in 2008, the management adjusted the sensitivity rate from 10% for 2007 to 30% for 2008 for the purpose of assessing equity price risk. A 30 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.

As at 31 December 2008, if the market bid prices of the CFSG Group's listed equity investments had been 30 percent higher/lower, the CFSG Group's loss would decrease/increase by HK$23,747,000 (2007: the CFSG Group's profit would increase/decrease by HK$17,781,000). This is mainly attributable to the changes in fair values of the listed investments held for trading.

For derivative financial instruments, the CFSG Group has obligations to take up equity securities based on the relevant contract. In addition, since these contracts are mark-to-market at reporting date, the CFSG Group will have profit and loss exposure in these contracts. No sensitivity analysis is prepared as the impact for the remaining contracts are expected to be insignificant *(see note 33 for loss on settlement subsequent to 31 December 2008)*.

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. An unexpected decrease in market bid price may result in the CFSG Group suffering significant loss due to the leverage feature.

Interest rate risk

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

The CFSG Group is also exposed to cash flow interest rate risk in relation to variable-rate bank borrowings, loans receivable, loans to margin clients and bank balances. The CFSG Group currently does not have a cash flow interest rate hedging policy. However, management is closely monitoring its exposure arising from margin financing and other lending activities undertaken by allowing an appropriate margin on the interest received and paid by the CFSG Group. A 100 (2007: 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 CFSG Group's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note. The CFSG Group's cash flow interest rate risk is mainly concentrated on the fluctuation of Hong Kong Prime Rate and HIBOR arising from the CFSG Group's variable interest rate instruments.

The sensitivity analysis is prepared assuming the financial instruments outstanding at the balance sheet date were outstanding for the whole year. As at 31 December 2008, if the interest rate of bank borrowings, loans receivable, loans to margin clients and bank balances had been 100 basis point higher/lower, the CFSG Group's loss would decrease/increase by HK$1,509,000 (2007: the CFSG Group's profit would increase/decrease by HK$4,925,000). This is mainly attributable to the bank interest expenses under finance costs or interest income under revenue.

Foreign currency risk

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

More than 99% of financial assets and financial liabilities of the CFSG Group are denominated in US$ or HK$. As HK$ is pegged to US$, the CFSG Group does not expect any significant movements in the US$/HK$ exchange rates. No foreign currency sensitivity is disclosed as in the opinion of CFSG 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

As at 31 December 2008, the CFSG Group's maximum exposure to credit risk which will cause a financial loss to the CFSG Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated balance sheet.

In order to minimise the credit risk on brokerage, financing and corporate finance operations, the Credit and Risk Management Committee is set up to compile the credit and risk management policies, to approve credit limits and to determine any debt recovery action on those delinquent receivables. In addition, the CFSG 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 CFSG Directors consider that the CFSG Group's credit risk is significantly reduced.

Other than concentration of credit risk on deposits paid for acquisition of fellow subsidiaries and amounts receivable on disposal of subsidiaries which are payable by CIGL, the CFSG Group does not have any other significant concentration of credit risk as the exposure spread over a number of counterparties and customers. CIGL, a wholly owned subsidiary of CASH, is financially supported by CASH. Accordingly, the CFSG Directors consider the credit risk is minimal in the view of financial background of CASH.

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

Liquidity risk

As part of ordinary broking activities, the CFSG Group is exposed to liquidity risk arising from (1) timing difference between settlement with clearing houses or brokers and customers and (2) derivative financial instruments (trading as accumulator) if it has difficulties in fulfilling its obligation to purchase the agreed amount of equity securities at any agreed point as set out in the contract. Securities market bid price and the associated volatility will affect the CFSG Group's future cash flows and profit and loss. 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.

Liquidity and interest risk tables

For derivative financial liabilities, which are to be settled on gross basis, the CFSG Group has approximately HK$7.2 million contractual cash outflow in return for listed securities within 2 months from 31 December 2008. The expected cash outflow is calculated with reference to the number of listed securities to be received on the assumption that market price of the underlying securities as at year end remained constant until expiry.

For non-derivative financial liabilities, the following tables detail the CFSG 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 CFSG 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	Repayable on demand	Less than 1 month	Between 1 to 3 months	Between 3 months to 1 year	Between 1 to 2 years	Between 2 to 5 years	Over 5 years	Total undiscounted cash flows	Carrying amount at balance sheet date
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 December 2008										
Accounts payable	N/A	542,079	147,096	–	–	–	–	–	689,175	689,175
Other payables	N/A	–	16,737	–	–	–	–	–	16,737	16,737
Bank borrowings	*Note*	–	15,067	–	184,173	1,374	4,756	42,416	247,786	232,086
Loan from a minority shareholder	N/A	–	27,437	–	–	–	–	–	27,437	27,437
Obligations under finance leases	6%	–	10	21	100	147	218	–	496	442
		542,079	206,347	21	184,273	1,521	4,974	42,416	981,631	965,877
At 31 December 2007										
Accounts payable	N/A	928,527	450,994	–	–	–	–	–	1,379,521	1,379,521
Other payables	N/A	–	6,042	–	–	–	–	–	6,042	6,042
Bank borrowings	*Note*	–	1	106	239,621	–	–	–	239,728	231,066
Loan from a minority shareholder	N/A	–	27,437	–	–	–	–	–	27,437	27,437
		928,527	484,474	106	239,621	–	–	–	1,652,728	1,644,066

Note: Variable-rate borrowings carry interest at HIBOR plus a spread or Hong Kong Prime Rate. The prevailing market rate at the balance sheet date is used in the maturity analysis.

The following table details the CFSG Group's expected maturity for its financial assets. 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 CFSG 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 months 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$'000*	*HK$'000*	*HK$'000*
At 31 December 2008										
Investments held for trading	N/A	–	79,155	–	–	–	–	–	79,155	79,155
Amounts receivable on disposal of subsidiaries	Hong Kong Prime Rate *(Note 2)*	–	–	–	175,071	–	–	–	175,071	171,498
Deposits paid for acquisition of fellow subsidiaries	N/A *(Note 4)*	–	–	–	–	–	–	60,000	60,000	60,000
Accounts receivable	Hong Kong Prime Rate plus spread *(Note 2)*	97,858	206,869	–	–	–	–	–	304,727	304,042
Loan to an associate	N/A *(Note 1)*	–	–	–	–	–	–	10,296	10,296	10,296
Loans receivable	Hong Kong Prime Rate plus spread *(Note 2)*	–	–	10,083	3,743	201	–	–	14,027	13,821
Other receivables	N/A	–	1,299	–	–	–	–	–	1,299	1,299
Amount due from an associate	N/A	–	260	–	–	–	–	–	260	260
Amounts due from fellow subsidiaries	N/A	–	341	–	–	–	–	–	341	341
Deposits with brokers	0.5%	–	2,731	–	–	–	–	–	2,731	2,730
Bank balances with fixed interest rate	0.01%-1%	–	49,461	82,041	92,869	–	–	–	224,371	224,161
Bank balance with variable interest rate	0.01%-1%	–	64,096	–	–	–	–	–	64,096	64,027
Bank balance without interest-bearing	N/A	464,272	–	–	–	–	–	–	464,272	464,272
		562,130	404,212	92,124	271,683	201	–	70,296	1,400,646	1,395,902

	Weighted average effective interest rate	Repayable on demand	Less than 1 month	Between 1 to 3 months	Between 3 months 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$'000*	*HK$'000*	*HK$'000*
At 31 December 2007										
Investments held for trading	N/A	–	59,271	–	–	–	–	–	59,271	59,271
Amounts receivable on disposal of subsidiaries	Hong Kong Prime Rate *(Note 2)*	–	–	–	–	179,204	–	–	179,204	162,703
Accounts receivable	Hong Kong Prime Rate plus spread *(Note 2)*	452,624	482,486	–	–	–	–	–	935,110	931,595
Loans receivable	*(Note 3)*	–	28,931	–	161	130	69	–	29,291	29,043
Loan to an associate	N/A *(Note 1)*	–	–	–	–	–	–	10,296	10,296	10,296
Other receivables	N/A	–	8,820	–	–	–	–	–	8,820	8,820
Amount due from an associate	N/A	–	260	–	–	–	–	–	260	260
Amounts due from fellow subsidiaries	N/A	–	447	–	–	–	–	–	447	447
Deposits with brokers	1.5%	–	69,274	–	–	–	–	–	69,274	69,188
Bank balances with fixed interest rate	1.5%-3.5%	–	301,376	346,854	28,759	–	–	–	676,989	670,364
Bank balance with variable interest rate	1.5%-3.5%	–	62,830	–	–	–	–	–	62,830	62,255
Bank balance without interest-bearing	N/A	481,251	–	–	–	–	–	–	481,251	481,251
		933,875	1,013,695	346,854	28,920	179,334	69	10,296	2,513,043	2,485,493

Notes:

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

(2) The prevailing market rate at the balance sheet date is used in the maturity analysis.

(3) For the fixed rate instrument, the interest rate ranged from 5% to 32.6%, and for those variable rate instrument, the interest rate is Hong Kong Prime Rate plus spread. The prevailing market rate at the balance sheet date in used in the maturity analysis.

(4) The deposits were paid for the acquisition of fellow subsidiaries and may be refundable if the transaction is not approved by the independent shareholders of CFSG.

Fair values

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

- the fair values of financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices;
- the fair values 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 determined based on valuation techniques that incorporate market observable data such as share market price, risk-free rate and dividend yield.

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

7. Revenue

	2008	2007
	HK$'000	*HK$'000*
Continuing operations:		
Fees and commission income	278,464	511,881
Interest income	46,187	154,497
	324,651	666,378
Discontinued operations:		
Online game income	–	23,309
Sales of online game auxiliary products	–	9,738
Licensing income	–	2,064
	–	35,111

8. Business and geographical segments

Business segments

For management purposes, the CFSG Group is currently organised into three main operating divisions, namely, broking, financing and corporate finance. These divisions are the basis on which the CFSG Group reports its primary segment information.

Principal activities for the year are as follows:

Broking	–	Broking of securities, options, futures and leveraged foreign exchange contracts as well as mutual funds and insurance-linked investment products
Financing	–	Provision of margin financing and money lending services
Corporate finance	–	Provision of corporate finance services

The CFSG Group was also involved in the provision of online game services, sales of online game auxiliary products and licensing services up to 31 May 2007. This online game division was disposed of and discontinued on 1 June 2007 as mentioned in notes 14 and 37.

The CFSG Group's operation by business segment is as follows:

Consolidated income statement for the year ended 31 December 2008

	Continuing operations				Discontinued operations	
	Broking	Financing	Corporate finance	Total	Online game services	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	270,878	46,187	7,586	324,651	–	324,651
RESULT						
Segment profit	47,513	14,729	79	62,321	–	62,321
Other operating income				5,260	–	5,260
Share of profit of an associate				39,096	–	39,096
Unallocated corporate expenses				(25,218)	–	(25,218)
Net losses on financial assets at fair value through profit or loss				(172,117)	–	(172,117)
Net increase in fair value on derivative financial instruments				8,734	–	8,734
Loss before taxation				(81,924)	–	(81,924)
Taxation charge				(4,294)	–	(4,294)
Loss for the year				(86,218)	–	(86,218)

Consolidated balance sheet as at 31 December 2008

	Continuing operations				Discontinued operations	
	Broking	Financing	Corporate finance	Total	Online game services	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS						
Segment assets	976,755	246,287	11,272	1,234,314	–	1,234,314
Interests in associates						111,684
Unallocated corporate assets						381,260
Consolidated total assets						1,727,258
LIABILITIES						
Segment liabilities	696,605	212,386	551	909,542	–	909,542
Unallocated corporate liabilities						111,661
Consolidated total liabilities						1,021,203

Other information for the year ended 31 December 2008

	Continuing operations					Discontinued operations	
	Broking	Financing	Corporate finance	Unallocated	Total	Online game services	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Additions to property and equipment	71,921	–	–	26,878	98,799	–	98,799
Allowance for bad and doubtful debts	–	900	–	–	900	–	900
Depreciation of property and equipment	5,904	–	–	9,751	15,655	–	15,655

Consolidated income statement for the year ended 31 December 2007

	Continuing operations				Discontinued operations	
	Broking	Financing	Corporate finance	Total	Online game services	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	502,039	154,497	9,842	666,378	35,111	701,489
RESULT						
Segment profit (loss)	164,639	36,227	(1,861)	199,005	(7,528)	191,477
Net gains on financial assets at fair value through profit or loss				20,334	–	20,334
Other operating income				1,859	336	2,195
Gain on disposal of subsidiaries				–	41,701	41,701
Share of loss of an associate				(3,370)	–	(3,370)
Unallocated corporate expenses				(13,217)	(3,605)	(16,822)
Profit before taxation				204,611	30,904	235,515
Taxation charge				(28,825)	–	(28,825)
Profit for the year				175,786	30,904	206,690

Consolidated balance sheet as at 31 December 2007

	Continuing operations				Discontinued operations	
	Broking	Financing	Corporate finance	Total	Online game services	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS						
Segment assets	1,495,624	780,602	12,197	2,288,423	–	2,288,423
Interests in associates						65,778
Unallocated corporate assets						272,716
Consolidated total assets						2,626,917
LIABILITIES						
Segment liabilities	1,164,302	489,678	409	1,654,389	–	1,654,389
Unallocated corporate liabilities						73,162
Consolidated total liabilities						1,727,551

Other information for the year ended 31 December 2007

	Continuing operations					Discontinued operations	
	Broking	Financing	Corporate finance	Unallocated	Total	Online game services	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Additions to property and equipment	39	–	–	5,006	5,045	5,683	10,728
Allowance for bad and doubtful debts	1,041	298	–	–	1,339	–	1,339
Depreciation of property and equipment	59	–	–	7,344	7,403	2,406	9,809
Amortisation of intangible assets	–	–	–	–	–	1,731	1,731

Geographical segments

The CFSG Group's operations are located in Hong Kong and the People's Republic of China ("PRC"). For the activities of broking, financing and corporate finance, they are based in Hong Kong and PRC and the revenue of these activities for the year ended 31 December 2008 and 31 December 2007 are derived from Hong Kong. The online game services were mainly based in the PRC and Taiwan and the relevant revenue for the year ended 31 December 2007 were derived mainly from the PRC and Taiwan.

The CFSG Group's segment revenue from external customers cannot be allocated based on geographic location of its customers. The following table provides an analysis of the CFSG Group's revenue by geographical market based on location of operations:

	2008	**2007**
	HK$'000	*HK$'000*
Continuing operations:		
Hong Kong	324,651	666,378
Discontinued operations:		
PRC	–	27,781
Taiwan	–	7,330
	–	35,111
	324,651	701,489

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

Carrying amount of segment assets

	2008	**2007**
	HK$'000	*HK$'000*
Continuing operations:		
Hong Kong	1,165,853	2,288,423
PRC	68,461	–
	1,234,314	2,288,423
Discontinued operations:		
PRC	–	–
Taiwan	–	–
	–	–
	–	2,288,423

Additions to property and equipment

	2008	**2007**
	HK$'000	*HK$'000*
Continuing operations:		
Hong Kong	26,878	5,045
PRC	71,921	–
	98,799	5,045
Discontinued operations		
PRC	–	1,824
Taiwan	–	3,859
	–	5,683
	98,799	10,728

9. Salaries, commission and related benefits

	2008 *HK$'000*	**2007** *HK$'000*
Salaries, allowances and commission represent the amounts paid and payable to the CFSG Directors and employees and account executives and comprise:		
Continuing operations:		
Salaries, allowances and commission	147,682	245,220
Contributions to retirement benefits schemes	3,428	2,760
	151,110	247,980
Discontinued operations:		
Salaries, allowances and commission	–	10,027
Contributions to retirement benefits schemes	–	638
	–	10,665

10. Finance costs

	2008 *HK$'000*	**2007** *HK$'000*
Continuing operations:		
Interest on:		
Bank overdrafts and borrowings:		
– repayable within five years	19,494	91,839
– repayable more than five years	631	–
Finance leases	9	5
	20,134	91,844
Discontinued operations:		
Interest on bank overdrafts and borrowings wholly repayable within five years	–	84

11. Directors' remuneration

The remuneration paid or payable to each of the CFSG Directors during the year were as follows:

	Kwan Pak Hoo Bankee HK$'000	Chan Chi Ming Benson HK$'000	Law Ping Wah Bernard HK$'000	Cheng Man Pan Ben HK$'000	Yuen Pak Lau Raymond HK$'000	Wong Kin Yick Kenneth HK$'000	Cheng Shu Shing Raymond HK$'000	Lo Kwok Hung John HK$'000	Lo Ming Chi Charles HK$'000	Hui Ka Wah Ronnie HK$'000	2008 Total HK$'000
Fees:											
Executive directors	–	–	–	–	–	–	–	–	–	–	–
Independent non-executive directors	–	–	–	–	–	–	100	100	25	84	309
Other remuneration paid to executive directors:											
Salaries, allowances and benefits in kind	1,260	1,920	920	1,262	55	1,156	–	–	–	–	6,573
Contributions to retirement benefit scheme	63	98	46	63	3	58	–	–	–	–	331
Total remuneration	1,323	2,018	966	1,325	58	1,214	100	100	25	84	7,213

	Kwan Pak Hoo Bankee HK$'000	Chan Chi Ming Benson HK$'000	Law Ping Wah Bernard HK$'000	Cheng Man Pan Ben HK$'000	Wong Kin Yick Kenneth HK$'000	Cheng Shu Shing Raymond HK$'000	Lo Kwok Hung John HK$'000	Hui Ka Wah Ronnie HK$'000	2007 Total HK$'000
Fees:									
Executive directors	–	–	–	–	–	–	–	–	–
Independent non-executive directors	–	–	–	–	–	100	100	100	300
Other remuneration paid to executive directors:									
Salaries, allowances and benefits in kind	420	431	990	958	1,850	–	–	–	4,649
Discretionary bonus *(Note)*	–	–	–	430	–	–	–	–	430
Contributions to retirement benefit scheme	17	21	44	47	77	–	–	–	206
Total remuneration	437	452	1,034	1,435	1,927	100	100	100	5,585

Note: The discretionary bonus is determined by reference to the individual performance of CFSG Directors and approved by Remuneration Committee Meeting.

During the year ended 31 December 2008, Mr Wong Kin Yick Kenneth resigned as an executive director of CFSG and Mr Yuen Pak Lau Raymond was appointed as an executive director of CFSG. In addition, Dr Hui Ka Wah Ronnie resigned as an independent non-executive director of CFSG and Mr Lo Ming Chi Charles was appointed as an independent non-executive director of CFSG.

During the year ended 31 December 2007, Mr Chan Chi Ming Benson was appointed as an executive director of CFSG.

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

12. Employees' remuneration

Three (2007: one) of the five individuals with the highest emoluments in the CFSG Group were directors of CFSG for the year ended 31 December 2008. Details of these CFSG Directors' emolument are included in the disclosures in note 11 above.

The emoluments of the remaining two (2007: four) individuals were as follows:

	2008	**2007**
	HK$'000	*HK$'000*
Salaries, allowances and benefits in kind	2,040	3,325
Contributions to retirement benefit scheme	75	176
Performance related incentive payments	463	14,144
Discretionary bonus	–	902
	2,578	18,547

Their remuneration of the five highest paid individuals (other than CFSG Directors) were within the following bands:

	Number of employees	
	2008	**2007**
HK$1,000,001 to HK$1,500,000	2	–
HK$1,500,001 to HK$2,000,000	–	1
HK$2,000,001 to HK$2,500,000	–	1
HK$6,500,001 to HK$7,000,000	–	1
HK$7,500,001 to HK$8,000,000	–	1

During the year, no remuneration was paid by the CFSG Group to the five individuals with the highest emoluments in the CFSG Group as an inducement to join or upon joining the CFSG Group or as compensation for loss of office.

13. Taxation charge

	2008	**2007**
	HK$'000	*HK$'000*
Continuing operations:		
Current tax:		
– Hong Kong	(2,154)	(27,635)
Overprovision in prior years	202	385
Deferred taxation	(2,342)	(1,575)
	(4,294)	(28,825)

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced corporate tax rate from 17.5% to 16.5% effective from the year of assessment 2008/2009. Therefore, Hong Kong Profits Tax is calculated at 16.5% (2007: 17.5%) of the estimated assessable profits for the year.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

Certain subsidiaries of CFSG operated in the PRC and Taiwan and were disposed of by the CFSG Group in 2007, as disclosed in note 14, were subject to tax with rate of 15% because they were registered in 張江高科技園區 (translated as Shanghai Zhang Jiang High Technological Zone). No provision for the PRC income tax has been made as they had incurred tax losses in 2007. Also, no provision for taxation had been made for subsidiary located in Taiwan as no assessable profit is arisen in 2007.

On 16 March 2007, the PRC promulgated the Law of the PRC 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 Regulation of the New Law. The relevant tax rate for the CFSG Group's remaining subsidiaries in the PRC is 25%.

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

	2008 *HK$'000*	**2007** *HK$'000*
(Loss) profit before taxation:		
Continuing operations	(81,924)	204,611
Discontinued operations	–	30,904
	(81,924)	235,515
Taxation at income tax rate of 16.5% (2007: 17.5%)	13,517	(41,215)
Tax effect of share of gain (loss) of associate	6,451	(590)
Overprovision in respect of prior years	202	385
Tax effect of expenses not deductible for tax purpose	(2,738)	(2,775)
Tax effect of income not taxable for tax purpose	3,409	9,300
Tax effect of utilisation of estimated tax losses previously not recognised	6,184	10,736
Tax effect of estimated tax losses not recognised	(32,610)	(2,707)
Effect of different tax rate of subsidiaries operating in other jurisdictions	1,100	(230)
Overprovision of deferred tax assets	–	(1,575)
Other differences	191	(154)
Taxation for the year	(4,294)	(28,825)

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

	Accelerated tax depreciation *HK$'000*	**Estimated tax losses** *HK$'000*	**Intangible asset** *HK$'000*	**Total** *HK$'000*
At 1 January 2007	(771)	2,346	(1,844)	(269)
Eliminated on disposal of subsidiaries *(note 37)*	–	–	1,844	1,844
Credit (charge) to consolidated income statement	771	(2,346)	–	(1,575)
At 31 December 2007	–	–	–	–
Charge to consolidated income statement	(2,342)	–	–	(2,342)
At 31 December 2008	(2,342)	–	–	(2,342)

As at 31 December 2008, the CFSG Group had unused estimated tax losses of HK$415,830,000 (2007: HK$262,333,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. The unused tax losses can be carried forward indefinitely. For certain subsidiaries operated in the PRC, unused estimated tax loss of HK$12,948,000 (2007: nil) can be carried forward until 2013.

14. Discontinued operations

On 9 January 2007, the CFSG Group entered into a sale and purchase agreement with CASH to dispose of Netfield Technology Limited and its subsidiaries ("Netfield Group"), which carried out the CFSG Group's online game services operations. The disposal was effected in order to generate cash flows for the expansion of the CFSG Group's other businesses. The disposal was approved by independent shareholders of CFSG at a special general meeting held on 23 April 2007 and was completed on 1 June 2007, on which date control of the Netfield Group has been passed to CASH.

The profit (loss) for the year ended 31 December 2007 from the discontinued operations is analysed as follows:

	HK$'000
Gain on disposal of the Netfield Group	41,701
Loss for the year on online game services operations	(10,797)
	30,904

The results of the Netfield Group for the period from 1 January 2007 to 31 May 2007, which have been included in the consolidated income statement for the year ended 31 December 2007, were as follows:

	HK$'000
Revenue	35,111
Other operating income	336
Salaries, commission and related benefits	(10,665)
Depreciation and amortisation	(4,137)
Other operating and administrative expenses	(31,358)
Finance costs	(84)
Loss before taxation and loss for the period	(10,797)
Attributable to:	
The CFSG Group	(10,325)
Minority interests	(472)
	(10,797)

The cash flows of the Netfield Group for the period from 1 January 2007 to 31 May 2007 are as follows:

	HK$'000
Net cash from operating activities	33,375
Net cash used in investing activities	(5,683)
Net cash from financing activities	48,367

The carrying amounts of the assets and liabilities of the Netfield Group at the date of disposal are disclosed in note 37.

15. (Loss) profit for the year

	2008 *HK$'000*	2007 *HK$'000*
(Loss) profit for the year has been arrived at after charging (crediting):		
Continuing operations:		
Auditor's remuneration	1,770	1,770
Depreciation of property and equipment		
Owned assets	15,610	7,310
Leased assets	45	93
	15,655	7,403
Advertising and promotion expenses	8,704	10,198
Operating lease rentals in respect of land and buildings	25,647	12,407
Gain on disposal of property and equipment	(35)	–
Loss (gain) on disposal of intangible asset	830	(9)
Fair value change on investment property	(823)	–
Net foreign exchange gain	(182)	(2,498)
Dividends from investments held for trading	(3,261)	(704)
Allowance for bad and doubtful accounts receivable *(note)*	–	1,041
Bad debt on accounts receivable and loans receivable recovered *(note)*	(3,476)	–
Allowance for bad and doubtful loans receivable *(note)*	900	298
Bad debt on accounts and loans receivable written off directly *(note)*	177	227
Impairment loss on amount due from an associate *(note)*	–	4,075

Note: All these impairment losses or reversal of impairment losses are included in "other operating and administrative expenses" of the consolidated income statement.

	2008 *HK$'000*	2007 *HK$'000*
Discontinued operations:		
Auditor's remuneration	–	223
Amortisation of intangible assets	–	1,731
Depreciation of property and equipment		
Owned assets	–	2,406
Advertising and promotion expenses	–	22,429
Operating lease rentals in respect of land and buildings	–	1,330

16. (Loss) Earnings Per Share

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

	2008 *HK$'000*	2007 *HK$'000*
From continuing and discontinued operations		
(Loss) profit for the purpose of basic and diluted (loss) earnings per share	(99,595)	207,779
From continuing operations		
(Loss) profit for the purpose of basic and diluted (loss) earnings per share	(99,595)	176,403

	2008 *HK$'000*	2007 *HK$'000*
From discontinued operations		
Profit for the purpose of basic and diluted earnings per share	–	31,376

	2008	2007 (restated)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	413,600,313	339,047,794
Effect of dilutive potential ordinary shares assumed exercise of share options	–	4,061,310
Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share	413,600,313	343,109,104

The weighted average number of ordinary shares for the purpose of basic and diluted (loss) earnings per share has been adjusted for the consolidation of shares on 2 May 2008.

For the year ended 31 December 2008, the computation of diluted loss per share does not assume the exercise of CFSG's outstanding share options since their exercise would result in a decrease in loss per share.

17. Property and Equipment

	Leasehold improvements *HK$'000*	Furniture and fixtures *HK$'000*	Computer and equipment *HK$'000*	Motor vehicles *HK$'000*	Total *HK$'000*
COST					
At 1 January 2007	50,421	21,440	46,873	2,009	120,743
Additions	1,465	558	8,705	–	10,728
Arising on disposal of subsidiaries *(see note 37)*	(3,783)	(497)	(21,115)	(170)	(25,565)
Arising on acquisition of subsidiaries *(see note 36(b))*	137	110	–	–	247
Disposal/written off	–	(6,628)	–	–	(6,628)
At 31 December 2007	48,240	14,983	34,463	1,839	99,525
Additions	50,779	16,004	31,471	545	98,799
Arising on acquisition of subsidiaries *(see note 36(a))*	–	233	–	–	233
Disposal/written off	(13,438)	(9,590)	(8,156)	(657)	(31,841)
At 31 December 2008	85,581	21,630	57,778	1,727	166,716
ACCUMULATED DEPRECIATION AND IMPAIRMENT					
At 1 January 2007	31,639	20,800	21,038	1,546	75,023
Provided for the year	5,375	322	4,008	104	9,809
Eliminated on disposals of subsidiaries *(see note 37)*	(1,141)	(80)	(2,232)	(13)	(3,466)
Eliminated on disposal/written off	–	(6,628)	–	–	(6,628)
At 31 December 2007	35,873	14,414	22,814	1,637	74,738
Provided for the year	6,410	1,696	7,411	138	15,655
Eliminated on disposal/written off	(13,438)	(9,590)	(8,156)	(657)	(31,841)
At 31 December 2008	28,845	6,520	22,069	1,118	58,552
CARRYING VALUES					
At 31 December 2008	56,736	15,110	35,709	609	108,164
At 31 December 2007	12,367	569	11,649	202	24,787

The carrying value of motor vehicles included amounts of HK$500,000 was held under finance leases (2007: nil).

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

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

18. Investment Property

	HK$'000
FAIR VALUE	
At 1 January 2007 and 31 December 2007	5,000
Increase in fair value recognised in the consolidated income statement	823
Disposal	(5,823)
At 31 December 2008	–

The fair value of the CFSG Group's investment property at 31 December 2007 was 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 CFSG 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 CFSG Group's property interest held under operating lease to earn rentals or for capital appreciation purpose is measured using the fair value model and is classified and accounted for as investment property.

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

19. Goodwill

	HK$'000
COST AND CARRYING VALUES	
At 1 January 2007	114,878
Reversal on disposal of subsidiaries *(see note 37)*	(109,945)
At 31 December 2007 and 31 December 2008	4,933

Particulars regarding impairment testing on goodwill are disclosed in note 21.

20. Intangible Assets

	Trading rights *HK$'000*	Club memberships *HK$'000*	Online game and related intellectual property *HK$'000*	Domain name *HK$'000*	Total *HK$'000*
COST					
At 1 January 2007	9,092	5,060	16,561	5,460	36,173
Disposals	–	(1,760)	–	–	(1,760)
Arising on disposal of subsidiaries *(see note 37)*	–	–	(16,561)	(5,460)	(22,021)
At 31 December 2007	9,092	3,300	–	–	12,392
Disposals	–	(1,330)	–	–	(1,330)
At 31 December 2008	9,092	1,970	–	–	11,062
AMORTISATION					
At 1 January 2007	–	–	4,131	–	4,131
Charge for the year	–	–	1,731	–	1,731
Elimination on disposal of subsidiaries *(see note 37)*	–	–	(5,862)	–	(5,862)
At 31 December 2007 and 31 December 2008	9,092	1,970	–	–	11,062
CARRYING VALUES					
At 31 December 2008	9,092	1,970	–	–	11,062
At 31 December 2007	9,092	3,300	–	–	12,392

At 31 December 2008, intangible assets amounting to HK$9,092,000 (2007: HK$9,092,000) represent trading rights that confer eligibility of the CFSG 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 21.

At 31 December 2008, intangible assets amounting to HK$1,970,000 (2007: HK$3,300,000) represent club memberships. 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 cost of disposal. During the year ended 31 December 2008, management of the CFSG Group determines that there was no impairment of the club memberships since the recoverable amount of the club memberships exceeds its carrying amount.

21. Impairment testing on goodwill and trading rights

As explained in note 8, the CFSG Group uses business segments as its primary segment for reporting segment information. For the purposes of impairment testing, goodwill and trading rights set out in notes 19 and 20 respectively have been allocated to three individual cash generating units (CGUs) respectively, including two subsidiaries in broking and one subsidiary in corporate finance. The carrying amounts of goodwill and trading rights at the balance sheet date allocated to these units are as follows:

	Goodwill 2008 and 2007	**Trading rights 2008 and 2007**
	HK$'000	*HK$'000*
Broking – Broking of securities	–	9,092
Broking – Mutual funds and insurance-linked investment products	2,272	–
Corporate finance	2,661	–
	4,933	9,092

During the year ended 31 December 2008, management of the CFSG Group determines that there is no impairment of any of its CGUs containing goodwill or trading rights.

The recoverable amounts of the CGUs of broking and corporate finance 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 one-year period, and discount rate of 8% (2007: three-year period, and discount rate of 6%). The cash flows beyond the one-year period are extrapolated for two years using a zero growth rate. The zero growth rate is determined based on management's expectations for the market development and is not expected to exceed the average long-term growth rate for the relevant industry. 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.

22. Other assets

	2008	**2007**
	HK$'000	*HK$'000*
Statutory and other deposits	9,447	9,136
Deposits paid to residential property developers	63,271	–
Deposits paid for acquisition of fellow subsidiaries	60,000	–
	132,718	9,136

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

Deposits paid to residential property developers represent deposits for purchase of residential properties in Shanghai. The properties are currently under construction and deliveries are expected in late 2009.

On 19 December 2008, the CFSG Group entered into a sale and purchase agreement with CASH Group Limited ("CGL") (a wholly-owned subsidiary of CASH) to acquire 60% of the equity interests in CASH Retail Management (HK) Limited and its subsidiaries (collectively known as "Retail Group") and the loan due from the Retail Group to CGL, at an aggregate consideration of approximately HK$184 million (subject to adjustment) and the CFSG Group will be granted a purchaser call option to acquire the remaining 40% of the equity interests in the Retail Group at the consideration of approximately HK$116 million (subject to adjustment) at any time from the date of the first completion date up to 31 December 2011. The total consideration of approximately HK$300 million (subject to adjustment) was based on price-to-earning ratio ("PE ratio") of 10 times of the estimated net profits of the Retail Group for the year ended 31 December 2008. The final consideration could be adjusted upward or downward based on the audited net profit of the Retails Group for the year ended 31 December 2008. The PE ratio was determined by reference to prospective PE ratio for year 2008 of various companies listed in Hong Kong engaging in the retail business. This transaction is still subject to, inter alias, the approval by independent shareholders of CFSG at a special general meeting to be convened.

As at 31 December 2008, the CFSG Group has paid part of the consideration of HK$60 million to CGL as non-interest bearing deposit for the acquisition of 60% equity interests in the Retail Group. The remaining consideration for this 60% equity interest and the 40% interest upon the CFSG Group exercising the purchaser call option as mentioned above will be settled by the convertible note which shall be issued by CFSG at principal value of approximately HK$240 million (subject to adjustment) with conversion price of HK$1.15 per conversion share. The conversion price will be adjusted to HK$1.482 per conversion share with retrospective effect from 19 March 2009 subject to completion of the 2-for-1 rights issue of CFSG as set out in the prospectus of CFSG dated 19 March 2009.

All the above deposits are non-interest bearing.

23. Loans receivable

	2008 *HK$'000*	**2007** *HK$'000*
Variable-rate loans receivable denominated in Hong Kong dollar	17,554	33,399
Fixed-rate loans receivable denominated in Hong Kong dollar	–	1,361
Less: Allowance for bad and doubtful debts	(3,733)	(5,717)
	13,821	29,043
Carrying amount analysed for reporting purposes:		
Current assets (receivable within 12 months from the balance sheet date)	13,629	28,867
Non-current assets (receivable after 12 months from the balance sheet date)	192	176
	13,821	29,043

Interest rates underlying the variable-rate loans receivable are Hong Kong Prime Rate plus a spread for both years. Interest rates underlying the fixed-rate loans receivable for 2007 are ranged from 5% to 32.6%.

The CFSG 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 is as follows:

	2008 *HK$'000*	**2007** *HK$'000*
Balance at the beginning of the year	5,717	26,570
Amounts written off during the year	–	(21,151)
Increase (decrease) during the year		
Charge for the year	900	1,997
Reversal for the year	–	(1,699)
Amounts recovered during the year	(2,884)	–
Balance at the end of the year	3,733	5,717

In determining the recoverability of the loans receivable, the CFSG Group considers any change in the credit quality of the loans 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 CFSG Directors believe that there is no further impairment required in excess of the allowance for doubtful debts.

At 31 December 2007, debtors with a carrying amount of HK$28,720,000 are past due at the reporting date for which the CFSG Directors considered them as recoverable since the amounts are either fully secured by marketable securities pledged by the debtors or subsequently settled. Accordingly, no further impairment is considered necessary.

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

	2008	**2007**
	HK$'000	*HK$'000*
0–30 days	–	4,267
31–60 days	–	23,312
61–90 days	–	–
Over 90 days	–	1,141
	–	28,720

The loans receivable with a carrying amount of HK$13,821,000 (2007: HK$323,000) which are neither past due nor impaired at the reporting date for which the CFSG Group believes that the amounts are considered recoverable.

Loans receivable with an aggregate carrying value of approximately HK$13,821,000 (2007: HK$4,267,000) are secured by pledged marketable securities at fair values of HK$3,357,000 (2007: HK$11,934,000) and convertible instrument with nominal value of HK$13,000,000 (2007: nil).

The variable-rate loans receivable have contractual maturity dates as follows:

	2008	**2007**
	HK$'000	*HK$'000*
Within one year	13,629	27,602
In more than one year but not more than two years	192	25
In more than two years but not more than three years	–	27
In more than three years but not more than four years	–	28
	13,821	27,682

The fixed-rate loans receivable have contractual maturity dates as follows:

	2008	**2007**
	HK$'000	*HK$'000*
Within one year	–	1,265
In more than one year but not more than two years	–	96
	–	1,361

The effective interest rates (which are equal to contractual interest rate) on the CFSG Group's loans receivable are Hong Kong Prime Rate plus a spread.

24. Interests in associates

	2008	2007
	HK$'000	*HK$'000*
Cost of investments in an associate		
Unlisted shares	67,833	67,833
Share of post-acquisition reserve	8,125	1,315
Share of post-acquisition profit (loss)	35,726	(3,370)
	111,684	65,778
Loan to an associate *(Note)*	10,296	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 an associate is unsecured, non-interest bearing and has no fixed repayment terms. In the opinion of the CFSG Directors, the loan will not be repaid within the next twelve months from 31 December 2008.

As at 31 December 2008 and 2007, the CFSG Group had interests 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 CFSG Group Directly	Indirectly	Proportion of voting power 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

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

	2008	2007
	HK$'000	*HK$'000*
Total assets	704,248	327,781
Total liabilities	(369,197)	(130,446)
Net assets	335,051	197,335
CFSG Group's share of net assets of associates	111,684	65,778
Revenue	22,231	–
Profit (loss) for the year	117,288	(10,111)
CFSG Group's share of profit (loss) of associates for the year	39,096	(3,370)

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 CFSG Group is required to make capital contribution to the associate amounting to HK$153,200,000. During the year ended 31 December 2007, the associate has obtained banking facilities to finance its operations. Accordingly, the outstanding capital contribution from the CFSG Group and other shareholders were reduced. The outstanding capital contribution of the CFSG Group commitment was reduced from HK$153,200,000 to HK$84,388,000. In 2007, the CFSG 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. During the year, the CFSG Group has not made any further contributions to the associate. At 31 December 2008, the remaining capital contribution to be made by the CFSG Group amounted to HK$6,259,000 (2007: HK$6,259,000).

25. Other financial assets and liabilities

Amounts receivable on disposal of subsidiaries

The amount represents partial consideration receivable from the purchaser with respect to the disposal of subsidiaries and the amount due from the Netfield Group on 31 May 2007, and related interest receivables.

Pursuant to the sale and purchase agreement entered into between the subsidiary of CFSG, Vantage Giant Limited and CIGL, immediate holding company of CFSG, on 9 January 2007, the amount is repayable on 1 June 2009, the principal amount of HK$162,703,000 carries interest at Hong Kong Prime Rate and unsecured. CIGL has the right to repay early part or all of the amount at any time prior to 1 June 2009.

Amounts due from an associate and fellow subsidiaries

The amounts are non-interest bearing, unsecured and are repayable on demand.

Deposits with brokers

The amount represents deposits with brokers for trading in securities. The amount is unsecured, repayable on demand and bears interest at 0.5% (2007: 3.2%) per annum.

Bank balances – trust and segregated accounts

The CFSG Group receives and holds money deposited by clients and other institutions in the course of the conduct of the regulated activities of its ordinary business. These clients' monies are maintained in one or more segregated bank accounts. The CFSG Group has recognised the corresponding accounts payable to respective clients and other institutions. However, the CFSG 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 CFSG Group and short-term bank deposits at market interest rates with an original maturity of three months or less.

Loan from a minority shareholder

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

26. Accounts receivable

	2008	2007
	HK$'000	*HK$'000*
Accounts receivable arising from the business of dealing in securities:		
Clearing houses, brokers and dealers	72,199	216,343
Cash clients	36,425	166,310
Margin clients	97,185	449,162
Accounts receivable arising from the business of dealing in futures and options:		
Clients	65	68
Clearing houses, brokers and dealers	94,719	93,032
Commission receivable from brokerage of mutual funds and insurance-linked investment products	2,349	5,238
Accounts receivable arising from the business of provision of corporate finance services	1,100	1,442
	304,042	931,595

The settlement terms of accounts receivable arising from the business of dealing in securities are two days after trade date, and accounts receivable 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 products as well as accounts receivable arising from the business of corporate finance services, the CFSG Group allows a credit period of 30 days. The aged analysis is as follows:

	2008	2007
	HK$'000	*HK$'000*
0–30 days	2,034	4,173
31–60 days	458	619
61–90 days	323	697
Over 90 days	634	1,191
	3,449	6,680

Loans to margin clients are secured by clients' pledged securities at fair values of HK$442,488,000 (2007: HK$1,827,557,000) which can be sold at the CFSG Group's discretion to settle any margin call requirements imposed by their respective securities transactions. The CFSG Group is able to use client's pledged securities up to the amount of 140% of the loans to margin clients as collateral of the CFSG Group's borrowing (with client's consent). The loans are repayable on demand and bear interest at commercial rates. No aged analysis is disclosed as in the opinion of directors of CFSG, the aged analysis does not give additional value in view of the nature of business of share margin financing.

Accounts receivable are netted off by allowance for bad and doubtful debts of HK$7,524,000 (2007: HK$9,330,000).

The CFSG 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 current creditworthiness, collaterals and the past collection history of each client.

Movement in the allowance for bad and doubtful debts:

	2008	**2007**
	HK$'000	*HK$'000*
Balance at the beginning of the year	9,330	20,086
Amounts written off during the year	(1,214)	(11,797)
Charge for the year	–	1,041
Amounts recovered during the year	(592)	–
Balance at the end of the year	7,524	9,330

In addition to the individually assessed allowance for bad and doubtful debt, the CFSG Group has also provided, on a collective basis, loan impairment allowance for accounts receivable 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. Objective evidence of collective impairment could include Group's past experience of collecting payments and observable changes in national or local economic conditions that correlate with default on receivables.

In determining the recoverability of the accounts receivable, the CFSG 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 CFSG Directors believe that there is no further impairment required in excess of the allowance for bad and doubtful debts.

Included in the CFSG Group's accounts receivable are debtors, with a carrying amount of HK$8,332,000 (2007: HK$24,278,000) which are past due at the reporting date for which the CFSG Group has not provided as there has not been a significant change in credit quality. The CFSG Group believes that the amounts are still considered recoverable given the substantial subsequent settlement after the reporting date.

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:

	2008	**2007**
	HK$'000	*HK$'000*
0–30 days	6,549	21,771
31–60 days	826	619
61–90 days	323	697
Over 90 days	634	1,191
	8,332	24,278

The accounts receivable with a carrying amount of HK$295,710,000 (2007: HK$907,317,000) are neither past due nor impaired at the reporting date for which the CFSG 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 *HK$'000*	Balance at 31 December *HK$'000*	Maximum amount outstanding during the year *HK$'000*	Market value of pledged securities at fair value at 31 December *HK$'000*
Directors of both CFSG and CASH				
Mr Wong Kin Yick Kenneth *(Note 2)* and associates *(Note 1)*				
2007	648	1,678	28,842	3,941
2008	1,678	222	16,031	1,096
Mr Law Ping Wah Bernard and associates				
2007	–	–	29,489	19,914
2008	–	–	15,401	6,049
Directors of CFSG				
Mr Cheng Man Pan Ben and associates				
2007	–	–	23,349	1,945
2008	–	29	16,412	433
Mr Yuen Pak Lau Raymond and associates				
2007	–	–	–	–
2008	–	–	996	748
Director of CASH				
Mr Lin Che Chu George and associates				
2007	–	–	29,703	12,900
2008	–	–	–	6,372
Subsidiaries of CASH				
Kawoo Finance Limited *(Note 3)*				
2007	–	–	29,146	978
2008	–	–	29,900	2,566
Libra Capital Management (HK) Limited (formerly known as E-Tailer Holding Limited)				
2007	–	–	–	–
2008	–	–	29,182	–
Substantial shareholders of CASH				
Cash Guardian Limited				
2007	–	–	–	930
2008	–	–	–	8,895
Mr Kwan Pak Hoo Bankee and associates				
2007	–	–	29,021	10,161
2008	–	–	1,792	1,363
Substantial shareholder of CFSG				
Abdulrahman Saad Al-Rashid & Sons Company Limited ("ARTAR") and associates				
2007	–	–	2,060,400	218,735
2008	–	–	–	5,387

Notes:

(1) Associates are defined in accordance with the Rules Governing the Listing of Securities on the Stock Exchange.

(2) During the year, Mr Wong Kin Yick Kenneth resigned as directors of both CFSG and CASH.

(3) On 31 July 2008, Kawoo Finance Limited was acquired by the CFSG Group and became a wholly-owned subsidiary of CFSG.

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. Investments held for trading

	2008	**2007**
	HK$'000	*HK$'000*
Equity securities listed in Hong Kong	78,419	57,613
Investment funds	736	1,658
	79,155	59,271

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 subject to conditions

	2008	**2007**
	HK$'000	*HK$'000*
Other bank deposits *(Note (a))*	17,142	17,105
Pledged bank deposits *(Notes (b), (c) and (d))*	18,038	11,570
	35,180	28,675

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

Notes:

(a) Pursuant to a letter of undertaking given by the CFSG Group to a bank, the CFSG Group undertakes to maintain deposits of not less than HK$15,000,000 (2007: 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 CFSG Group's bank deposits of HK$10,744,000 (2007: HK$10,574,000) were pledged to secure the general banking facilities granted by a bank. At 31 December 2008, bank loan of HK$10,000,000 was drawdown (2007: nil).

(c) The CFSG Group's bank deposits of HK$223,000 (2007: HK$996,000) were pledged to facilitate a bank guarantee for rental deposit. The bank deposits will be released when the bank guarantee is expired.

(d) The CFSG Group's bank deposits of HK$7,071,000 (2007: nil) were pledged to secure a standby letter of credit facility granted by a bank. The bank deposits will be released on clearance of the facility.

29. Accounts payable

	2008 *HK$'000*	2007 *HK$'000*
Accounts payable arising from the business of dealing in securities:		
Cash clients	400,345	963,379
Margin clients	120,928	255,425
Accounts payable to clients arising from the business of dealing in futures and options	167,545	151,097
Accounts payable to clients arising from the business of dealing in leveraged foreign exchange contracts	357	9,620
	689,175	1,379,521

The settlement terms of accounts payable arising from the business of dealing in securities are two days after trade date. Except for the amounts payable 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 CFSG Directors, the aged analysis does not give additional value in view of the nature of business of share margin financing.

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

The accounts payable amounting to HK$542,079,000 (2007: HK$928,527,000) were payable to clients and other institutions in respect of the trust and segregated bank balances received and held for clients and other institutions in the course of the conduct of regulated activities. However, the CFSG Group does not have a currently enforceable right to offset these payables with the deposits placed.

30. Obligations under finance leases

It is the CFSG Group's policy to lease certain of its motor vehicles under finance leases. The average lease term is 3 to 4 years. Interest rates underlying all obligations under finance leases are fixed at respective contract dates at 6%. No arrangements have been entered into for contingent rental payments.

	Minimum lease payments		Present value of minimum lease payments	
	2008 *HK$'000*	2007 *HK$'000*	2008 *HK$'000*	2007 *HK$'000*
Amount payable under finance leases				
Within one year	150	–	127	–
In more than one year but not more than two years	338	–	315	–
	488	–	442	–
Less: future finance charges	(46)	–	–	
Present value of lease obligations	442	–	442	–
Less: Amount due for settlement within 12 months (shown under current liabilities)			(127)	–
Amount due for settlement after 12 months			315	–

The CFSG Group's obligations under finance leases are secured by the lessor's charge over the leased assets.

31. Bank borrowings

	2008	2007
	HK$'000	*HK$'000*
Bank overdrafts, secured	15,023	2,066
Bank loans, secured	217,063	229,000
	232,086	231,066

The maturity profile of the above loans and overdrafts is as follows:

	2008	2007
	HK$'000	*HK$'000*
On demand or within one year	195,253	231,066
More than one year, but not exceeding two years	1,278	–
More than two years, but not more than five years	4,136	–
More than five years	31,419	–
	232,086	231,066
Less: Amount due within one year shown under current liabilities	(195,253)	(231,066)
Amount due after one year under non-current liabilities	36,833	–

The CFSG Group's bank borrowings of HK$232,086,000 (2007: HK$231,066,000) used to finance the financing business of the CFSG Group were secured by:

(a) corporate guarantees from CFSG for both years;

(b) marketable securities of the CFSG Group's clients of carrying value of HK$175,432,000 (2007: HK$502,840,000) (with client's consent);

(c) a charge over the properties to be delivered by the residential property developers (2007: nil); and

(d) pledged deposit of HK$10,744,000 (2007: nil).

In addition, pursuant to a letter of undertaking given by the CFSG Group to a bank, the CFSG Group covenant to maintain deposits of not less than HK$15,000,000 (2007: HK$15,000,000) with a bank as a condition precedent to an overdraft facility granted by the bank *(see note 28)*.

Bank overdrafts amounting to HK$15,023,000 (2007: HK$2,066,000) carried interest at HIBOR plus a spread. Bank borrowings amounting to HK$217,063,000 (2007: HK$229,000,000) were at variable-rate borrowings which carry interest at HIBOR plus a spread or Hong Kong Prime Rate.

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

The CFSG Group had undrawn borrowing facility amounting to HK$1,280,000,000 (2007: HK$1,050,936,000) with floating rate and expiring within one year.

32. Share capital

	Notes	Number of shares '000	Amount HK$'000
Authorised:			
Ordinary shares of HK$0.10 each at 31 December 2007 and 31 December 2008		3,000,000	300,000
Issued and fully paid:			
At 1 January 2007		1,382,051	138,205
Exercise of share options	*(a)*	101,500	10,150
Issue of shares due to rights issue	*(b)*	593,421	59,342
At 31 December 2007 and 1 January 2008		2,076,972	207,697
Exercise of share options	*(a)*	1,203	120
Share consolidation	*(c)*	(1,662,378)	–
Ordinary shares of HK$0.50 each		415,797	207,817
Capital reduction	*(c)*	–	(166,238)
Ordinary shares of HK$0.10 each		415,797	41,579
Share repurchases	*(d)*	(4,392)	(439)
Ordinary shares of HK$0.10 each at 31 December 2008		411,405	41,140

Notes:

(a) Exercise of share options

The particulars of options exercised during the year ended 31 December 2008 and 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 *HK$*	Total consideration (before expenses) *HK$*
2008			
24 April 2008	1,000,000	0.262	262,000
15 July 2008	203,000	1.310	265,930
	1,203,000		527,930
2007			
23 April 2007	1,000,000	0.296	296,000
3 July 2007	8,600,000	0.296	2,545,600
4 July 2007	40,100,000	0.296	11,869,600
9 July 2007	5,000,000	0.296	1,480,000
27 July 2007	9,000,000	0.296	2,664,000
7 August 2007	2,600,000	0.296	769,600
13 August 2007	35,200,000	0.296	10,419,200
	101,500,000		30,044,000

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

(b) Rights issue

On 21 November 2007, 593,420,579 shares of HK$0.10 each were issued by way of rights issue at a subscription price of HK$0.40 per share. The gross proceeds of approximately HK$237,368,000 were used to support its expanding share margin financing portfolio and to facilitate corresponding growth in its securities brokerage business in line with market development and for general working capital purposes. These shares rank pari passu in all respects with other shares in issue.

(c) Share consolidation and capital reduction

Pursuant to a special resolution passed by the shareholders at the annual general meeting of CFSG held on 30 April 2008, CFSG, with effect from 2 May 2008:

(i) consolidated every 5 issued shares of HK$0.10 each in the issued share capital of CFSG 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 Consolidated Share in issue ("Capital Reduction"); and

(iii) transferred the amount of paid up capital cancelled arising from the Capital Reduction of approximately HK$166,238,000 to the contributed surplus account.

(d) Repurchase of shares

During the year ended 31 December 2008, CFSG repurchased a total of 4,392,000 shares of HK$0.10 each in its own issued share capital on the Stock Exchange for an aggregate consideration of HK$10,904,000 (before expenses). Accordingly, such shares were cancelled and the issued share capital of CFSG was reduced by the nominal value of these shares. Further details of the share repurchases are set out in the section headed "Purchase, redemption or sale of listed securities" in the Directors' report.

33. Derivative financial instruments

The CFSG Group through the acquisition of the subsidiaries *(see note 36(a))*, acquired a number of equity-linked derivative contracts (trading as accumulators) during the year. Under the equity-linked derivative contracts, the CFSG Group receives predetermined equity securities at stipulated strike prices on a weekly basis. When the market price of equity securities moves favorable to the CFSG Group (i.e. market price above strike price), the CFSG Group gets to buy the agreed amount of equity securities at the strike price. However, when the market price moves unfavorable to the CFSG Group (i.e. dropped below the strike price), the CFSG Group gets to buy 2 times the pre-determined equity securities at strike price. When the market price is above the knock out price, the derivative contract would be terminated (i.e. the profit is capped at the knock out price).

The fair value of derivative financial instruments is determined based on valuation techniques that incorporate market observable data. Such equity-linked derivative contracts are not accounted for using hedge accounting mechanism. They are measured at fair value at each balance sheet date with any gains or losses arising from changes in fair value being recognised in the profit and loss immediately. As at 31 December 2008, there were 5 outstanding equity linked derivative contracts with fair value of HK$3,067,000. All the 5 equity-linked derivative contracts were expired subsequent to the balance sheet date and resulted in a loss of HK$2,982,000, calculated with reference to the equity securities taken up and the difference between the strike price and market price as at the date of taking up.

34. Equity-linked structured deposits

During the year, the CFSG Group through the acquisition of the subsidiaries *(see note 36(a))*, acquired a number of equity-linked structured deposits with contract term of one year from inception date. It is a hybrid instrument which comprises a debt instrument with coupon payments and a put option with the underlying basket of equity securities. The coupon payments were determined based on the market price of the underlying basket of equity securities during the relevant period. According to the terms of the instruments, at maturity, if the market price of the underlying basket of equity securities is above a pre-determined level, the CFSG Group would receive par value of the bond and coupon interest. If the market price of the underlying basket of equity securities is below a pre-determined level, the CFSG Group would receive the underlying basket of equity securities at the strike price as set out in the instrument. All these equity-linked structured deposits were early redeemed by the CFSG Group during the year and there were no outstanding equity-linked structured deposits as at 31 December 2008.

35. Major non-cash transactions

In addition to the deferred consideration on disposal of subsidiaries as disclosed in note 37, CFSG had the following non-cash transaction:

Pursuant to the agreement entered into between CASH and a third party, the third party agreed to procure its group companies to provide advertising and telecommunication services to CASH and its subsidiaries and associate, including the CFSG Group. The fee for these services will be used to offset the prepayments for advertising and telecommunication services which the CFSG Group paid. During the year, no advertising and telecommunication services were utilised by the CFSG Group (2007: HK$2,233,000).

36. Acquisition of subsidiaries

(a) Subsidiaries of CASH

On 31 July 2008, through the acquisitions of the entire equity interests of two subsidiaries of CASH, Kawoo Finance Limited and Think Right Investments Limited, the CFSG Group had, in substance, acquired the following assets and related liabilities, at a total consideration of approximately HK$8,000.

	HK$'000
Furniture and fixtures	233
Amounts due from fellow subsidiaries	334
Equity-linked structured deposits	58,412
Deposits paid to residential property developers	63,271
Bank balance	647
Bank overdraft	(744)
Deposits with brokers	(1,556)
Derivative financial liabilities	(20,060)
Secured bank loans	(64,676)
Loan payable	(35,853)
Net assets acquired	8
Cash consideration	8
Net cash outflow arising on acquisition:	
Cash consideration	(8)
Bank balance acquired	647
Bank overdraft acquired	(744)
Net cash outflow arising on acquisition of assets and related liabilities	(105)

(b) RACCA Capital Inc. and its subsidiary

On 31 October 2007, the CFSG 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 CFSG 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

37. Disposal of subsidiaries

As referred to in note 14, on 1 June 2007, the CFSG Group discontinued its online game services operations at the time of disposal of the Netfield Group. At the same time, the CFSG Group disposed of the debt due from the Netfield Group to CASH at its carrying amount of HK$102,558,000, details of these disposals were as follows:

	At 31 May 2007
	HK$'000
Net liabilities disposed of:	
Property and equipment	22,099
Intangible assets in relation to online game related intellectual property	10,699
Domain name	5,460
Inventories	1,350
Prepayments, deposits and other receivables	28,231
Bank balances and cash	84,939
Accrued liabilities and other payables	(59,306)
Amount due to CFSG	(102,558)
Deferred revenue	(17,969)
Bank borrowings	(1,941)
Deferred tax liabilities	(1,844)
	(30,840)
Minority interest	(2,131)
Attributable goodwill	109,945
Release of translation reserve	288
	77,262
Gain on disposal	41,701
Debt from the Netfield Group disposed	102,558
Total consideration	221,521
Satisfied by:	
Cash consideration received	50,000
Deferred consideration	172,558
Related costs of disposal	(1,037)
	221,521
Net cash outflow arising on disposal:	
Cash consideration, net of related costs	48,963
Bank balances and cash disposed of	(84,939)
	(35,976)

The deferred consideration will be settled in cash by the purchaser on or before 1 June 2009.

The impact of the Netfield Group on the CFSG Group's results and cash flows in the prior periods is disclosed in note 14.

38. Share option schemes

(A) Share option schemes of CFSG

(a) New Option Scheme

CFSG's share option scheme ("New Option Scheme") was adopted pursuant to an ordinary resolution passed at the special general meeting of CFSG held on 22 February 2008, which took effect on 3 March 2008. The New Option Scheme replaces the Option Scheme (to be defined in 38(A)(b) below) with effect from 3 March 2008. During the year, no option has been granted under the New Option Scheme.

The major terms of the New Option Scheme are summarised as follows:

(i) The purpose was to provide incentives to:

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

(ii) The participants included any employees (whether full time or part time), executives and officers (including executive and non-executive directors) and business consultants, agents and legal and financial advisers of the CASH Group.

(iii) The maximum number of shares in respect of which options might be granted under the New Option Scheme must not exceed 10% of the issued share capital of CFSG as at the date of approval of the New Option Scheme and such limit might be refreshed by shareholders in general meeting. The maximum number of shares was 41,140,540 shares (as adjusted due to the Share Consolidation and repurchase of shares in 2008), representing 10% of the issued share capital of CFSG as at the date of this Annual Report. However, the total maximum number of shares which might be issued upon exercise of all outstanding options granted and yet to be exercised under the New 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 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 option granted to the same participant under the New 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 option for a certain period before exercising the option save as determined by the CFSG Board and provided in the offer of grant of option.

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

(vii) The acceptance of an 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 an option must be the highest of:

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

(ix) The life of the New Option Scheme is effective for 10 years from the date of adoption until 21 February 2018.

(b) Option Scheme

Prior to 3 March 2008, CFSG's share option scheme ("Option Scheme") was adopted pursuant to an ordinary resolution passed at the special general meeting of CFSG held on 19 February 2002. The Option Scheme was replaced by the New Option Scheme with effect from 3 March 2008. The major terms of the Option Scheme are summarised as follows:

(i) The purpose was to provide incentives to:

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

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

(iii) The maximum number of shares in respect of which options might be granted under the Option Scheme must not exceed 10% of the issued share capital of CFSG as at the date of approval of the 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 options granted and yet to be exercised under the 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 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 option granted to the same participant under the 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 option for a certain period before exercising the option save as determined by the CFSG Board and provided in the offer of grant of option.

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

(vii) The acceptance of an 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 an option must be the highest of:

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

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

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

Name of scheme	Date of grant	Exercise price per share *HK$*	Exercise period	*Notes*	Number of options: outstanding as at 1.1.2007	exercised in 2007 *(Note 2)*	adjusted on 30.10.2007 *(Note 3)*	outstanding as at 31.12.2007 and 1.1.2008	exercised on 24.4.2008 *(Note 2)*	lapsed on 1.5.2008 *(Note 4)*	adjusted on 1.5.2008 *(Note 5)*	exercised on 15.7.2008 *(Note 2)*	lapsed on 14.11.2008 *(Note 4)*	outstanding as at 31.12.2008
CFSG Directors														
Option Scheme	7.7.2006	0.296	7.7.2006–31.7.2008		27,000,000	(27,000,000)	–	–	–	–	–	–	–	–
					27,000,000	(27,000,000)	–	–	–	–	–	–	–	–
Employees														
Option Scheme	7.7.2006	0.296	7.7.2006–31.7.2008		73,300,000	(73,300,000)	–	–	–	–	–	–	–	–
	7.7.2006	0.262 (before 4:00 pm on 1.5.2008) 1.310 (after 4:00 pm on 1.5.2008)	7.7.2006–31.7.2010	*(1), (3) & (5)*	6,000,000	(1,200,000)	624,341	5,424,341	(1,000,000)	(1,582,100)	(2,274,241)	(203,000)	(252,000)	113,000
					79,300,000	(74,500,000)	624,341	5,424,341	(1,000,000)	(1,582,100)	(2,274,241)	(203,000)	(252,000)	113,000
					106,300,000	(101,500,000)	624,341	5,424,341	(1,000,000)	(1,582,100)	(2,274,241)	(203,000)	(252,000)	113,000

Notes:

(1) The 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.

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

Date of exercise	**Number of options exercised**	**Exercise price per share** *HK$*	**Weighted average preceding closing price** *HK$* *(Note)*
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
24 April 2008	1,000,000	0.262	3.034
15 July 2008	203,000	1.310	2.993

Note:

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

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

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

(5) The number and the exercise price of options which remained outstanding have been adjusted due to share consolidation of CFSG with effect from 4:00 pm on 1 May 2008. The exercise price was adjusted from HK$0.262 to HK$1.310.

There were no options granted for the years ended 31 December 2008 and 2007. No such related expense was charged to consolidated income statement for both years ended 31 December 2008 and 2007.

(B) Share option scheme of CASH

Pursuant to an ordinary resolution passed at the special general meeting of CASH held on 19 February 2002, CASH adopted a share option scheme ("CASH Option Scheme"). The major terms of the CASH 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 CASH Group; or
- attract potential candidates to serve the CASH Group for the benefit of the development of the CASH Group.

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

(iii) The maximum number of shares in respect of which options might be granted under the CASH Option Scheme must not exceeded 10% of the issued share capital of CASH as at the date of approval of the CASH 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 options granted and yet to be exercised under the CASH 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 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 option granted to the same participant under the CASH 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 option for a certain period before exercising the option save as determined by the board of directors of CASH and provided in the offer of grant of option.

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

(vii) The acceptance of an option, if accepted, must be made within 28 days from the date of grant with a nonrefundable payment of HK$1.00 from the grantee to CASH.

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

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

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

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

Name of scheme	Date of grant	Exercise price per share HK$ Before 6.6.2008	Exercise price per share HK$ After 6.6.2008	Exercise period	Number of options: outstanding as at 1.1.2007	granted in 2007	exercised in 2007	outstanding as at 31.12.2007	adjusted on 6.6.2008 (Note 1)	lapsed in 2008	outstanding as at 31.12.2008
CFSG Directors											
CASH Option Scheme	13.11.2006	0.323	1.615	13.11.2006-12.11.2008	12,000,000	–	–	12,000,000	(9,600,000)	(2,400,000)	–
	6.6.2007	0.490	2.450	6.6.2007-31.5.2009	–	14,000,000	–	14,000,000	(11,200,000)	–	2,800,000
					12,000,000	14,000,000	–	26,000,000	(20,800,000)	(2,400,000)	2,800,000
Employees											
CASH Option Scheme	13.11.2006	0.323	1.615	13.11.2006-12.11.2008	20,000,000	–	(12,000,000)	8,000,000	(6,400,000)	(1,600,000)	–
	30.5.2007	0.480	2.400	30.5.2007-31.5.2009	–	11,700,000	(4,000,000)	7,700,000	(6,160,000)	–	1,540,000
	6.6.2007	0.490	2.450	6.6.2007-31.5.2009	–	28,300,000	–	28,300,000	(22,640,000)	–	5,660,000
					20,000,000	40,000,000	(16,000,000)	44,000,000	(35,200,000)	(1,600,000)	7,200,000
					32,000,000	54,000,000	(16,000,000)	70,000,000	(56,000,000)	(4,000,000)	10,000,000

Notes:

(1) The number and the exercise price of options which remained outstanding have been adjusted due to share consolidation of CASH with effect from 6 June 2008.

(2) No equity-settled share-based payments were recognised by the CFSG Group as the options were granted by CASH to these CFSG Directors and employees of the CFSG Group for their services rendered to CASH.

39. Retirement benefits schemes

The CFSG Group operates a Mandatory Provident Fund Scheme ("MPF Scheme") 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 CFSG Group in Hong Kong are required to join the MPF Scheme. In respect of those employees who leave the CFSG 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 CFSG Group. Contributions are made based on a percentage of the employees' salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the CFSG Group in an independently administrated fund. The CFSG Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

For the years ended 31 December 2008 and 2007, no forfeited voluntary contributions to the retirement benefits scheme was credited to the consolidated income statement.

The CFSG Group operates various benefits schemes for its full-time employees in the PRC in accordance with the relevant the 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 CFSG 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.

40. Related party transactions

Other than as disclosed in notes 22, 26, 36(a) and 37, where the CFSG Group acquired Kawoo Finance Limited and Think Right Investments Limited from CASH and disposed of its subsidiaries, Netfield Group, to CASH respectively, the CFSG Group had the following transactions with related parties:

	Notes	**2008** *HK$'000*	**2007** *HK$'000*
Commission and interest income received from the following wholly-owned subsidiaries of CASH			
Kawoo Finance Limited	*(a)*	1,607	2,473
Libra Capital Management (HK) Limited (formerly known as E-Tailer Holding Limited)	*(b)*	29	–
		1,636	2,473
Commission and interest income received from the following substantial shareholders of CASH	*(c)*		
Cash Guardian Limited		3	263
Mr Kwan Pak Hoo Bankee and associates		67	421
		70	684
Commission and interest income received from substantial shareholder	*(d)*	86	16,570
Commission and interest income received from the following directors of CFSG	*(e)*		
Mr Law Ping Wah Bernard and associates		36	477
Mr Cheng Man Pan Ben and associates		33	222
Mr Chan Chi Ming Benson and associates		–	3
Mr Yuen Pak Lau Raymond and associates		13	–
Mr Wong Kin Yick Kenneth and associates	*(l)*	104	542
		186	1,244
Commission and interest income received from director of CASH	*(f)*		
Mr Lin Che Chu George and associates		8	386
Placing agent commission received from CASH	*(g)*	–	2,632
Financial advisory service fee received from CASH	*(h)*	–	300
Interest income received from CASH for amounts receivable on disposal of subsidiaries	*(i)*	8,795	7,567
Proceeds received from CASH on disposal of membership	*(j)*	500	–
Deposit paid to CASH for the acquisition of fellow subsidiaries	*(k)*	60,000	–
Rental expense paid to an associate	*(m)*	4,749	–

Notes:

(a) The CFSG Group received commission and interest from margin financing of approximately HK$1,607,000 (2007: HK$2,473,000) from Kawoo Finance Limited before the acquisition of it on 31 July 2008. Details are disclosed in note 36(a).

(b) During the year ended 31 December 2008, the CFSG Group received commission and interest from margin financing of approximately HK$29,000 (2007: nil) from Libra Capital Management (HK) Limited (formerly known as E-Tailer Holding Limited), a wholly-owned subsidiary of CASH.

(c) During the year ended 31 December 2008, the CFSG Group received commission and interest income from margin financing of approximately HK$70,000 (2007: HK$684,000) from substantial shareholders of CASH.

(d) During the year ended 31 December 2008, the CFSG Group received commission and interest from margin financing of approximately HK$86,000 (2007: HK$16,570,000) from a substantial shareholder of CFSG.

(e) During the year ended 31 December 2008, the CFSG Group received commission and interest from margin financing of approximately HK$186,000 (2007: HK$1,244,000) from certain directors of CFSG.

(f) During the year ended 31 December 2008, the CFSG Group received commission and interest from margin financing of approximately HK$8,000 (2007: HK$386,000) from a director of CASH.

(g) During the year ended 31 December 2007, the CFSG Group received placing agent commission fee of approximately HK$2,632,000 from CASH. The fee was calculated at 1% on the total proceeds from the placement received by CASH.

(h) During the year ended 31 December 2007, the CFSG Group received financial advisory service fee of approximately HK$300,000 from CASH.

(i) During the year ended 31 December 2008, the CFSG Group received interest income of HK$8,795,000 (2007: HK$7,567,000) from CASH for the amounts receivable on disposal of subsidiaries. The interest was calculated at Hong Kong Prime Rate.

(j) During the year ended 31 December 2008, the CFSG Group received HK$500,000 from CASH for the disposal of membership and recorded a loss of HK$830,000.

(k) During the year ended 31 December 2008, the CFSG Group placed a deposit of HK$60,000,000 at CASH for the acquisition of fellow subsidiaries *(see note 22)*.

(l) During the year ended 31 December 2008, Mr Wong Kin Yick Kenneth resigned as executive directors of both CFSG and CASH.

(m) During the year ended 31 December 2008, the CFSG Group paid rental expense of approximately HK$4,749,000 (2007: HK$nil) to an associate.

Compensation of key management personnel

The compensation of key management personal represents the CFSG Director's remuneration as follows:

	2008	2007
	HK$'000	*HK$'000*
Short-term employee benefits	6,882	5,379
Post-employment benefits	331	206
	7,213	5,585

The remuneration of CFSG Directors is determined by the performance of individuals and market trends.

41. Capital commitment

	2008	2007
	HK$'000	*HK$'000*
Capital expenditure contracted for but not provided in the financial statements in respect of the acquisition of property and equipment	–	11,560

42. Operating lease commitments

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

	2008	2007
	HK$'000	*HK$'000*
Within one year	30,754	23,620
In the second to fifth year inclusive	26,021	21,029
	56,775	44,649

Operating lease payments represent rentals payable by the CFSG Group for its office premises. Leases are mainly negotiated for an average term of three years and rentals are fixed for an average of three years.

43. Post balance sheet events

(a) Pursuant to the announcement dated 18 February 2009, the CFSG Group entered into an agreement to purchase the remaining equity interests of 30% of in CASH Frederick Taylor Limited ("CFT") from the minority shareholders at total consideration of HK$1,400,000. Upon completion on 20 February 2009, CFT has been changed from a 70% non-wholly owned subsidiary to a wholly-owned subsidiary of the CFSG Group.

(b) Pursuant to the announcement dated 20 February 2009, CFSG proposed a rights issue on the basis of 1 rights share for every 2 shares at a subscription price HK$0.45. Under the proposal, there will be no more than 205,702,702 new shares to be issued for raising approximately HK$92.6 million (before expenses). The rights issue is expected to be completed on 17 April 2009.

(c) Pursuant to the announcement dated 19 December 2008, a special general meeting will be convened to consider the approval of the proposed acquisition of the Retail Group from CASH by CFSG *(see note 22 for details)*.

44. Particulars of principal subsidiaries of CFSG

Name	Place of incorporation	Paid up issued share capital	Proportion of nominal value of issued share capital held by CFSG 2008 %	2007 %	Principal activities
CASH Asset Management Limited	Hong Kong	Ordinary HK$200,000	100	100	Provision of asset management services
CASH E-Trade Limited	Hong Kong	Ordinary HK$4,000,000	100	100	Provision of management services for group companies
CASH Frederick Taylor Limited	Hong Kong	Ordinary HK$1,000,000	70	70	Financial advisory consultancy
CASH Payment Services Limited	Hong Kong	Ordinary HK$2	100	100	Provision of payment gateway services
Celestial Capital Limited	Hong Kong	Ordinary HK$27,000,000	100	100	Provision of corporate finance, investment and financial advisory services
Celestial Commodities Limited	Hong Kong	Ordinary HK$10,000,000	100	100	Futures and options broking and trading
Celestial Investments (HK) Limited	Hong Kong	Ordinary HK$10,000,000	100	100	Money lending
Celestial Securities Limited	Hong Kong	Ordinary HK$140,000,000	100	100	Securities, equity options broking and trading, leveraged foreign exchange contracts
icoupon Limited	British Virgin Islands	Ordinary US$1	100	100	Investment holding and trading
Linkup Assets Management Limited	British Virgin Islands	Ordinary US$1	100	100	Investment holding and trading
Kawoo Finance Limited	British Virgin Islands	Ordinary US$2	100	–	Investment holding and trading
Think Right Investments Limited	British Virgin Islands	Ordinary US$1	100	–	Properties holding

CASH E-Trade Limited is directly held by CFSG. All other subsidiaries shown above are indirectly held by CFSG.

The above table lists the subsidiaries of the CFSG Group which, in the opinion of the CFSG Directors, principally affected the results or assets of the CFSG Group. To give details of other subsidiaries would, in the opinion of the CFSG Directors, resulted in particulars of excessive length.

45. Summarised balance sheet of CFSG

	2008	**2007**
	HK$'000	*HK$'000*
Assets		
Investments in subsidiaries	477,108	472,277
Amounts receivable on disposal of subsidiaries	171,498	162,703
Amounts due from subsidiaries	132,065	300,203
Bank balances (general accounts)	121	543
Deposit and other receivables	60,043	–
	840,835	935,726
Liabilities		
Accrued liabilities and other payables	6,265	6,483
Amounts due to subsidiaries	323,273	323,273
	329,538	329,756
Net asset	511,297	605,970
Capital and reserves		
Share capital	41,140	207,697
Reserves	470,157	398,273
Total equity	511,297	605,970

A. UNAUDITED PRO FORMA FINANCIAL INFORMATION ON THE NEW GROUP

1. UNAUDITED PRO FORMA BALANCE SHEET OF THE NEW GROUP

(a) Introduction

The unaudited pro forma balance sheet of the New Group has been prepared to illustrate the effect of (i) the proposed disposal of CASH Retail Management (HK) Limited ("CRM(HK)") and its subsidiaries; and (ii) the full conversion of the Convertible Note(s).

The unaudited pro forma balance sheet of the New Group has been prepared in accordance with Rule 4.29 of the Listing Rules for the purpose of illustrating the effect of (i) the First Completion and Second Completion of the disposal of CRM(HK) and its subsidiaries ("Disposal"); and (ii) full conversion of the Convertible Note(s) ("Full Conversion") as if the Disposal and the Full Conversion took place on 31 December 2008.

The unaudited pro forma balance sheet of the New Group is based upon the audited consolidated balance sheet of the Group as at 31 December 2008, which has been extracted from the accountants' report of the Group for the three years ended 31 December 2008 set out in Appendix I to this circular, after making pro forma adjustments relating to the Disposal and the Full Conversion that are (i) directly attributable to the transactions, and (ii) factually supportable.

The unaudited pro forma balance sheet of the New Group is based on a number of assumptions, estimates and uncertainties. Accordingly, the accompanying unaudited pro forma balance sheet of the New Group does not purport to describe the actual financial position of the New Group that would have been attained had the Disposal and the Full Conversion been completed on 31 December 2008. The unaudited pro forma balance sheet of the New Group does not purport to predict the future financial position of the New Group.

The unaudited pro forma balance sheet of the New Group should be read in conjunction with the historical information of the Group as set out in the accountants' report of the Group for the three years ended 31 December 2008 in Appendix I to this circular and other financial information included elsewhere in this circular.

The statement 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 New Group following completion of the Disposal and upon the Full Conversion.

(b) Unaudited pro forma consolidated balance sheet

	The Group as at 31 December 2008	The completion of proposed transfer of 60% equity interest in CRM(HK) to CFSG	The completion of proposed transfer of remaining 40% equity interest in CRM(HK) to CFSG	Pro Forma Remaining Group	Full conversion of the Convertible Notes by the Group	Pro Forma New Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Note (a)	*Note (b)*	*Note (c)*		*Note (d)*	
Non-current assets						
Property and equipment	172,019			172,019		172,019
Prepaid lease payments	15,548			15,548		15,548
Goodwill	192,547			192,547	2,707	195,254
Interests in associates	111,684			111,684		111,684
Loan to an associate	10,296			10,296		10,296
Intangile assets	55,929			55,929		55,929
Other assets	9,447			9,447		9,447
Deposits paid for purchase of property and equipment	63,271			63,271		63,271
Loan receivables	671			671		671
	631,412			631,412		634,119
Current assets						
Inventories	39,263			39,263		39,263
Accounts receivable	305,923			305,923		305,923
Loan receivables	13,677			13,677		13,677
Prepayments, deposits and other receivables	73,045			73,045		73,045
Tax recoverable	1,230			1,230		1,230
Amounts due from associates	260			260		260
Investments held for trading	79,155			79,155		79,155
Deposits with brokers	2,730			2,730		2,730
Bank deposits under conditions	101,719			101,719		101,719
Bank balances – trust and segregated accounts	542,079			542,079		542,079
Bank balances (general accounts) and cash	327,480			327,480		327,480
	1,486,561			1,486,561		1,486,561
Current liabilities						
Accounts Payable	823,593			823,593		823,593
Deferred revenue	5,981			5,981		5,981
Accrued liabilities and other payables	85,714			85,714		85,714
Taxation payable	24,072			24,072		24,072
Obligations under finance leases – amount due within one year	127			127		127
Borrowings – amount due within one year	383,071			383,071		383,071
Derivative financial instruments	3,067			3,067		3,067
Loan from a minority shareholder	27,437			27,437		27,437
	1,353,062			1,353,062		1,353,062
Net current assets	133,499			133,499		133,499
	764,911			764,911		767,618

	The Group as at 31 December 2008	The completion of proposed transfer of 60% equity interest in CRM(HK) to CFSG	The completion of proposed transfer of remaining 40% equity interest in CRM(HK) to CFSG	Pro Forma Remaining Group	Full conversion of the Convertible Notes by the Group	Pro Forma New Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Note (a)	*Note (b)*	*Note (c)*		*Note (d)*	
Capital and reserves						
Share Capital	18,051			18,051		18,051
Reserves	240,344	45,042	43,955	329,341		329,341
	258,395			347,392		347,392
Minority interests	370,324	(45,042)	(43,955)	281,327	2,707	284,034
Total Equity	628,719			628,719		631,426
Non-current liabilities						
Deferred tax liabilities	7,606			7,606		7,606
Obligations under finance leases – amount due after one year	315			315		315
Borrowings – amount due after one year	128,271			128,271		128,271
	136,192			136,192		136,192
	764,911			764,911		767,618

Notes:

(a) Figures extracted from Appendix I to this circular.

(b) CRM(HK) will still be an indirect subsidiary of the Company after the disposal and its assets and liabilities will still be consolidated into the consolidated financial statements of the Group, no pro forma adjustments on the exclusion of the assets and liabilities of CRM(HK) to consolidate balance sheet of the Group is required. The adjustment represents the disposal of 60% equity interest in CRM(HK) which will result in a deemed gain on dilution of shareholding in CRM(HK) attributable to the equity holders of the Company amounting to HK$45,042,000.

(c) The adjustment represents the disposal of remaining 40% equity interest in CRM(HK) which will result in a deemed gain on dilution of shareholding in subsidiaries attributable to the equity holders of the Company amounting to HK$43,955,000.

(d) As at 31 December 2008, upon the Group's full conversion of the Convertible Notes to be issued by CFSG to the Group for the disposals as detailed in notes (b) and (c) above, the Company's equity interest in CFSG will increase to 58.84% (assume none of the outstanding share options or convertible notes issued for other acquisition in 2009 are exercised), which will cause an increase in goodwill by approximately HK$2,707,000.

(e) Subsequent to 31 December 2008, the Group acquired Excelbright Enterprises Limited and the remaining 30% equity interests in a subsidiary, CASH Frederick Taylor Limited, by the issuance of convertible notes at principal amount of HK$43,243,000 and cash consideration of HK$1,400,000 respectively. The total assets and total liabilities of the Group as enlarged were increased by HK$107,098,000 and HK$105,055,000 respectively. The Group's total equity as enlarged by these acquisitions would have been increased by HK$2,043,000.

2. UNAUDITED PRO FORMA INCOME STATEMENT AND UNAUDITED PRO FORMA CASH FLOW STATEMENT OF THE NEW GROUP

(a) Introduction

The unaudited pro forma income statement and unaudited pro forma cash flow statement of the New Group have been prepared to illustrate the effect of the Disposal and the Full Conversion. The unaudited pro forma income statement and unaudited pro forma cash flow statement of the New Group have been prepared in accordance with Rule 4.29 of the Listing Rules for the purpose of illustrating the effect of the Disposal and the Full Conversion as if the Disposal and the Full Conversion had taken place at 1 January 2008.

The unaudited pro forma income statement and unaudited pro forma cash flow statement of the New Group are based upon the audited consolidated income statement and audited consolidated cash flow statement of the Group for the year ended 31 December 2008, which have been extracted from the accountants' report of the Group for the three years ended 31 December 2008 set out in Appendix I to this circular, after making pro forma adjustments relating to the Disposal and the Full Conversion that are (i) directly attributable to the transactions; and (ii) factually supportable.

The unaudited pro forma income statement and unaudited pro forma cash flow statement of the New Group are based on a number of assumptions, estimates and uncertainties. Accordingly, the accompanying unaudited pro forma income statement and unaudited pro forma cash flow statement of the New Group do not purport to describe the actual results and cash flow of the New Group that would have been attained had the Disposal and the Full Conversion been completed at 1 January 2008 or to predict the future results and cash flow of the New Group.

The unaudited pro forma income statement and unaudited pro forma cash flow statement of the New Group should be read in conjunction with the historical information of the Group as set out in the accountants' report of the Group for the three years ended 31 December 2008 set out in Appendix I to this circular and other financial information included elsewhere in this circular.

The statements have been prepared by the Directors for illustrative purposes only and because of their nature, they may not give a true picture of the results and the cash flow of the New Group had the Disposal and the Full Conversion actually occurred at the beginning of the year ended 31 December 2008 or for any future period.

(b) Unaudited pro forma consolidated income statement

	The Group for the year ended 31 December 2008 HK$'000 Note (a)	The completion of proposed transfer of 60% equity interest in CRM(HK) to CFSG HK$'000 Note (b)	Notes	The completion of proposed transfer of remaining 40% equity interest in CRM(HK) to CFSG HK$'000 Note (c)	Notes	Pro Forma Remaining Group HK$'000	Full conversion of the Convertible Notes by the Group HK$'000 Note (d)	Notes	Pro Forma New Group HK$'000
Revenue	1,312,746					1,312,746			1,312,746
Other income	10,645					10,645			10,645
Cost of sales for retailing business	(498,173)					(498,173)			(498,173)
Cost of sales and services for online game business	(59,077)					(59,077)			(59,077)
Salaries, allowances and commission	(319,664)					(319,664)			(319,664)
Other operating, administrative and selling expenses	(476,913)					(476,913)			(476,913)
Depreciation of property and equipment	(46,607)					(46,607)			(46,607)
Finance cost	(30,453)					(30,453)			(30,453)
Net losses on financial assets at fair value through profit or loss	(239,721)					(239,721)			(239,721)
Fair value change on derivative financial instruments	235					235			235
Bad debt recovered	1,802					1,802			1,802
Reversal of allowance for bad and doubtful debts	176					176			176
Loss on disposal of property and equipment	(4,241)					(4,241)			(4,241)
Loss on disposal of subsidiaries	(3,292)					(3,292)			(3,292)
Gain on dilution of shareholding in subsidiaries	41,655	57,317	*b(i)*	51,698	*c(i)*	150,670			150,670
Share of profit of associates	39,096					39,096			39,096
Impairment loss recognised on goodwill	(84,687)					(84,687)			(84,687)
Impairment loss recognised on intangible assets	(5,420)					(5,420)			(5,420)
Impairment loss recognised on account and other receivables	(22,319)					(22,319)			(22,319)
Impairment loss recognised in respect of property and equipment	(2,869)					(2,869)			(2,869)
Discount on acquisition of additional interests in a subsidiary							15,213	*d(i)*	15,213
Loss before taxation charge	(387,081)	57,317		51,698		(278,066)	15,213		(262,853)
Taxation charge	(9,425)					(9,425)			(9,425)
Loss for the year	(396,506)	57,317		51,698		(287,491)	15,213		(272,278)
Attributable to:									
Equity holders of the Company	(358,113)	54,951	*b(iii)*	53,519	*c(iii)*	(249,643)	(6,197)	*d(iii)*	(255,840)
Minority interests	(38,393)	2,366	*b(ii)*	(1,821)	*c(ii)*	(37,848)	21,410	*d(ii)*	(16,438)
	(396,506)	57,317		51,698		(287,491)	15,213		(272,278)

Notes:

(a) Figures extracted from Appendix I to this circular.

(b) The adjustments represent:

(i) deemed gain on dilution of the Company's shareholding in CRM(HK) to minority interest of CFSG amounting to HK$57,317,000. The amount is determined based on the share of the difference between the consideration in the proposed transfer of 60% equity interest in CRM(HK) amounting to HK$130,266,000 (assuming there is no change from the consideration for the proposed transfer of 60% equity interest as if it is completed as at 31 December 2008), fair value of Purchaser Call Option of HK$20,640,000 (assuming there is no change from the fair value as at 31 December 2008) and net liabilities of CRM(HK) as at 1 January 2008 amounting to HK$1,282,000 as disclosed in Appendix I(B)(vi)(a) by the minority interests of CFSG (51.68%) as if the proposed transfer of 60% equity interest in CRM(HK) to CFSG has been completed as at 1 January 2008;

(ii) the share of the profit of CRM(HK) and its subsidiaries, net of the share of interest expenses in connection to the relevant Convertible Notes for the year ended 31 December 2008 attributable to the minority interests of CFSG, as if the proposed transfer of 60% equity interest in CRM(HK) to CFSG had been completed as at 1 January 2008; and

(iii) the net amount of (i) and (ii) above.

(c) The adjustments represent:

(i) deemed gain on the Company's dilution of shareholding in CRM(HK) to minority interest of CFSG amounting to HK$51,698,000. The amount is determined based on the consideration in the proposed transfer of the remaining 40% equity interest in CRM(HK) amounting to HK$100,034,000 (assuming there is no change from the consideration for the proposed transfer of the remaining 40% equity interest as if it is completed at 31 December 2008) attributable to minority interests of CFSG (51.68%) as if the purposed transfer had been completed as at 1 January 2008;

(ii) the share of the profit of the CRM(HK) and its subsidiaries, net of the share of interest expenses in connection to the relevant Convertible Notes for the year ended 31 December 2008 attributable to the minority interest of CFSG, as if the proposed transfer of the remaining 40% equity interest in CRM(HK) to CFSG had been completed as at 1 January 2008; and

(iii) the net amount of (i) and (ii) above.

(d) The adjustments represent:

(i) the discount on acquisition of additional interests in CFSG of approximately HK$15,213,000 upon the full conversion of Convertible Notes by the Company (assumed none of the outstanding share options or convertible notes issued for other acquisition are exercised) as at 1 January 2008. Upon the full conversion of Convertible Notes by the Company as of 1 January 2008, the Company's equity interest in CFSG would increase by 10.52%, resulting a discount on acquisition of additional interests in CFSG of approximately HK$15,213,000. This amount is calculated based on the enlarged net asset values of CFSG (excluding goodwill arising from the transfer of the 60% and 40% equity interest in CRM(HK)) of approximately HK$837,083,000 as if the proposed transfer of 100% equity interest in CRM(HK) to CFSG had been completed on 1 January 2008.

(ii) the true up of the share of the loss of CFSG (as enlarged by CRM(HK) and its subsidiaries) for the year ended 31 December 2008 upon full conversion of the Convertible Notes, net of the reversal of interest expenses in connection to the relevant Convertible Notes as detailed in (b)(ii) and (c)(ii) assuming the Convertible Notes were converted as at 1 January 2008 (assumed none of the outstanding share options or convertible notes issued for other acquisition are exercised); and

(iii) the net amount of (i) and (ii) above.

(e) Subsequent to 31 December 2008, the Group acquired Excelbright Enterprises Limited and the remaining 30% equity interests in CASH Frederick Taylor Limited by issuance of convertible notes at principal amount of HK$43,243,000 and cash consideration of HK$1,400,000 respectively. If the transactions had been completed as at 1 January 2008, the New Group's loss for the year ended 31 December 2008 would have increased by HK$1,124,000.

(f) The above adjustments have no continuing effect to the New Group.

(c) Unaudited pro forma consolidated cash flow statement

	The Group for the year ended 31 December 2008 HK$'000 Note (a)	The completion of proposed transfer of 60% equity interest in CRM(HK) to CFSG HK$'000 Note (b)	The completion of proposed transfer of remaining 40% equity interest in CRM(HK) to CFSG HK$'000 Note (b)	Pro Forma Remaining Group HK$'000	Full conversion of the Convertible Notes by the Group HK$'000 Note (c)	Pro Forma New Group HK$'000
Operating activities						
(Loss) profit before taxation	(387,081)	57,317	51,698	(278,066)	15,213	(262,853)
Adjustments for:						
Reversal of allowance for bad and doubtful debts	(176)			(176)		(176)
Amortisation of intangible assets	6,906			6,906		6,906
Amortisation of prepaid lease payments	415			415		415
Depreciation of property and equipment	46,607			46,607		46,607
Reversal of allowance for inventory obsolescence	(3,171)			(3,171)		(3,171)
Dividends from investments	(5,890)			(5,890)		(5,890)
Gain on dilution of shareholding in subsidiaries	(41,655)	(57,317)	(51,698)	(150,670)		(150,670)
Discount on acquisition of additional interests in a subsidiary					(15,213)	(15,213)
Fair value change on investment properties	(823)			(823)		(823)
Revaluation deficit on buildings	1,388			1,388		1,388
Loss on disposal of subsidiaries	3,292			3,292		3,292
Impairment loss recognised on goodwill	84,687			84,687		84,687
Impairment loss recognised on intangible assets	5,420			5,420		5,420
Impairment loss recognised on accounts and other receivables	22,319			22,319		22,319
Impairment loss recognised in respect of property and equipment	2,869			2,869		2,869
Interest expenses	30,453			30,453		30,453
Loss on disposal of property and equipment	4,241			4,241		4,241
Share of profit of associates	(39,096)			(39,096)		(39,096)
Change in fair value of derivative financial instruments	(235)			(235)		(235)
Operating cashflow before movements in working capital	(269,530)			(269,530)		(269,530)
Decrease in inventories	5,832			5,832		5,832
Decrease in accounts receivable	623,479			623,479		623,479
Decrease in loan receivables	14,359			14,359		14,359
Decrease in prepayments, deposits and other receivables	1,367			1,367		1,367
Increase in listed investments held for trading and derivative financial instruments	(28,282)			(28,282)		(28,282)
Decrease in deposits with brokers	129,021			129,021		129,021
Decrease in bank balances – trust and segregated accounts	386,448			386,448		386,448
Decrease in accounts payable	(681,689)			(681,689)		(681,689)
Increase in deferred revenue	1,737			1,737		1,737
Decrease in accrued liabilities and other payables	(30,168)			(30,168)		(30,168)
Net cash from operations	152,574			152,574		152,574
Income taxes paid	(10,005)			(10,005)		(10,005)
Dividends received	5,890			5,890		5,890
Net cash from operating activities	148,459			148,459		148,459

	The Group for the year ended 31 December 2008	The completion of proposed transfer of 60% equity interest in CRM(HK) to CFSG	The completion of proposed transfer of remaining 40% equity interest in CRM(HK) to CFSG	Pro Forma Remaining Group	Full conversion of the Convertible Notes by the Group	Pro Forma New Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Note (a)	*Note (b)*	*Note (b)*		*Note (c)*	
Investing activities						
Disposal of subsidiaries	(867)			(867)		(867)
Acquisition of additional interest in subsidiaries	(69,723)			(69,723)		(69,723)
Increase in bank deposits under conditions	(11,536)			(11,536)		(11,536)
Proceeds from disposal of property and equipment	1,280			1,280		1,280
Proceeds on disposal of investment property	5,823			5,823		5,823
Purchase of property and equipment	(126,983)			(126,983)		(126,983)
Deposits paid for purchases of property and equipment	(47,135)			(47,135)		(47,135)
Statutory and other deposits paid	(311)			(311)		(311)
Net cash used in investing activities	(249,452)			(249,452)		(249,452)
Financing activities						
Increase in borrowings	284,050			284,050		284,050
Repayment of borrowings	(111,924)			(111,924)		(111,924)
Increase in bank overdrafts	12,415			12,415		12,415
Repayments of obligations under finance leases	(630)			(630)		(630)
Proceeds on issue of shares to minority interests	47,368			47,368		47,368
Dividends paid to minority shareholders by CFSG	(54,950)			(54,950)		(54,950)
Dividends paid by the Company	(36,101)			(36,101)		(36,101)
Payment of repurchase of shares by CFSG	(10,904)			(10,904)		(10,904)
Interest paid on obligations under finance leases	(74)			(74)		(74)
Share issue expenses paid by CFSG	(40)			(40)		(40)
Interest paid on bank and other loans	(30,379)			(30,379)		(30,379)
Net cash from financing activities	98,831			98,831		98,831
Net decrease in cash and cash equivalents	(2,162)			(2,162)		(2,162)
Cash and cash equivalents at beginning of the year	329,501			329,501		329,501
Effect of foreign exchange rate changes	141			141		141
Cash and cash equivalents at end of the year	327,480			327,480		327,480

Notes:

(a) Figures extracted from Appendix I to this circular.

(b) CFSG paid HK$60,000,000 cash consideration as a deposit for the acquisition of CRM(HK) upon signing the sales and purchase agreement with the Company on 19 December 2008, as a result, the cash flow impact has been reflected in the cash flow statements for the year ended 31 December 2008. The remaining consideration will be settled by issuance of Convertible Notes by CFSG which is a non-cash transaction to the Group.

(c) The full conversion of Convertible Notes (received for disposal of CRM(HK) by the Company is a non-cash transaction to the Group.

(d) Subsequent to 31 December 2008, the Group acquired Excelbright Enterprises Limited and the remaining 30% equity interests in a subsidiary, CASH Frederick Taylor Limited, by issuance of convertible notes at principal amount of HK$43,243,000 and cash consideration of HK$1,400,000 respectively. If these acquisitions had been completed as at 1 January 2008, the cash and cash equivalents of the New Group as at 31 December 2008 would have decreased by HK$2,217,000, representing the net amount of (i) interest payment of 2% coupon on convertible notes of HK$865,000; (ii) net cash outflow from acquisition of CASH Frederick Taylor Limited of HK$1,400,000; and (iii) net cash inflow of HK$48,000 from Excelbright Enterprises Limited for the year ended 31 December 2008.

(e) The above adjustments have no continuing effect to the New Group.

B. REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report from Deloitte Touche Tohmatsu, the auditors and reporting accountants of Celestial Asia Securities Holdings Limited ("Company"), in connection with the unaudited financial information of the Company and its subsidiaries (hereinafter collectively referred to as the "Group").

Deloitte.
德勤

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香港金鐘道88號
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Deloitte Touche Tohmatsu
35/F One Pacific Place
88 Queensway
Hong Kong

ACCOUNTANTS' REPORT ON UNAUDITED FINANCIAL INFORMATION OF THE GROUP

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"), after the Disposal and the Full Conversion (as defined below) which has been prepared by the Directors of the Company for illustrative purposes only, to provide information about how (i) the proposed disposal of CASH Retail Management (HK) Limited and its subsidiaries to CASH Financial Services Group Limited, a non-wholly owned subsidiary of the Company, ("Disposal") and (ii) the full conversion of the Convertible Note(s) proposed to be issued by CASH Financial Services Group Limited for such disposal ("Full Conversion") might have affected the financial information presented, for inclusion in Appendix III of the circular dated 26 May 2009 ("Circular"). The basis of preparation of the unaudited pro forma financial information is set out on page 214 to 222 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 paragraph 29 of Chapter 4 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.

It is our responsibility to form an opinion, as required by paragraph 29(7) of Chapter 4 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 Hong Kong Institute of Certified Public Accountants. 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 paragraph 29(1) of Chapter 4 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 31 December 2008 or any future date: or
- the results and cash flows of the Group for the year ended 31 December 2008 or any future period.

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 paragraph 29(1) of Chapter 4 of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

26 May 2009

C. STATEMENT OF INDEBTEDNESS

As at the close of business on 31 March 2009, being the Latest Practicable Date for the purpose of this indebtedness statement prior to the printing of this circular, the Group or the New Group had the following indebtedness:

Borrowings

As at 31 March 2009, the New Group had total outstanding borrowings of approximately HK$623.7 million, comprising unsecured loan of approximately of HK$93.2 million payable to certain independent third parties, secured loan of approximately of HK$100.9 million payable to an independent third party, bank loans of HK$195.7 million, trust receipt loans of HK$78.0 million, mortgage loans of HK$101.8 million, an unsecured bank overdraft of HK$26.7 million and an unsecured loan of HK$27.4 million from a minority shareholder of one of its subsidiaries. Secured bank loans of HK$60.7 million, comprising bank loans of HK$52.0 million were collateralised by its margin clients' securities pledged to the New Group and bank loans of HK$8.7 million were secured by pledged bank deposits of HK$12.5 million to the New Group. Trust receipt loans in aggregate of HK$78.0 million were secured by pledged deposits of HK$54.7 million and the New Group's building and prepaid lease payment with a total carrying amount of approximately HK$43.7 million. Mortgage loans in aggregate of HK$101.8 million were secured by the New Group's investment properties and deposits paid for purchase of property and equipment with a total carrying amounts of approximately HK$92.1 million and HK$63.3 million respectively. The New Group had an unsecured syndicated bank loan of HK$105.0 million as well as unsecured bank loans of HK$30.0 million.

As at 31 March 2009, bank deposits with an aggregate amount of approximately HK$68.0 million were pledged as collateral for bank loans and trust receipt loan facilities granted by banks to the New Group. Another deposit of HK$0.2 million was pledged to facilitate a bank guarantee for a rental deposit. A further deposit of HK$9.1 million was pledged to facilitate a standby letter of credit facility granted by a bank to an associate of the Company. In addition, pursuant to a letter of undertaking provided by the New Group to a bank, the New Group undertakes to maintain deposits of not less than HK$15.0 million with the bank as a pre-condition for an overdraft facility of HK$15.0 million granted by this bank. Accordingly, a bank deposit of approximately HK$17.1 million was held for this purpose. Therefore, total bank deposits subject to conditions were approximately HK$94.4 million as at 31 March 2009. Moreover, the secured loan of approximately of HK$100.9 million payable to an independent third party was secured by the shares of Celestial Investment Group Limited, a wholly-owned subsidiary of the Company, as at 31 March 2009.

In addition, the New Group had convertible notes liabilities with principal value of approximately HK43.2 million and an outstanding obligation under a finance lease of approximately HK$0.4 million as at 31 March 2009.

Contingent liabilities

As at 31 March 2009, the New Group had litigations/claims as disclosed in the paragraph "Litigation" in Appendix V to this circular.

Save as aforesaid, the New Group had no other material contingent liabilities as at 31 March 2009.

Disclaimers

Save as aforesaid, and apart from intra-group liabilities, the New 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 31 March 2009.

The Board has confirmed that, save as disclosed above, there has not been any material change in the indebtedness or contingent liabilities of the New Group since 31 March 2009.

D. LIQUIDITY, FOREIGN CURRENCY AND CAPITAL COMMITMENTS

Liquidity ratio

As at 31 December 2008, the Group's cash and bank balances were HK$971 million. Our liquidity ratio was 1.1 times on 31 December 2008. Our gearing ratio, which was calculated based on the total borrowings of the Group divided by the total Shareholders' equity, was approximately 0.81 time on 31 December 2008.

Capital commitment

The Group did not have any material capital commitment as at 31 March 2009.

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, as a result, our exposure to both foreign currency and interest rate fluctuation was insignificant. As at 31 March 2009, the Group did not have any material un-hedged foreign exchange or interest rate exposure.

E. WORKING CAPITAL

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

F. 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 2008, 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 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

26 May 2009

The Directors
Celestial Asia Securities Holdings Limited
28/F Manhattan Place
23 Wang Tai Road
Kowloon Bay
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 26 May 2009 ("Circular") in connection with the Financial Information of the Properties Group for the three years ended 31 December 2006, 2007 and 2008 which has been acquired by the Company. The Financial Information comprises the combined balance sheets of the Properties Group as at 31 December 2006, 2007 and 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 2006, 2007 and 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 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 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.

OPINION

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 2006, 2007 and 2008 and of the Properties Group's combined results and cash flows for the years then ended.

A FINANCIAL INFORMATION

1. Combined income statements

		Year ended 31 Dec		
		2006	**2007**	**2008**
	Notes	*HK$*	*HK$*	*HK$*
Turnover	*7*	825,500	1,611,726	2,832,000
Gains, net	*7*	3,000,000	3,500,000	237,030
Administrative expenses		(277,495)	(362,907)	(377,629)
Finance costs	*8*	(1,353,242)	(1,805,595)	(1,799,483)
Profit before taxation	*10*	2,194,763	2,943,224	891,918
Taxation	*11*	–	–	(28,301)
Profit for the year		2,194,763	2,943,224	863,617

2. Combined balance sheets

		At 31 Dec		
		2006	2007	2008
	Notes	*HK$*	*HK$*	*HK$*
Non-current assets				
Investment properties	*13*	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
		45,000,000	52,888,000	108,325,765
Current assets				
Deposits, prepayments and receivables	*16*	23,696	23,696	23,696
Cash and cash equivalents	*17*	500	500	147,795
		24,196	24,196	171,491
Current liabilities				
Payables and accruals	*18*	1,016,704	536,914	437,848
Bank borrowings	*19*	10,489,617	5,299,695	7,016,016
Current tax payable		–	–	14,771
		11,506,321	5,836,609	7,468,635
Net current liabilities		(11,482,125)	(5,812,413)	(7,297,144)
Total assets less current liabilities		33,517,875	47,075,587	101,028,621
Non-current liabilities				
Bank borrowings	*19*	23,898,967	23,450,455	57,818,358
Amount due to a shareholder/ the then shareholder	*20*	6,375,464	17,438,448	36,146,456
Deferred tax liability	*21*	–	–	13,530
		30,274,431	40,888,903	93,978,344
NET ASSETS		3,243,444	6,186,684	7,050,277
Capital and reserves				
Combined share capital	*22*	16	32	8
Reserves		3,243,428	6,186,652	7,050,269
TOTAL EQUITY		3,243,444	6,186,684	7,050,277

3. Combined statements of changes in equity

For the years ended 31 December 2006, 2007 and 2008

	Share capital	Retained profits	Total
	HK$	*HK$*	*HK$*
At 1 January 2006	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 year	–	863,617	863,617
At 31 December 2008	8	7,050,269	7,050,277

4. Combined cash flow statements

	Year ended 31 Dec 2006 HK$	2007 HK$	2008 HK$
OPERATING ACTIVITIES			
Profit before taxation	2,194,763	2,943,224	891,918
Adjustments for:			
Finance costs	1,353,242	1,805,595	1,799,483
Net fair value gain on investment properties	(3,000,000)	(3,500,000)	(237,030)
Operating profit before changes in working capital	548,005	1,248,819	2,454,371
Decrease in deposits, prepayments and receivables	14,000	–	–
Increase/(decrease) in payables and accruals	952,588	(479,790)	(99,066)
Increase/(decrease) in amount due to a shareholder/the then shareholder	(9,680,000)	11,062,984	18,708,008
Net cash generated from/(used in) operating activities	(8,165,407)	11,832,013	21,063,313
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)
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	(545,390)	(406,730)	(1,545,219)
Interest paid	(1,353,242)	(1,805,595)	(1,799,483)
Net cash generated from/(used in) financing activities	(1,898,632)	(2,212,309)	34,186,666
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(10,064,039)	5,231,704	48,448
Cash and cash equivalents at beginning of year	3,678	(10,060,361)	(4,828,657)
CASH AND CASH EQUIVALENTS AT END OF YEAR	(10,060,361)	(4,828,657)	(4,780,209)
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Bank balances	500	500	147,795
Bank overdrafts	(10,060,861)	(4,829,157)	(4,928,004)
	(10,060,361)	(4,828,657)	(4,780,209)

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 2006 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 2006 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 December 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 2006 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 certain new and revised HKFRS that are first effective or available for early adoption for the Relevant Period of the Properties Group.

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets
HK(IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transactions
HK(IFRIC)-Int 12	Service Concession Arrangements
HK(IFRIC)-Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of the above new or revised HKFRS has had no material effect on how the results and financial position for the Relevant Period.

Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 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 year ended 31 December 2008 and which have not been early adopted in these Underlying Financial Statements as follows:

HKFRSs (Amendments)	Improvements to HKFRSs[1]
HKAS 1 (Revised)	Presentation of Financial Statements[2]
HKAS 23 (Revised)	Borrowing costs[2]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[3]
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[2]
HKAS 39 (Amendment)	Eligible Hedged Items[3]
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[2]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations[2]
HKFRS 3 (Revised)	Business Combinations[3]
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments[2]
HKFRS 8	Operating Segments[2]
HK(IFRIC) – Int 9 & HKAS 39 (Amendments)	Embedded Derivatives[4]
HK(IFRIC) – Int 13	Customer Loyalty Programmes[5]
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate[2]
HK(IFRIC) – Int 16	Hedges of a Net investment in a Foreign Operation[6]
HK(IFRIC) – Int 17	Distribution of Non-cash Assets to Owners[3]
HK(IFRIC) – Int 18	Transfer of Assets from Customers[7]

1 *Effective for annual periods beginning on or after 1 January 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009*

2 *Effective for annual periods beginning on or after 1 January 2009*

3 *Effective for annual periods beginning on or after 1 July 2009*

4 *Effective for annual periods ending on or after 30 June 2009*

5 *Effective for annual periods beginning on or after 1 July 2008*

6 *Effective for annual periods beginning on or after 1 October 2008*

7 *Effective for transfers on or after 1 July 2009*

The adoption of HKFRS 3 (Revised) may affect the Properties Group's 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 the Properties Group's ownership interest in a subsidiary. HKAS 1 (Revised) will prohibit the presentation of items of income and expenses ('non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All non-owner changes in equity will be required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the consolidated income statement and statement of comprehensive income). The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Properties Group.

(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 these Financial Statements, a party is considered to be related to the Properties Group if:

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

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

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

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

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

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

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

(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 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 Dec 2008		
Hong Kong dollars	100	(557,000)
Hong Kong dollars	(100)	557,000

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 2006, 2007 and 2008, based on the contracted undiscounted cash flows, was as follows:

	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	437,848	437,848	437,848	–	–	–
Bank borrowings	64,834,374	79,359,100	8,139,221	3,211,216	9,633,649	58,375,014
Amount due to a shareholder/the then shareholder	36,146,456	36,146,456	–	–	–	36,146,456
	101,418,678	115,943,404	8,577,069	3,211,216	9,633,649	94,521,470

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		
	2006	**2007**	**2008**
	HK$	*HK$*	*HK$*
Turnover			
Rental income – gross	825,500	1,611,726	2,832,000
Gains, net			
Fair value gain on investment properties	3,000,000	3,500,000	237,030
	3,825,500	5,111,726	3,069,030

8. Finance costs

	Year ended 31 Dec		
	2006	**2007**	**2008**
	HK$	*HK$*	*HK$*
Interest expense on bank loans not wholly repayable within 5 years	1,249,345	1,285,294	1,534,912
Bank overdraft interest	103,897	520,301	264,571
Total interest expenses on financial liabilities not at fair value through profit or loss	1,353,242	1,805,595	1,799,483

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		
	2006	**2007**	**2008**
	HK$	*HK$*	*HK$*
Auditors' remuneration	8,000	14,000	16,000
Net rental income from investment properties under operating leases, after deduction of outgoings	(647,432)	(1,432,739)	(2,541,617)

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 two years ended 31 December 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 year ended 31 December 2008.

	Year ended 31 Dec		
	2006	**2007**	**2008**
	HK$	*HK$*	*HK$*
Current tax:			
– Hong Kong Profits Tax	–	–	14,771
Deferred tax:			
Deferred taxation relating to the origination and reversal of temporary differences *(note 21)*	–	–	13,530
Taxation charge	–	–	28,301

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		
	2006	**2007**	**2008**
	HK$	*HK$*	*HK$*
Profit before taxation	2,194,763	2,943,224	891,918
Calculated at applicable tax rate of 17.5% (2008: 16.5%)	384,084	515,064	147,166
Tax effect of income that are not taxable for tax purpose	(525,000)	(612,500)	(825,000)
Tax effect of expenses that are not deductible for tax purpose	–	–	811,064
Tax effect of temporary differences not recognised	(133,000)	(133,000)	(125,400)
Tax effect of unrecognised tax losses	273,916	230,436	21,461
Tax effect of utilisation of tax losses	–	–	(990)
Taxation charge	–	–	28,301

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		
	2006	**2007**	**2008**
	HK$	*HK$*	*HK$*
At beginning of the year	42,000,000	45,000,000	48,500,000
Additions	–	–	45,762,970
Fair value gain	3,000,000	3,500,000	237,030
At end of the year	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		
	2006	**2007**	**2008**
	HK$	*HK$*	*HK$*
Between 50 to 70 years	–	–	41,000,000
Between 10 to 50 years	45,000,000	48,500,000	53,500,000
	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 2006 and 2007 and HK$81,880,000 as at 31 December 2008. The investment properties were revalued as at 31 December 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 2006, 2007 and 2008 amounted 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		
	2006	**2007**	**2008**
	HK$	*HK$*	*HK$*
Payables and accruals	318,204	380,914	437,848
Rental received in advance	698,500	156,000	–
	1,016,704	536,914	437,848

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		
	2006	**2007**	**2008**
	HK$	*HK$*	*HK$*
Bank loans – secured	24,327,723	23,920,993	59,906,370
Bank overdrafts – secured	10,060,861	4,829,157	4,928,004
	34,388,584	28,750,150	64,834,374
Bank loans and overdrafts repayable:			
Within one year	10,489,617	5,299,695	7,016,016
In the second to fifth year, inclusive	1,945,027	2,119,354	8,753,964
Beyond five years	21,953,940	21,331,101	49,064,394
	34,388,584	28,750,150	64,834,374
Portion classified as current liabilities	(10,489,617)	(5,299,695)	(7,016,016)
Non-current portion	23,898,967	23,450,455	57,818,358

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 2006, 2007 and 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

(i) Deferred tax liability recognised

		At 31 Dec	
	2006	**2007**	**2008**
	HK$	*HK$*	*HK$*
Taxable temporary differences			
At beginning of the year	–	–	–
Charged to the combined income statements *(note 11)*	–	–	13,530
At end of the year	–	–	13,530

(ii) Deferred tax assets not recognised

Deferred tax assets/(liabilities) have not been recognised in respect of the following items:

		At 31 Dec	
	2006	**2007**	**2008**
	HK$	*HK$*	*HK$*
Taxable temporary differences – accelerated tax depreciation	(2,280,000)	(3,040,000)	(3,800,000)
Tax losses	4,578,606	5,895,383	6,019,446
	2,298,606	2,855,383	2,219,446

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 2006, 2007 and 2008, represents the aggregate amount of the paid-in capital of the following companies:

		At 31 Dec	
	2006	**2007**	**2008**
	HK$	*HK$*	*HK$*
Go Lucky Investments Limited	–	16	–
Honest Joy Properties Limited	16	16	–
Excelbright Enterprises Limited	–	–	8
Combined share capital	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		
	2006	**2007**	**2008**
	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 2006, 2007 and 2008 net of direct outgoings of HK$178,068, HK$178,987 and HK$290,383 respectively, was HK$647,432, HK$1,432,739 and HK$2,541,617 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		
	2006	**2007**	**2008**
	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

On 12 April 2009, the Properties Group entered into a preliminary agreement with an independent third party to dispose of a residential property in Hong Kong at a consideration of HK$51,000,000.

Yours faithfully,
TING HO KWAN & CHAN
Certified Public Accountants (Practising)
Hong Kong

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 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	230,000	–	0.13
Law Ping Wah Bernard	Beneficial owner	6,784,060	–	3.76
		7,014,060	66,398,512	40.67

* *The Shares were held by Cash Guardian Limited ("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*

(i) *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
	13/3/2009	13/3/2009 – 31/3/2011	1.130	1,800,000	0.99
Lin Che Chu George	6/6/2007	6/6/2007 – 31/5/2009	2.450	500,000	0.28
	13/3/2009	13/3/2009 – 31/3/2011	1.130	1,800,000	0.99
Law Ping Wah Bernard	6/6/2007	6/6/2007 – 31/5/2009	2.450	500,000	0.28
	13/3/2009	13/3/2009 – 31/3/2011	1.130	1,800,000	0.99
				6,900,000	3.81

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.

(ii) *Convertible notes*

Name	Date of convertible note	Exercise period	Conversion price per Share (HK$)	Number of underlying shares	Percentage to issued Shares (%)
Kwan Pak Hoo Bankee	17/2/2009	17/8/2009-31/12/2011	1.00	43,243,000	23.96

Note: The convertible note in the outstanding amount of HK$43,243,000 was held by Cash Guardian. Mr Kwan Pak Hoo Bankee was deemed to be interested in all these shares as a result of his interests in Cash Guardian as disclosed in the note 2.A. above in this section.

B. **Associated corporations (within the meaning of 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	8,168,000	315,121,198*	52.39
Lin Che Chu George	Beneficial owner	5,913,600	–	0.96
Law Ping Wah Bernard	Beneficial owner	13,771,120	–	2.23
		27,852,720	315,121,198	55.58

* *The shares were held as to 298,156,558 shares by Celestial Investment Group Limited, a wholly-owned subsidiary of the Company, and as to 16,964,640 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 Technology Limited ("Netfield") (incorporated in the British Virgin Islands) (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 New 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:

A. Long positions in the ordinary Shares

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.

B. Long positions in the ordinary shares of subsidiaries of the New Group

Name of subsidiary	Name of shareholder	Number of shares	Shareholding *(%)*
3C Retail Group Limited	Oceanfield Limited	28	28.00
3C Retail Group Limited	Wong Wah On Edward	12	12.00
Moliyo P2P Limited	Winstron Technology Co. Ltd	33	33.00
Nimble Mind Profits Limited	Hsin Chong Construction (Asia) Limited	1	10.00
Value Success Finance Limited	Timestar Technology Limited	50	50.00
Marvel Champ Investments Limited	Smooth Joy Investments Limited	35	35.00

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 New 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 New 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 NEW GROUP'S ASSETS

Save as the interests of (i) Mr Lin Che Chu George in the option deed dated 9 January 2007 (as amended on 22 January 2007) relating to the grant of right to acquire 10% of shares in Netfield (BVI), a subsidiary of the Group; and (ii) Mr Kwan in the convertible note agreement and the sale and purchase Agreement both dated 11 November 2008 in relation to the acquisition of the Properties Group by the Group from Mr Kwan and the convertible note in the principal amount of HK$43,243,000 issued by the Company to Mr Kwan as consideration for the acquisition, 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 New Group. As at the Latest Practicable Date, save as the Properties Group which was acquired from Mr Kwan on 17 February 2009, 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 New Group or are proposed to be acquired or disposed of by or leased to the New Group since 31 December 2008, being the date up to which the latest published audited consolidated accounts of the Company were made up.

7. LITIGATION OF THE NEW GROUP

On 11 May 2006, Hallmark Cards, Incorporated ("Petitioner") filed a petition for a winding-up order against Cosmos Global Limited ("Cosmos"), a subsidiary of the Company, under which the Petitioner claimed that Cosmos 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 Cosmos on the same date and Cosmos is now in the process of liquidation.

Save as disclosed above, neither the Company nor any other company in the New 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 New 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 New Group within two years preceding the Latest Practicable Date:

(a) the subscription agreement dated 12 June 2007 entered into between the Company and Cash Guardian Limited (the controlling Shareholder) in relation to the issue of 50,000,000 subscription Shares to Cash Guardian at HK$0.52 per Share;

(b) 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;

(c) 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;

(d) 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 investment amount from Improve Fame Investments Limited would not be more than RMB500 million (approximately HK$514.9 million). The joint venture agreement was subsequently terminated on 31 December 2007;

(e) 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;

(f) 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;

(g) 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;

(h) 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;

(i) 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 at a consideration of approximately HK$44 million;

(j) (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 at a consideration of approximately HK$14 million, 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;

(k) the license agreement dated 18 September 2008 entered into between Moli Publish Limited ("Moli Publish") (a then non-wholly-owned 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 at initial license fee of not exceeding US$3 million (equivalent to about HK$23.4 million);

(l) 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 at initial fee of not exceeding US$300,000 (equivalent to about HK$2,340,000);

(m) 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 (BVI) at a consideration of HK$38 million;

(n) the convertible note agreement dated 11 November 2008 entered into between the Company and Cash Guardian Limited in relation to the subscription of the convertible note of approximately HK$42.8 million (subject to adjustment) at the conversion price of HK$1.00 per share by Cash Guardian Limited;

(o) the sale and purchase agreement dated 11 November 2008 entered into between Excel Smart Profits Limited as purchaser and Mr Kwan Pak Hoo Bankee as vendor in relation to the acquisition of the entire shareholding interest in Excelbright Enterprises Limited and the shareholder's loan advanced by Mr Kwan to Excelbright Enterprises Limited at the consideration of approximately HK$42.8 million (subject to adjustment) to be fully settled by the issue of the convertible note of the Company in the same principal amount of the consideration;

(p) the S&P Agreement incorporating the issue of the Convertible Note(s) and the Agreements;

(q) the sale and purchase agreement dated 24 March 2009 entered into between Nimble Mind Profits Limited (a 90%-owned subsidiary of the Company) as vendor and Best Sign International Limited (an independent third party) as purchaser in relation to the disposal of 10% of issued share capital in Transtech Optical Communication Company Limited held by the Group to the purchaser at a consideration of HK$13,980,000; and

(r) the preliminary sale and purchase agreement dated 12 April 2009 entered into between Honest Joy Properties Limited (a wholly-owned subsidiary of the Company) as vendor and Rise Wave Limited (an independent third party) as purchaser in relation to the disposal of the residential building known as House No. A8 (including its 2 car parking spaces), Regalia Bay, No. 88 Wong Ma Kok Road, Stanley, Hong Kong by the vendor to the purchaser at the consideration of HK$51 million.

9. EXPERTS, QUALIFICATIONS AND CONSENTS

The following are the qualification of the experts who have given opinion or advice which are contained in this circular:–

Name	**Qualification**
Deloitte Touche Tohmatsu, the Accountants	Certified Public Accountants
TING HO KWAN & CHAN ("TING"), the accountants for preparing the Accountants' report of the Properties Group	Certified Public Accountants (Practising)

As at the Latest Practicable Date, the Accountants and TING were not interested beneficially in the shares in any member of the New 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 New Group.

As at the Latest Practicable Date, the Accountants and TING did not have any direct or indirect interest in any assets which have been acquired or disposed of by or leased to the New Group or are proposed to be acquired or disposed of by or leased to the New Group since 31 December 2008, being the date up to which the latest published audited consolidated accounts of the Company were made up.

The Accountants and TING have given and have not withdrawn their written consents to the issue of this circular with the inclusion of and reference to their name 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 28/F Manhattan Place, 23 Wang Tai Road, Kowloon Bay, 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 is Tricor Standard Limited at 26/F Tesbury Centre, 28 Queen's Road East, Wanchai, 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 28/F Manhattan Place, 23 Wang Tai Road, Kowloon Bay, 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 Accountants' report of the Group, the text of which is set out in Appendix I to this circular;

(d) the Accountants' report of the Properties Group, the text of which is set out in Appendix IV to this circular;

(e) the letter from the Accountants in respect of the pro forma financial information of the Group as set out in Appendix III to this circular;

(f) the letters of consent from the Accountants and TING referred to in paragraph 9 above;

(g) the audited financial statements of the Group for the three financial years ended 31 December 2008; and

(h) the circulars issued by the Company since 31 December 2008, 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", together with its subsidiaries "Group") will be held at 28/F Manhattan Place, 23 Wang Tai Road, Kowloon Bay, Hong Kong on 11 June 2009, Thursday, at 9:15 am for the purpose of considering and, if thought fit, passing the following resolutions of the Company:

ORDINARY RESOLUTIONS

1. "**THAT**, subject to and conditional upon the resolutions numbered 2(a) to (c) set out below being passed as ordinary resolutions,

   (a) the sale and purchase agreement dated 19 December 2008 as supplemented by the supplemental agreement dated 21 May 2009 ("S&P Agreement", copy of which together with the copy of the supplemental agreement dated 21 May 2009 have been produced to the Meeting and marked "A(1)" and "A(2)" respectively and signed by the chairman of the Meeting for the purpose of identification) entered into between CASH Financial Services Group Limited ("CFSG", a non-wholly-owned subsidiary of the Company, together with its subsidiaries "CFSG Group") and CASH Group Limited ("CGL") (a wholly-owned subsidiary of the Company") in relation to (i) the proposed acquisition of 60% of the equity shareholding interest in CASH Retail Management (HK) Limited ("CRM(HK)", together with its subsidiaries "Retail Group") and the loan due from the Retail Group to CGL, if any, by CFSG from CGL and (ii) the grant of a purchaser call option by CGL to CFSG to acquire the remaining 40% of the equity shareholding interest in CRM(HK), exercisable at the discretion of both CFSG or CGL, at a total adjusted consideration of HK$310,340,000 and the issue of convertible note(s) (to be defined in resolution number 1(b) below) by CFSG to CGL to settle part of the consideration, subject to the terms and conditions as set out in the S&P Agreement and described in the circular of the Company dated the same date of this notice, and the transactions contemplated thereunder, be and are hereby approved and the directors of the Company ("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 and the transactions contemplated thereunder; and

(b) the issue the convertible note(s) by CFSG in the principal amount of approximately HK$233,952,000 (subject to the actual amounts due from the Group to the Retail Group to be set off as at the date of completion of acquisition of 60% of the equity interest of CRM(HK) as described in 1(a) above ("Convertible Note(s)"), subject to the terms and conditions of the S&P Agreement and described in the circular of the Company dated the same date of this notice, and the transactions contemplated thereunder be and are hereby approved and the directors of CFSG be and are hereby authorised to allot and issue the new shares of HK$0.10 each in CFSG issuable upon the conversion of any part of the Convertible Note(s) during the conversion period."

2. "**THAT**, subject to and conditional upon the resolutions numbered 1(a) to (b) set out above being passed as ordinary resolutions,

(a) the first agreement ("First Agreement", copy of which has been produced to the Meeting and marked "B" and signed by the chairman of the Meeting for the purpose of identification) dated 19 December 2008 entered into among CFSG, the Company and CRM(HK) relating to provision of financial guarantee by each of CFSG and/or the Company at an annual cap of up to HK$200 million for assisting the Retail Group to obtain banking facilities from various banks for each of the three financial years ending 31 December 2011, subject to the terms and conditions as set out in the First Agreement and described in the circular of the Company dated the same date of this notice, and the transactions contemplated thereunder be and are 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 First Agreement and the transactions contemplated thereunder;

(b) the second agreement ("Second Agreement", copy of which has been produced to the Meeting and marked "C" and signed by the chairman of the Meeting for the purpose of identification) dated 19 December 2008 entered into between the Company and CRM(HK) relating to sub-leasing arrangement by which the Company will sub-lease around 60% of floor area of its current office premises to the Retail Group as its office premises at an annual cap of rental (including rent and management fees) of up to HK$5 million, in total, for each of the three financial years ending 31 December 2011, subject to the terms and conditions as set out in the Second Agreement and described in the circular of the Company dated the same date of this notice, and the transactions contemplated thereunder be and are 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 Second Agreement and the transactions contemplated thereunder;

(c) the third agreement ("Third Agreement", copy of which has been produced to the Meeting and marked "D" and signed by the chairman of the Meeting for the purpose of identification) dated 19 December 2008 entered into among CFSG, the Company and CRM(HK) relating to provision of services, including sales and marketing, advertising, promotional, etc, by the Retail Group at an annual cap of services fees of up to HK$2 million, in total, to each of the CFSG Group and the Group (not including the CFSG Group) for each of the three financial years ending 31 December 2011, subject to the terms and conditions as set out in the Third Agreement and described in the circular of the Company dated the same date of this notice, and the transactions contemplated thereunder be and are 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 Third Agreement and the transactions contemplated thereunder."

By order of the Board
Suzanne W S Luke
Company Secretary

Hong Kong, 26 May 2009

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

Head office and principal place of business in Hong Kong:
28/F Manhattan Place
23 Wang Tai Road
Kowloon Bay
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 28/F Manhattan Place, 23 Wang Tai Road, Kowloon Bay, 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.