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CELESTIAL ASIA SECURITIES HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 1049)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2010

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

	Notes	**2010 HK$'000**	2009 HK$'000 (restated)
Continuing operations			
Revenue	(2)	**13,823**	31,938
Other income and gains		**1,885**	19,780
Cost of sales and services for online game business		**(6,892)**	(10,607)
Salaries, allowances and commission		**(20,746)**	(22,344)
Other operating, administrative and selling expenses		**(30,054)**	(48,156)
Depreciation of property and equipment		**(7,809)**	(8,466)
Finance costs		**(12,764)**	(20,575)
Net loss on financial assets at fair value through profit or loss		**(2,095)**	(2,533)
Fair value gain on investment properties		**19,074**	28,165
(Loss) gain on disposal of property and equipment		**(97)**	934
Reversal of impairment on intangible assets		**2,730**	-
Share of results of associates		**33,888**	-
Loss on dilution of shareholding in an associate		**(9,507)**	-
Impairment loss recognised on accounts and other receivables		**-**	(6,525)
Loss before taxation		**(18,564)**	(38,389)
Income tax expense	(4)	**(3,152)**	(5,326)
Loss for the year from continuing operations		**(21,716)**	(43,715)
Discontinued operations	(5)		
Profit for the year from discontinued operations		**64,953**	47,788
Profit for the year		**43,237**	4,073

	2010 HK$'000	2009 HK$'000 (restated)
Other comprehensive income for the year, net of income tax		
Exchange difference on translation of foreign operations	**95**	151
Reclassification adjustment - transfer translation reserve to profit or loss upon losing control of subsidiaries	**(5,435)**	-
(Loss) gain on revaluation of leasehold land and buildings	**(1,639)**	9,815
Deferred taxation arising on revaluation of leasehold land and buildings	**270**	(1,620)
Share of properties revaluation surplus of an associate	**1,919**	-
Total other comprehensive (expense) income for the year	**(4,790)**	8,346
Total comprehensive income for the year	**38,447**	12,419
Profit for the year attributable to:		
Owners of the Company		
Loss for the year from continuing operations	**(21,716)**	(43,715)
Profit for the year from discontinued operations	**72,508**	64,538
Profit for the year attributable to owners of the Company	**50,792**	20,823
Loss for the year from discontinued operations attributable to non-controlling interests	**(7,555)**	(16,750)
	43,237	4,073
Total comprehensive income for the year attributable to:		
Owners of the Company	**46,709**	27,482
Non-controlling interests	**(8,262)**	(15,063)
	38,447	12,419

	Note	2010	2009 (restated)
Earnings (loss) per share	(6)		
From continuing and discontinued operations:			
- Basic and diluted (HK cents)		**1.968**	0.910
From continuing operations:			
- Basic and diluted (HK cents)		**(0.841)**	(1.910)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 31 December 2010 HK$'000	2009 HK$'000 (restated)	As at 1 January 2009 HK$'000 (restated)
ASSETS AND LIABILITIES				
Non-current assets				
Property and equipment		**19,986**	221,818	204,219
Investment properties		**95,810**	163,712	-
Available-for-sale investments		-	-	-
Goodwill		**83,361**	146,071	192,547
Interests in associates		**410,922**	116,931	111,684
Loan to an associate		-	10,296	10,296
Intangible assets		**25,460**	50,790	55,929
Other assets		-	11,040	9,447
Other deposits		-	21,555	-
Deposits paid for purchase of investment properties		-	-	63,271
Loan receivables		-	5,392	671
		635,539	747,605	648,064
Current assets				
Inventories		-	43,454	39,263
Accounts receivable	(7)	**632**	507,163	305,923
Loan receivables		-	15,711	13,677
Prepayments, deposits and other receivables		**10,578**	45,305	75,360
Tax recoverable		-	9,381	1,230
Amounts due from associates		-	-	260
Held for trading investments		**1,875**	45,232	79,155
Bank deposits under conditions		-	87,739	101,719
Bank balances - trust and segregated accounts		-	765,112	542,079
Bank balances (general accounts) and cash		**81,951**	278,987	327,480
		95,036	1,798,084	1,486,146
Current liabilities				
Accounts payable	(8)	**32**	1,159,544	823,593
Deferred revenue		**2,482**	923	5,981
Accrued liabilities and other payables		**17,924**	73,564	85,714
Taxation payable		**29**	6,365	24,072
Obligations under finance leases - amount due within one year		-	135	127
Borrowings - amounts due within one year		**153,681**	510,482	383,071
Derivative financial instruments		-	-	3,067
Loan from a non-controlling interest		-	27,437	27,437
Convertible notes		**18,733**	-	-
		192,881	1,778,450	1,353,062
Net current (liabilities) assets		**(97,845)**	19,634	133,084
Total assets less current liabilities		**537,694**	767,239	781,148

	As at 31 December **2010** **HK$'000**	2009 HK$'000 (restated)	As at 1 January 2009 HK$'000 (restated)
Capital and reserves			
Share capital	**30,902**	20,551	18,051
Reserves	**481,270**	340,038	254,131
Equity attributable to owners of the Company	**512,172**	360,589	272,182
Non-controlling interests	**-**	294,322	370,324
Total equity	**512,172**	654,911	642,506
Non-current liabilities			
Convertible notes	**-**	28,172	-
Deferred tax liabilities	**7,222**	21,204	10,056
Obligations under finance leases - amount due after one year	**-**	180	315
Borrowings - amount due after one year	**18,300**	62,772	128,271
	25,522	112,328	138,642
	537,694	767,239	781,148

Notes:

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

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

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

In the current year, the Group has applied the following new and revised Standards, Amendments to Standards and Interpretations ("new and revised HKFRSs") issued by the HKICPA.

HKFRS 2 (Amendments)	Group cash-settled share-based payment transactions
HKFRS 3 (as revised in 2008)	Business combinations
HKAS 27 (as revised in 2008)	Consolidated and separate financial statements
HKAS 39 (Amendments)	Eligible hedged items
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009
HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs issued in 2008
HK(IFRIC) - INT 17	Distributions of non-cash assets to owners
HK - INT 5	Borrower of a term loan that contains a repayment on demand clause

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

<u>HKAS 27 (as revised in 2008) Consolidated and separate financial statements</u>

The application of HKAS 27 (as revised in 2008) has resulted in changes in the Group's accounting policies for changes in ownership interests in subsidiaries of the Group. The definition of non-controlling interest has been changed.

Specifically, when control of a subsidiary is lost as a result of a transaction, event or other circumstance, the revised standard requires the Group to derecognise all assets, liabilities and non-controlling interests at their carrying amounts and to recognise the fair value of the consideration received. Any retained interest in the former subsidiary is recognised at its fair value at the date control is lost. The resulting difference is recognised as a gain or loss in profit or loss.

The application of the revised standard has affected the accounting for the Group's losing control of CASH Financial Services Group Limited ("CFSG") in the current year. The change in policy has resulted in the difference of HK$75,310,000 between the fair value of the retained interest of CFSG at the date control is lost of HK$384,622,000 and the derecognised assets, liabilities and non-controlling interests of CFSG with carrying amounts of HK$309,312,000 being recognised directly in profit or loss. Therefore, the change in accounting policy has resulted in an increase in the profit for the year of HK$80,745,000 (including release of cumulative exchange differences in the net assets of CFSG amounting to HK$5,435,000).

In addition, under HKAS 27 (as revised in 2008), the definition of non-controlling interest has been changed. Specifically, under the revised standard, non-controlling interest is defined as the equity in a subsidiary not attributable, directly or indirectly, to a parent. The application of the revised standard has resulted in share options reserve relating to the employee share option plan of CFSG being included as part of non-controlling interest in the consolidated statement of financial position and consolidated statement of changes in equity. Previously, such share options reserve was presented separately in the consolidated statement of financial position and consolidated statement of changes in equity.

Amendments to HKAS 7 Statement of Cash Flows

As a part of the consequential amendments of HKAS 27, HKAS 7 specifies that the cash flows arising from changes in ownership interest in a subsidiary that do not result in a loss of control should be classified as financing activities in the consolidated statement of cash flows. This change has been applied retrospectively. Accordingly, the cash consideration paid in the prior year of HK$1,400,000 for acquisition of additional interest in a subsidiary has been reclassified used in cash flows used in investing activities to cash flows used in financing activities.

Amendments to HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations (as part of Improvements to HKFRSs issued in 2009)

The amendments to HKFRS 5 clarify that the disclosure requirements in HKFRSs other than HKFRS 5 do not apply to non-current assets (or disposal groups) classified as held for sale or discontinued operations unless those HKFRSs require (i) specific disclosures in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations, or (ii) disclosures about measurement of assets and liabilities within a disposal group that are not within the scope of the measurement requirement of HKFRS 5 and the disclosures are not already provided in the consolidated financial statements.

Disclosures in these consolidated financial statements have been modified to reflect the above clarification.

Amendments to HKAS 17 Leases

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

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

Leasehold land that qualifies for finance lease classification was disposed of upon losing control of CFSG in October 2010. Accordingly, the application of amendments to HKAS 17 has bad no impact on the consolidated statement of financial position as at 31 December 2010. Also, its application has had no impact on the reported profit or loss for current year.

Hong Kong Interpretation 5 Presentation of financial statements - Classification by the borrower of a term loan that contains a repayment on demand clause

Hong Kong Interpretation 5 "Presentation of financial statements - Classification by the borrower of a term loan that contains a repayment on demand clause" ("HK-INT 5") clarifies that term loans that include a clause that gives the lender the unconditional right to call the loans at any time ('repayment on demand clause') should be classified by the borrower as current liabilities. The Group has applied HK-INT 5 for the first time in the current year. HK-INT 5 requires retrospective application.

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

As a result, bank loans that contain a repayment on demand clause with the aggregate carrying amounts of HK$26,254,000 have been reclassified from non-current liabilities to current liabilities as at 31 December 2009 (1 January 2009: nil). As at 31 December 2010, bank loans (that are repayable more than one year after the end of the reporting period but contain a repayment on demand clause) with the aggregate carrying amount of HK$31,238,000 have been reclassified as current liabilities.

Restatements

For the year ended 31 December 2009, the Company issued convertible notes with a principal amount of HK$43,243,000. During the year ended 31 December 2010, the management considered the fair value of embedded early redemption option is insignificant at the date of issuance of convertible notes and 31 December 2009 because the noteholder has the priority to exercise the conversion option over the redemption of the convertible notes by the Company. The adjustments to fair values of embedded derivative of early redemption option at the date of issuance and 31 December 2009 were made.

The effects of the above changes in accounting policies and restatements on the financial positions of the Group as at 1 January 2009 and 31 December 2009 are as follows:

	As at 1 January 2009 HK$'000 (originally stated)	Adjustments HK$'000	As at 1 January 2009 HK$'000 (restated)	As at 31 December 2009 HK$'000 (originally stated)	Adjustments HK$'000	As at 31 December 2009 HK$'000 (restated)
Property and equipment	172,019	32,200	204,219	179,018	42,800	221,818
Prepaid lease payments	15,548	(15,548)	-	15,133	(15,133)	-
Prepayments, deposits and other receivables	75,775	(415)	75,360	45,720	(415)	45,305
Embedded derivative of convertible notes	-	-	-	15,667	(15,667)	-
Borrowings - current	(383,071)	-	(383,071)	(484,228)	(26,254)	(510,482)
Borrowings - non-current	(128,271)	-	(128,271)	(89,026)	26,254	(62,772)
Deferred tax liabilities	(7,606)	(2,450)	(10,056)	(17,134)	(4,070)	(21,204)
Total effects on net assets	(255,606)	13,787	(241,819)	(334,850)	7,515	(327,335)
Properties revaluation reserve	-	(12,399)	(12,399)	-	(18,907)	(18,907)
Convertible notes equity reserve	-	-	-	(20,286)	9,746	(10,540)
Accumulated losses	249,947	(1,388)	248,559	213,239	13,786	227,025
Non-controlling interests	(370,324)	-	(370,324)	(278,765)	(12,140)	(290,905)
Total effects on equity	(120,377)	(13,787)	(134,164)	(85,812)	(7,515)	(93,327)

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

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

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

HKFRS 9 "Financial instruments" (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. HKFRS 9 "Financial instruments" (as revised in November 2010) adds requirements for financial liabilities and for derecognition.

Under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 "Financial instruments: Recognition and measurement" are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The Directors anticipate that HKFRS 9 that will be adopted in the Group's consolidated financial statements for financial year ending 31 December 2013 and that the application of HKFRS 9 will mainly affect the classification and measurement of the Group's available-for-sale investments.

The amendments to HKAS 12 titled "Deferred tax: Recovery of underlying assets" mainly deal with the measurement of deferred tax for investment properties that are measured using the fair value model in accordance with HKAS 40 "Investment property". Based on the amendments, for the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties measured using the fair value model, the carrying amounts of the investment properties are presumed to be recovered through sale, unless the presumption is rebutted in certain circumstances. If that presumption is not rebutted, the deferred tax reflects the tax consequences of recovering the carrying amount entirely through sale, even if the entity expects to earn rental income from the property before sale.

In the opinion of the Directors of the Company, they are in the process of assessing the effect of application of HKFRS 9 and HKAS 12 (Amendments) as stated above, reasonable estimate has yet been provided until detailed review has been completed.

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 consolidated financial statements.

(2) Revenue

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

	2010 **HK$'000**	2009 HK$'000
An analysis of the Group’s revenue for the year from continuing operations is as follows:		
Online game subscription income	**12,301**	29,473
Sales of online game auxiliary products	**-**	102
Licensing income	**1,522**	2,363
	13,823	31,938

(3) Segment information

Segment information

Information reported to the Board of Directors of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided.

Specifically, the Group's reportable segments under HKFRS 8 are as follows:

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 electrical appliances
Financial services	Broking, financing, corporate finance services and securities trading

As two operations (financial services and retailing) were discontinued in the current year upon Directors' Disposals (as defined in note 5), the segment information reported below does not include any amounts for these discontinued operations, which are described in more detail in note 5. Accordingly, the comparatives of segment information have been restated.

Segment revenue and results

The following is an analysis of the Group's revenue and results by operating segment:

	2010	2009
	HK$'000	HK$'000 (restated)
Continuing operations		
Online game services revenue	**13,823**	31,938
Online game services segment loss	**(7,845)**	(33,424)
Other income and gains	**562**	19,087
Corporate expenses	**(41,972)**	(31,642)
Fair value gain on investment properties	**19,074**	28,165
Share of results of associates	**33,888**	-
Loss on dilution of shareholding in an associate	**(9,507)**	-
Finance costs	**(12,764)**	(20,575)
Loss before taxation (continuing operations)	**(18,564)**	(38,389)

Segment result represents the loss incurred by online game services segment without allocation of certain other income and gains, corporate expenses, finance costs, fair value gain on investment properties, share of results of associates and loss on dilution of shareholding in an associate. This is the measure reported to the Board of Directors for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by operating segment:

	As at 31 December 2010 HK$'000	As at 31 December 2009 HK$'000 (restated)	As at 1 January 2009 HK$'000 (restated)
Segment assets			
Online game services segment assets	**123,331**	106,169	136,125
Reconciliation of segment total to group level:			
Assets relating to discontinued operations:			
- Retailing business	**-**	421,055	332,432
- Financial services business	**-**	1,894,826	1,443,367
Unallocated investment properties	**95,810**	76,151	-
Unallocated property and equipment	**8,823**	3,517	1,297
Interest in associate	**410,922**	-	-
Deposits paid for purchase of investment properties	**-**	-	63,271
Unallocated prepayments, deposits and other receivables	**7,863**	8,846	4,209
Tax recoverable	**-**	9,381	1,230
Held for trading investments	**1,875**	-	-
Unallocated bank balances (general accounts) and cash	**81,951**	25,744	152,279
Total assets	**730,575**	2,545,689	2,134,210
Segment liabilities			
Online game services segment liabilities	**6,318**	5,779	30,654
Reconciliation of segment total to group level:			
Liabilities relating to discontinued operations:			
- Retailing business	**-**	279,649	242,330
- Financial services business	**-**	1,361,276	956,252
Unallocated accrued liabilities and other payables	**14,120**	10,052	9,452
Taxation payable	**29**	6,365	24,072
Unallocated borrowings	**171,981**	150,844	191,451
Loan from a non-controlling interest	**-**	27,437	27,437
Convertible notes	**18,733**	28,172	-
Deferred tax liabilities	**7,222**	21,204	10,056
Total liabilities	**218,403**	1,890,778	1,491,704

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to operating segments other than certain investment properties, certain property and equipment, certain prepayments, deposits and receivables, tax recoverable, held for trading investments, interest in associate, deposits paid for purchase of investment properties and certain bank balances (general accounts) and cash. Assets used jointly by operating segments are allocated on the basis of the revenues earned by individual operating segments; and

- all liabilities are allocated to operating segments other than certain accrued liabilities and other payables, taxation payable, certain borrowings, loan from a non-controlling interest, convertible notes and deferred tax liabilities. Liabilities for which operating segments are jointly liable are allocated in proportion to segment assets.

Other segment information

For the year ended 31 December 2010

Continuing operations

	Online game services HK$'000	**Unallocated HK$'000**	**Total HK$'000**
Amounts included in the measure of segment profit or loss or segment assets:			
Additions of property and equipment	**1,002**	**1,107**	**2,109**
Additions of intangible assets	**20,000**	**-**	**20,000**
Depreciation of property and equipment	**5,731**	**2,078**	**7,809**
Amortisation of intangible assets	**8**	**-**	**8**
Reversal of impairment on intangible assets	**2,730**	**-**	**2,730**
Reversal of bad and doubtful debts	**920**	**-**	**920**

For the year ended 31 December 2009

Continuing operations

	Online game services HK$'000	Unallocated HK$'000	Total HK$'000
Amounts included in the measure of segment profit or loss or segment assets:			
Additions of property and equipment	346	10,466	10,812
Depreciation of property and equipment	6,076	2,390	8,466
Amortisation of intangible assets	4,129	-	4,129
Impairment loss on other receivables and prepayments	6,525	-	6,525

Geographical information

The Group's continuing operation is located in the People's Republic of China ("PRC").

The Group's non-current assets by geographical location of the assets are detailed below:

	2010 HK$'000	2009 HK$'000
Hong Kong	**494,735**	59,417
PRC	**140,804**	122,377
	635,539	181,794

Note: Non-current assets excluded those relating to discontinued operations and financial instruments.

No customer contributed over 10% of revenue from online games services during both years.

(4) Income tax expense

	2010	2009
	HK$'000	HK$'000
Continuing operations		
Underprovision on Hong Kong Profits Tax in prior years	**-**	1,869
Deferred taxation	**3,152**	3,457
	3,152	5,326

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

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

(5) Discontinued operations

Before 11 October 2010, the Group held 48.32% equity interests in CFSG through Celestial Investment Group Limited ("CIGL") and Cash Guardian Limited ("Cash Guardian"), a substantial shareholder of the Company, holds 2.75% equity interest in CFSG. In addition, Mr Kwan Pak Hoo Bankee and Mr Ng Kung Chit Raymond, Directors of the Company, who have 1.32% and 0.49% equity interests and voting power respectively in CFSG. Cash Guardian, Mr Kwan Pak Ho Bankee and Mr Ng Kung Chit Raymond had agreed that they would cast all votes at all shareholders' meeting of CFSG, in accordance with the voting decision of the Company at all times. Therefore, the Group was able to control the voting power at all the general meetings of CFSG. Accordingly, CFSG was accounted for as a subsidiary of the Company.

On 11 October 2010, Cash Guardian, Mr Kwan Pak Hoo Bankee and Mr Ng Kung Chit Raymond disposed of an aggregate of 2.94% equity interest in CFSG ("Directors' Disposals") in the open market. Immediately after the Directors' Disposals, the voting power of the Company in CFSG was dropped from 52.88% to 49.94%, so CFSG has ceased as a subsidiary of the Company with effect from 11 October 2010.

As a result, the Group's financial services and retailing operations which are carried out by CFSG were considered as discontinued during the year.

The profit for the period/year from the discontinued operations is analysed as follows:

	1.1.2010 to 10.10.2010	1.1.2009 to 31.12.2009
	HK$'000	HK$'000
Loss of financial services operation for the period/year	**(18,937)**	(25,395)
Profit of retailing operation for the period/year	**3,145**	2,790
Gain on losing control of subsidiaries	**80,745**	-
Gain on dilution of shareholding in subsidiaries	**-**	70,393
Profit for the period/year from discontinued operations	**64,953**	47,788
Profit for the period/year attributable to:		
Owners of the Company	**72,508**	64,538
Non-controlling interests	**(7,555)**	(16,750)
	64,953	47,788

(6) Earnings (loss) per share

From continuing and discontinued operations

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

	2010	2009
	HK$'000	HK$'000 (restated)
Earnings for the purpose of basic earnings per share	**50,792**	20,823

The denominators used are the same as those detailed below for the loss per share from continuing operations.

The incremental shares from assumed exercise of share options and conversion of convertible notes have been excluded from the calculation of the diluted earnings per share from the continuing and discontinued operations because they are antidilutive in calculating the diluted earnings per share from continuing operations.

From continuing operations

The calculation of the basic and diluted loss per share from continuing operations attributable to the owners of the Company is based on the following data:

Loss figures are calculated as follows:

	2010	2009
	HK$'000	HK$'000 (restated)
Profit for the year attributable to owners of the Company	**50,792**	20,823
Less: Profit for the year from discontinued operations attributable to the owners of the Company	**(72,508)**	(64,538)
Loss for the purpose of basic loss per share from continuing operations	**(21,716)**	(43,715)

	2010	2009
	'000	'000 (restated)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share from continuing operations	**2,581,143**	2,288,528

Pursuant to an ordinary resolution passed at a special general meeting of the Company held on 24 September 2010, a total of approximately 46,601,000 bonus shares were issued on the basis of one bonus share for every five existing shares held by the shareholders. In addition, pursuant to an ordinary resolution passed by the shareholders at a special general meeting of the Company held on 27 October 2010, each of the Company's share was subdivided into ten shares. Accordingly, the weighted average number of ordinary shares for the purpose of basic and diluted earnings per share have been adjusted for the share subdivision and the bonus issue for the years ended 31 December 2010 and 2009.

The computation of diluted loss per share from the continuing operations for both years has not assumed the exercise of share options and conversion of convertible notes as the effect of which would decrease the loss per share from the continuing operations.

From discontinued operations

Basic and diluted earnings per share for the discontinued operations for the year ended 31 December 2010 is HK 2.809 cents per share (2009: HK 2.820 cents per share).

The denominators used are the same as those detailed above for the loss per share from continuing operations.

The incremental shares from assumed exercise of share options and conversion of convertible notes have been excluded from the calculation of the diluted earnings per share from the discontinued operations because they are antidilutive in calculating the diluted earnings per share from continuing operations.

(7) Accounts receivable

	2010 **HK$'000**	2009 HK$'000
Accounts receivable arising from the business of dealing in securities and equity options:		
Clearing houses, brokers and dealers	**-**	27,842
Cash clients	**-**	68,060
Margin clients	**-**	272,209
Accounts receivable arising from the business of dealing in futures and options:		
Clients	**-**	180
Clearing houses, brokers and dealers	**-**	134,570
Commission receivables from brokerage of mutual funds and insurance-linked investment plans and products	**-**	1,794
Accounts receivable arising from the business of provision of corporate finance services	**-**	650
Accounts receivable arising from the business of provision of online game services	**632**	1,858
	632	507,163

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

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

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

	2010 **HK$'000**	2009 HK$'000
0-30 days	**625**	2,483
31-60 days	**2**	910
61-90 days	**5**	141
Over 90 days	**-**	768
	632	4,302

(8) Accounts payable

	2010 **HK$'000**	2009 HK$'000
Accounts payable arising from the business of dealing in securities and equity options:		
Clearing house	**-**	30,076
Cash clients	**-**	548,749
Margin clients	**-**	210,329
Accounts payable to clients arising from the business of dealing in futures and options	**-**	228,823
Accounts payable to clients arising from the business of dealing in leveraged foreign exchange contracts	**-**	863
Accounts payable arising from the online game services	**32**	320
Trade creditors arising from retailing business	**-**	140,384
	32	1,159,544

The settlement terms of accounts payable arising from the business of dealing in securities are two days after trade date or at specific terms agreed with clearing houses. Accounts payable to margin clients and cash clients are repayable on demand. No aged analysis is disclosed as in the opinion of Directors of the Company , 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 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.

As at 31 December 2009, the accounts payable amounting to approximately HK$765,112,000 was payable to clients and other institution in respect of the trust and segregated bank balances received and held for clients and other institutions in the course of the conduct of regulated activities. However, the Group does not have a currently enforceable right to offset these payables with the deposits placed.

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 2009.

	HK$'000
0-30 days	70,548
31-60 days	38,562
61-90 days	10,983
Over 90 days	20,291
	140,384

(9) Dividends

	2010 HK$'000	2009 HK$'000
Dividend recognised as distribution during the year:		
2010 Interim dividend paid – HK 2 cents per share (before share subdivision and bonus issue)	**4,660**	-

The interim dividend of HK 2 cents per share based on 233,005,148 shares in respect of the year ended 31 December 2010 (2009: nil in respect of the year ended 31 December 2009) was paid during 2010. In addition, the Directors proposed the share dividend offered to shareholders on the basis of one bonus share for every five existing shares. The share dividend was approved by the shareholders at a special general meeting held on 24 September 2010 and was paid during the year.

The final dividend of HK 0.2 cent per share based on 3,090,222,585 shares in respect of the year ended 31 December 2010 (2009: nil in respect of the year ended 31 December 2009) has been proposed by the Directors. Final dividend is subject to the approval by the shareholders in annual general meeting.

(10) 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 debts, which include the borrowings, loan from a non-controlling interest (before the losing control of CFSG), convertible notes and equity attributable to owners of the Company, comprising issued share capital, retained earnings/accumulated losses and other reserves. The management reviews the capital structure by considering the cost of capital and the risks associated with each class of capital. In view of this, the Group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt. The Group's overall strategy remains unchanged throughout the year.

Categories of financial instruments

	2010 HK$'000	2009 HK$'000
Financial assets		
Available-for-sale investments	-	-
Held for trading investment	**1,875**	45,232
Loans and receivables (including cash and cash equivalents)	**86,904**	1,685,495
Financial liabilities		
Amortised cost	**208,670**	1,828,442

Financial risk management objectives and policies

The Group's corporate treasury function provides services to the business units, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

The Group seeks to minimise the effects of some of these risks by using derivative financial instruments. The use of derivatives is governed by the Group's policies approved by the Board of Directors, which provide written principles on foreign currency risk, interest rate risk, credit risk, the use of derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies and exposure limits is reviewed by the internal auditors on a continuous basis. The Group does not enter into or trade derivative financial instruments for speculative purposes.

There has been no change to the types of the Group's exposure in respect of financial instruments or the manner in which it manages and measures the risks, until the Group losing control of CFSG during the year ended 31 December 2010. After losing control of CFSG, the Group's exposure to interest rate risk, credit risk and liquidity risk is significantly reduced. Details of the change in exposure to respective risks are disclosed below.

Market risk

Equity price risk

The Group is exposed to equity price risk mainly through its investment in listed equity securities. The management manages this exposure by maintaining a portfolio of investments with different risk.

Equity price sensitivity

The sensitivity analyses below have been determined based on the exposure to equity price risk at the reporting date. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. As a result of more stable financial market in 2010, the management adjusted the sensitivity rate from 30% for 2009 to 15% for 2010 for the purpose of assessing equity price risk. A 15 percent change represents management's assessment of the reasonably possible change in equity price.

As at 31 December 2010, if the market bid prices of the Group's listed equity investments had been 15 percent higher/lower, the Group's post-tax profit would increase/decrease by approximately HK$281,000 (2009: the Group's profit would increase/decrease by approximately HK$13,570,000). This is mainly attributable to the changes in fair values of the listed investments held for trading.

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.

Interest rate risk

At 31 December 2009, the Group was also exposed to fair value interest rate risk in relation to fixed-rate bank balances and loan receivables recognised by CFSG. The Group currently does not have a fair value hedging policy.

At 31 December 2010, the Group is also exposed to cash flow interest rate risk in relation to variable-rate bank borrowings and bank balances. At 31 December 2009, the Group was also exposed to cash flow interest rate risk in relation to variable-rate loans receivable and loans to margin clients recognised by CFSG. The Group currently does not have a cash flow interest rate hedging policy. A 50 basis points (2009: 100 basis points) 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 variable-rate financial instruments outstanding at the end of the reporting period were outstanding for the whole year. Bank balances are excluded from the sensitivity analysis as it is subject to minimal interest rate fluctuation during the year ended 31 December 2010. As at 31 December 2010, if the interest rate had been 50 basis points (2009: 100 basis points) higher/lower and all other variables were held constant, the Group's post-tax profit would decrease/increase by HK$860,000 (2009: the Group's profit would increase/decrease by HK$8,519,000). This is mainly attributable to the Group exposure to the interest rates on variable-rate borrowings.

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$") or Hong Kong Dollars ("HK$"). 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 end of the reporting period.

Credit risk

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

Prior to losing control of CFSG, 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 order to minimise the credit risk on CFSG’s brokerage, financing and corporate finance operations. With regard to provision of online game services still retained by the Group, 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 reporting date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors of the Company consider that the Group's credit risk is significantly reduced.

Other than concentration of credit risk on loan to an associate made by CFSG prior to losing control, the Group has no significant concentration of credit risk, as the exposure spread over a number of counterparties and customers.

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

Liquidity risk

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

For retailing (before losing control of CFSG) 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.

DIVIDEND

The Board recommends the payment of 2010 final dividend of HK 0.2 cent per share (2009: nil). Subject to the approval of the 2010 final dividend by the shareholders at the forthcoming annual general meeting, it is expected that the final dividend will be paid on 25 May 2011 to the shareholders whose names appear on the register of members on 16 May 2011.

CLOSURE OF REGISTER OF MEMBERS

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

REVIEW AND OUTLOOK

Financial Review

FINANCIAL PERFORMANCE

Upon the disposal of a total 2.94% equity interest in CFSG (CASH Financial Services Group Limited) by the substantial shareholder and two Directors of the Company on 11 October 2010, the voting power of the Group in CFSG was dropped from 52.88% to 49.94%. Accordingly CFSG has ceased as a subsidiary of the Group and became the Group's associates with effect from 11 October 2010. As such, the revenue and operating results of CFSG for the whole year of 2010 had not been included in the Group's consolidated statement of comprehensive income. The operating results of CFSG for the period from 1 January 2010 to 10 October 2010 and for the period subsequent to 10 October 2010 were, respectively, disclosed as profit (loss) for the year from discontinued operations and share of results of associates.

During the year under review, the Group's Financial Services Business and CASH Retail Management (HK) Limited and its subsidiaries ("CRMG Group") had benefited from the economic recovery in the local market which had bottomed out from last year's financial crisis amid the current challenging environments and uncertainties arising from the recent Europe's sovereign debt crisis. The online game market in the PRC remained competitive. The Group had continued to implement stringent cost controls over its operations to contain its operating loss during the year under review.

Overall, the Group recorded a net profit attributable to the owners of the Company of HK$50.8 million for the year ended 31 December 2010, a more than double of HK$20.8 million (as restated) for the previous year.

Financial Services Business

The robust recovery in the stock market in 2009 could no longer be sustainable in early 2010. The local and global stock markets turned sluggish soon after the news relating to Europe's sovereign debt crisis first came to light. The public finances of the five European countries including Greece which had deteriorated badly in recent years led to their credit ratings lowered and triggered worries about another new credit crunch that might result from their huge debts not being met when falling due. While the worry that a double dip recession caused by this new round of financial crisis had badly hit the local stock market, it was further battered by the harsh austerity measures adopted by the Chinese government to rein in rising inflation and to slash sky-high property prices across the country. The drops in both liquidity and market turnover had reflected the investors' cautious reaction to China's several increases to banks' reserve requirement ratios since the beginning of the year. However, the quantitative easing policies and economic stimulus measures adopted by the central banks in several developed countries aiming at stimulating the economy ultimately caused an abundant influx of fund into Asian region including Hong Kong. The excessive capital influx was driving up the assets and commodities prices. In the second half of the year under review, there was a sharp rebound in the trading volume of the local stock market. The trading volume of the local stock market in the year under review was about 10.9% higher that that of the previous year. Furthermore, fund-raising and mergers and acquisitions activities in Hong Kong were vigorous during the year under review and Hong Kong had successfully maintained its position as the largest listing market by fund-raising size in the world with about a record-high HK$445 billion raised in 2010. For the year ended 31 December 2010, the Group's Financial Services Business recorded revenue of HK$283.0 million as compared to HK$249.0 million for the previous year.

The increase in revenue during the year under review was mainly attributable to the remarkable performance of its Investment Banking Division. During the year under review, the Group's Financial Services Business recorded a profit of HK$32.6 million as compared to HK$8.4 million for the previous year.

Retail and Franchising Business – CRMG Group

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

Mobile Internet Business – Moli Group

For the year ended 31 December 2010, Moli Group's revenue fell by 56.7% year-on-year to HK$13.8 million, as compared to HK$31.9 million last year. Facing keen competition in the PRC online game industry but at the same time having already become one of leading online game developers and operators in this huge and fast growing market, Moli Group had pursued a sustainable growth strategy to enrich its portfolio of self-developed online games in a variety of styles to extend its player base in both the PRC and overseas markets and to capture the ample business opportunities emerging from the recent tremendous growth in mobile data transmission and associate mobile data services in China soon after the Central government's policy to converge the three networks, namely television broadcasting, telecom and internet, and to promote the use of 3G services. Throughout the whole year of 2010, Moli Group had dedicated most of its resources to developing two proprietary online games which have been scheduled to be launched in 2011 and expanding its business into mobile internet sector by mergers and acquisitions to build a cross-platform mobile internet powerhouse with a complete value chain infrastructure consisting of superior game design and development capabilities, operation and distribution channels. With its current short-term income being foregone in exchange for much greater long-term earnings in the years ahead by developing more proprietary online games and by diversifying its current business into a cross-platform mobile internet business, Moli Group had continued to maintain stringent cost controls over its operations to contain loss for the year to HK$7.8 million, as compared to the loss of HK$33.4 million (as restated) for the last corresponding year. Moli Group will continue to launch new online games, either developed in-house or licensed from local or overseas developers, on a regular basis on various styles of storylines and designs to expand and diversify its game portfolio and to capture the lucrative opportunities in this fast growing mobile internet industry. Moli Group will take strict defensive measures to combat the operations of illegal pirate servers and hacking to secure the stability of Moli Group's normal operations.

Liquidity and Financial Resources

The Group's equity attributable to owners of the Company amounted to HK$512.2 million as at 31 December 2010 as compared to HK$360.6 million at the end of the previous year. The increase in equity was due to recorded profit for the year and issue of new shares due to partial conversion of convertible notes by substantial shareholder, exercise of share options and completion of top-up placing in August 2010.

As at 31 December 2010, the Group had total interest bearing borrowings of approximately HK$190.7 million, as compared to HK$601.7 million at the end of the previous year. The decrease in the borrowings was mainly due to the fact that CFSG's borrowings which had been included in the Group's total borrowings as at 31 December 2009 were no longer consolidated in the borrowings of the Group as at 31 December 2010.

As at 31 December 2010, our cash and bank balances totalled HK$82.0 million as compared to HK$1,131.8 million at the end of the previous year. The decrease in the cash balances was mainly due to the fact that CFSG's bank balances which had been included in the Group's total bank balance as at 31 December 2009 were no longer consolidated in the bank balances of the Group as at 31 December 2010. The liquidity ratio as at 31 December 2010 was 0.5 time after reclassifying the term loans from non-current liabilities to current liabilities in order to comply with the requirements as set out in Hong Kong Interpretation 5 "Presentation of financial statements – Classification by the borrower of a term loan that contains a repayment on demand clause".

The gearing ratio, which represents the ratio of interest bearing borrowings of the Group divided by the total equity, was 0.37 as at 31 December 2010 as compared to 0.92 as at 31 December 2009, which was kept at a conservatively low level. On the other hand, we have no material contingent liabilities at the year-end.

Foreign Exchange Risks

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

Material Acquisitions and Disposals

The Group did not make any material acquisitions or disposals during the year ended 31 December 2010.

Subsequent to the balance sheet date on 11 January 2011, the Group announced a discloseable transaction relating to acquisition of a 51% equity interest in Yole Wireless Technology (Hongkong) Co., Limited (the holding company for mobile digital entertainment business in the PRC) at the consideration of RMB81,600,000 (equivalent to approximately HK$95,602,560). The consideration will be settled as to 50% in cash and as to 50% by the issue of the Company's new shares.

On 12 February 2011, the Group announced a share transaction involving formation of joint venture with a US online game developer relating to acquisition of 89.7% equity interest in "Oberon Information Technology (Suzhou) Co. Ltd." and deemed disposal of 10.3% equity interest in the Moli Group. The consideration for the transaction was USD10,000,000 (equivalent to approximately HK$77,800,000) to be settled as to 70% by issue of Moli Group's consideration shares and as to 30% by issue of the Company's new shares.

The above two transactions have not yet completed.

Capital Commitment

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

Material Investments

As at 31 December 2010, the Group was holding a portfolio of listed investments and unlisted investment funds with market values of approximately HK$1.9 million and net loss on listed investments and unlisted investment funds totally of HK$2.1 million was recorded for the year.

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

Business Review and Outlook

MOBILE INTERNET - MOLI

Business Overview

Moli, established in 2005 and headquartered in Shanghai, is dedicated to becoming the ultimate end-to-end mobile internet powerhouse. Through building on Moli's proven track record in online games development, we will further thrive on the unique value proposition within the China market as an internationally managed company with access rights to China's lucrative online games market and an integrated platform with a full value chain to cover upstream (content), midstream (operations) and downstream (distribution channels) activities. Moli has around 300 dedicated employees, a portfolio of award-winning online games and a database of some 40 million subscribers.

Leveraging this unparalleled platform for growth, Moli has recently secured international support in a joint venture with Goldman Sachs, Morgan Stanley and Oak Investments invested Oberon Media, a US global mobile game developer. Moli has started to expand its mobile platform through the merger and acquisition strategy, acquiring 51% of Injoy Information Technology Company's mobile digital entertainment content provider, Yole. Moli is also extending its self-developed online games portfolio. Moli intends to continue this three-fold strategic approach of international joint ventures, M&A and self-developed products, with the goal of becoming the premier delivery channel in China for online and mobile games, social networking and other value-added services.

Market Overview

Since 2000s, mobile internet services globally, and in particular China, has been showing strong upward potential for growth, propelled by the rapid uptake of smartphones. Smartphones are mobile handsets with more advanced computing capabilities and connectivity than basic "feature" phones. Examples of smartphones include Apple's iPhone, Research in Motion's Blackberry and Google Android-based phones. Technology market research company iSuppli forecasts global smartphone shipments will increase 2.5 times (CAGR 24.6%) from 2009-13, with units rising from less than 200 million in 2009 to 444.5 million by 2013.

Supporting this substantial growth expectation, global smartphone shipments overtook PC shipments in 2010 Q4, another significant indicator of the popularity of this mobile internet technology and of the emerging global trend for mobile internet services to meet people's computing and connectivity needs.

China, a Key Mobile Internet Market

We expect China to be a powerful engine driving such growth and to lead all other global regions in smartphone shipment. Major factors driving this assessment include a low current rate of smartphone penetration compared with the global situation, the country's increasing 3G capabilities, and the Chinese government's favourable three-network convergence policy.

I. Penetration rate

The current rate of smartphone penetration in China is 10%, well below the global penetration rate of 18%. With its booming economy and a population keen to adopt new technology, we believe China presents fast-moving growth opportunities for smartphone sales and market potential to overtake the global penetration rate. Evidence of demand can be seen in the exponential growth of the country's mobile internet users. From 2009-10, the mobile internet user population rose from 233 million to 303 million, an increase of 30% over one year, according to the China Internet Network Information Center (CNNIC). Market research analysts expect this rising trend to continue and to positively impact the smartphone sector, with China smartphone shipment forecast to grow to 63.6 million units by 2013, a three-fold increase from 2009 (CAGR 31.6%), according to iSuppli.

II. *3G capabilities*

Boosting such potential is the Chinese government's endeavour to upgrade the country's telecommunications infrastructure to assist the economy, encouraging consumption through mobile networks as network capabilities grow more sophisticated. In moving from 2.5G to 3G and from a data rate of 384 kb/s to 2mb/s, new opportunities are opening up for data services. Advancing service provision from SMS and MMS, 3G facilitates mobile application usage and enables innovative applications, services and business models to emerge along with the transmission of rich content such as instant messaging, music, video and interactive games. The 3G standard also opens the way for significantly better security protection for users.

III. *Three-network convergence*

A further Chinese government move with exciting development implications for the mobile internet market is the implementation of the country's three-network convergence policy. In January 2010, the State Council announced the acceleration of the integration of telecommunications, broadcast television and internet in China's highly regulated media and communications market. Substantial resources will be allocated to assist this goal, which is part of the country's 12^{th} five-year plan (2011-2015). We believe the policy is set to propel forward the mobile internet business environment and provide more space for growth by helping to introduce novel services and driving consumption. It is expected to further accelerate 3G development and provide a gateway for a widening range of mobile products and services to cater for burgeoning subscriber demand, and also to support long-term development of the sector.

Market Size in China

China's mobile application market has shown impressive financial growth over the past five years. While it recorded RMB24.5 billion in 2007, the market is forecast to reach RMB89 billion in 2011, a rise of 48.09% year on year from 2010 and double the amount generated in 2009, according to China Computer World Research Co., Ltd. and Game Publication Committed of the General Administration of Press and Publication.

Within the country's mobile application market, we believe phone games to provide the greatest growth potential, with cell phone-based online games taking over from personal computer games as the future revenue driver due to the growing popularity of smartphones and the increasing use of 3G.

Given the growing numbers using smartphones, China is also forecast to experience tremendous growth in mobile game users, reaching an estimated 276 million by 2013, according to Analysys International, a huge increase from the 89 million users in 2009. In line with such a rise, revenue is expected to grow substantially from the RMB1.4 billion recorded in 2008 to an estimated RMB9.6 billion in 2013, three times the estimated revenue of RMB3.05 billion in 2010.

Our Strategies

The emergence of 3G mobile internet services in China is set to deliver a new and significant market place in which Moli is strategically positioned to enjoy first-mover advantage and take a leading role based on our competitive strengths. Moli has adopted a multi-faceted strategic approach to drive its major push into the mobile internet games and services sector and develop into an end-to-end mobile internet services powerhouse. This involves i) the establishment of strategic joint ventures, ii) a merger and acquisition strategy to assist in rapidly capturing and responding to emerging mobile business opportunities, and iii) organic growth through the on-going launch of exciting, quality self-developed Massively Multiplayer Online Role Playing Games (MMORPGs).

I. *International joint ventures: Oberon Media – A wide array of game contents*

Our recent tie-up with Goldman Sachs, Morgan Stanley and Oak Investments invested Oberon Media has positioned Moli to expand into and become the channel for the casual mobile games market in China. The joint venture for 10% of Moli's projects in China, provides operational synergy for Moli's platform through Oberon's extensive mobile games warehouse. The goal is to establish a world-class platform for games and content distribution in China and to emphasise Moli's vision to lead the field not follow.

Oberon Media, founded in 2003 and headquartered in New York, is a member of the US-based Oberon Media Group, which has one of the largest casual game audiences and is a leading global source of multiple platform casual game and game community solutions. Oberon Media has offices across North America, Europe and Asia and its game solutions have been adopted by some of the world's most innovative corporations, including Microsoft, AT&T, Electronic Arts, Orange France and Yahoo!

Through its acquisition of Cmate SA, Blaze Mobile and I-Play, Oberon Media offers technology, content and distribution for mobile devices. It currently operates over 1,200 casual and social games in many different languages on personal computers, web-based, mobile console and iTV platforms.

Goldman Sachs, Morgan Stanley and Oak Investments invested Oberon Media also gives Moli access to an international investment network.

II. Strategic mergers and acquisitions: Yole Wireless Technology – An established mobile operating platform

Moli's acquisition of a majority stake in Yole Wireless Technology (51%) from Injoy Information Technology Company Limited seeks to accelerate the pace and scope of Moli's mobile internet services given Yole's role as an important provider of mobile digital entertainment content in China for mobile handsets, including smartphones.

Yole (pronounced Yol-e) was established in 2006. It is positioned as a mobile social networking service (SNS) entertainment community adapted for China users' needs and has built up an integrated user management platform using interpenetration among different products to increase user stickiness and enhance the overall impact of marketing and operations. The revenue streams include mobile personalised products, a mobile online games platform and a social networking service (SNS) community. Yole's database extends to some 20 million mobile phone users in China. It has also established business relations with various Chinese telecom companies as a full-service payment gateway.

Yole's personalised products include thematic apps, which have 10 million current users, ringtones, e-books and novels, music downloads and players, internet search, and phone animation. The appeal of these products has created a stable user base, which can then be rapidly drawn to the company's mobile game platform generating further revenue.

The Yole mobile online games platform can operate several games at the same time, allowing large numbers of users online simultaneously. It supports many types of mobile systems to provide a multi-platform operation. Use of a uniform user administration and charging system also shortens user operation flow and improves loyalty to the platform.

Yole's SNS community is driven by Meyouto.com, a Facebook-type social networking site for Chinese users. It provides iPhone, Android, Symbian and KJAVA mobile interface and direct access to 700 million China mobile phone users through wireless internet. In addition to its mobile applications, Meyouto.com can be accessed via the internet on personal computers. Meyouto.com offers a significant new communication platform for the emerging mobile internet generation in China.

III. Strong Cash Flow: self-developed MMORPGs

Moli has established a strong reputation as a full service provider of online entertainment through award-winning self-developed online games and licensing games from overseas. It has a robust R&D team of more than 200, developing several well-received MMORPGs that have shown Moli's advanced product development capability to be of international standard.

Moli has also successfully built up a comprehensive overseas game-publishing platform, with its renowned self-developed MMORPG "King of Pirates" launched in Taiwan, Hong Kong, Singapore, Malaysia, Thailand, Indonesia, North America and Russia. This proven overseas record has helped Moli to gain many accolades, including the “2008 China Game Industry Best Innovative Game Award” and the 2008 Overseas Development Award for Domestic Games” at the 2008 China Game Industry Annual Conference.

In 2011, Moli’s innovative product pipeline has two adventure games scheduled for launch. “Tales of Ocean Fantasy” is a 2.5D MMORPG revolving around the battle to rebuild an island wonderland and due for release in 2011 Q3. “Superhero” is a 3D console-like MMORPG using innovative next-generation game engine techniques to create a stunning fantasy world. This is expected in 2011 Q4. Leveraging its state of the art technological advances, Moli will continue to expand its product pipeline and provide quality customer service.

Outlook for Moli

With smartphone usage expected to increase, 3G capabilities set to expand and a Chinese government push to drive convergence of telecommunications, broadcast television and internet networks, the business environment appears highly favourable for market expansion of mobile internet and related services in China.

Moli has a strong track record in online game provision, a comprehensive and unparalleled platform for growth including access rights to the China online games market, strong government and local networks in China and a dynamic three-fold strategic approach involving win-win synergistic alliances with selected industry players. Leveraging this powerful combination of competitive strengths, Moli is well positioned to gain first-mover advantage and to maximise opportunities presented by robust growth of China’s mobile application market; play a leading role in the further development of the country’s mobile internet market; and advance towards the company’s goal of building a mobile internet services powerhouse.

FINANCIAL SERVICES BUSINESS

Securities Broking

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

The income for the margin financing business rebounded quickly due mainly to the record-breaking IPO activities and the differential pricing for various investors during the year under review.

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

Wealth Management

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

According to a research report of BofA Merrill Lynch , “The income growth story in China is fairly well known, ….per capita income rose by approximately 12.0% CAGR during this period (1999-2009). … but wealth growth was even faster, at 18% CAGR.” This coincides with the increasing enquiries received for our independent wealth management service last year. We believe that this business will experience a robust growth in the coming years, through consolidation and organic growth. One of the key strategies is to devote more resources to the development of the China market with a view to significantly increasing its new business volume in the coming year. In so doing, it will leverage on the existing platform in China and expand its presence in Southern provinces.

Asset Management

As an important driver of our strategy of product and income diversification, the asset management business achieved a 30% growth in the second half of 2010, outperforming the increase in Hang Seng Index and Hang Seng China Enterprises Index, thanks to the recovery of the stock market, abundant flows of capital via Hong Kong to the China market, and more importantly our persistent efforts to achieve higher risk-adjusted returns for clients.

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

Investment Banking

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

In light of the steaming IPOs and the secondary market activities locally, 2011 is expected to be another robust year for capital market transactions in Hong Kong. Our investment banking business is well placed to specialise in mid-cap companies. With our encouraging results in 2010, we will continue the momentum to seek more fund-raising and IPO opportunities in addition to financial advisory services for M&As and corporate transactions. The division will also serve as a source and agent to line up fund-seeking corporations and investors.

China Development

One of the Group's key strategies in recent years is to focus on the positioning of our footing for business development in China. With that, the Group continued to dedicate more resources to China in 2010 with a view to enhancing the driving force of the development. In so doing, we set up two new offices in Xiamen and Xi'an in addition to the existing locations in Beijing, Chongqing, Shenzhen, and the head office in Shanghai.

As part of the network building strategy, we formed two alliances with local institutions to promote our brand and services. With Zhongcai Futures, an established futures dealing company in Eastern China, we provided training and published research on index futures. We believe investors' education is an important element in developing a healthy investment environment. Along this belief, we set up a training centre with Northwestern University of Xi'an to facilitate on-the-job training for finance graduates.

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

Other Development

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

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

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

Outlook for the Financial Services Business

The Group is generally optimistic about the economic outlook for 2011. The Board believes that the 21st century is the century of China. China is a growth engine and offers a once-in-a-lifetime window of opportunities to the world. China's development in the next 10 years will bring profound impact to the world. More importantly, the Group's Financial Services Business has built a strong platform that positions itself favorably as it aims to accelerate the pace of growth.

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

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

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

RETAIL AND FRANCHISING - PRICERITE

Business Overview

Riding on the economic recovery in 2010, Pricerite has accelerated its growth strategies in 2010. During the year, we have opened 6 new stores and successfully managed to renew most of the existing stores, expanding our sales area in Hong Kong at a satisfactory pace.

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

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

Our excellence in customer services was further recognized when we won the 2010 Service & Courtesy Award in both Supervisory Level and Junior Frontline Level (under Furniture & Home Accessories Category) organized by Hong Kong Retail Management Association. The award is highly respected as the Oscars of the retail trade in Hong Kong. Among the keen participating retail practitioners, Pricerite has occupied 7 out of the 9 finalists in the Award programme. Earlier in the year, we have also won service awards including 42nd Distinguished Salesperson Award (DSA) organized by The Hong Kong Management Association, The Hong Kong Top Service Brand Award, Certification Trade Mark – Quality Tourism

Service Scheme, Q-Mark Service Certification, Business Super Brands & Super Brands, 2009 Customer Service Excellence Award - Bronze Award (Counter Service) and 活力之星 organized by FACE Magazine Marketing Limited.

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

Outlook for Pricerite

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

A key task of China's 12^{th} Five-Year Plan is to expand domestic consumption to release urban and rural consumption potential. We believe that household demand for stylish yet practical items would be growing in an exponential rate. Pricerite regards 2011, the beginning of this 12^{th} Five-Year Plan, a right moment to realize our China market development plan. We have planned to develop retail network in Guangdong province and are currently preparing our first store in Guangzhou. Outside Guangdong Province, we had during the year entered into a franchising arrangement with OrientHome, one of the largest distributor and retailer of building materials, home furnishings and lawn & gardening equipments in China. We are excited that such expansion strategies will enable us to build retail presence and capture market share in China within a short period of time. Though we are still in an investment phase of our China plan, we are optimistic that China would be our growth engine in the coming years.

EMPLOYEE INFORMATION

At 31 December 2010, the Group had 394 employees. Our employees were remunerated according to their performance, working experience and market conditions. The total amount of remuneration cost of employees of the Group for the year under review (including the remuneration of 1,379 employees of CFSG up to 10 October 2010) was approximately HK$271.5 million.

Benefits

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

Training

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

The Group conducts an initial staff orientation for new employees in order to familiarise them with the Group's history and strategy, corporate culture, quality management measures, rules and regulations. This orientation aims to prepare the new employees for the positions by establishing a sense of belongingness and cooperation; by supplying necessary information that resolves an employee's concerns; and by removing any potential barriers for job effectiveness and continuous learning.

CORPORATE GOVERNANCE

The Board has adopted a set of corporate governance principles ("Principles") which aligns with the requirements set out in the Code on Corporate Governance Practices ("CG Code") and the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") contained in the Listing Rules. The Board had also in writing made specific enquiry to each Director in respect of the due compliance of the rules and principles relevant to the Model Code. During the financial year ended 31 December 2010, the Principles had been duly complied with except for the deviations summarised as follows:

CG Code		Deviation and reason
A.2.1	The roles of Chairman and chief executive officer ("CEO") should be separate and should not be performed by the same individual	Mr Kwan Pak Hoo Bankee, Chairman of the Board, also assumes the role of CEO of the Company. The dual role of Mr Kwan provides a strong and consistent leadership to the Board and is critical for efficient business planning and decisions of the Group. The balance of power and authorities is ensured by the operation of the senior management and the Board, which comprise experienced and high caliber individuals.

Save for the above, the Company has been in compliance with the CG Code and the Model Code throughout the year under review.

REVIEW OF RESULTS

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

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

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

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

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

On behalf of the Board
Bankee P Kwan
Chairman & CEO

Hong Kong, 24 March 2011

As at the date hereof, the Board comprises:-

Executive Directors:

Mr Kwan Pak Hoo Bankee
Mr Law Ping Wah Bernard
Mr Ng Kung Chit Raymond

Independent non-executive Directors:

Mr Leung Ka Kui Johnny
Mr Wong Chuk Yan
Dr Chan Hak Sin