2008

Celestial Asia Securities Holdings Limited

(Stock Code: 1049)

Annual Report

Contents

Corporate Profile

CASH Group (the holding company Celestial Asia Securities Holdings Limited "CASH"; SEHK: 1049) is a multi-faceted service conglomerate in China. We address modern consumer needs in investment and wealth management, home improvement, lifestyle as well as personal enjoyment. All our businesses share a common mission that our customers' interests always come first. Our brands are synonymous with good customer service, great quality and fabulous value.

Abide by the "People-Oriented" principle, CASH Group is committed to becoming a Total Caring Organisation to partner with our key stakeholders to work towards the sustainable development of our business, our employees, our environment and our society. CASH companies comprise CASH Financial Services Group, CASH Retail Management Group, Pricerite and Moli Group.

FINANCIAL SERVICES

CASH Financial Services Group (CFSG) is a leading financial services group that has been servicing clients in Hong Kong for more than 30 years. We offer a comprehensive range of financial products and services catering to the investment and wealth management needs of clients in China.

We operate one of Hong Kong's premier securities and commodities brokerages. Our fully-fledged Investment Banking division serves regional corporations on a broad range of corporate finance and financial advisory matters. The Wealth Management division offers mid to long-term investment products to serve the various investment and financial planning needs of our clients. Our Asset Management division provides one-stop asset management services for corporate and individual clients to achieve the highest returns in a fast-changing investment environment.

Our corporate mission is to be a China-based leading financial services group with a global perspective that provides best-in-class services and a full range of product offerings to clients with financial products trading, investment, wealth management and capital market needs. We are dedicated to creating value for stakeholders, delivering superior shareholders' returns and caring for employees' welfare, as well as being a trusted partner to the clients we serve and a responsible corporate citizen in the communities in which we operate. We are committed to providing a state-of-the-art service platform that satisfies the versatile needs of boundary-less clients.

RETAIL MANAGEMENT

Founded in 1986, CASH Retail Management Group (CRMG) offers a diverse portfolio of premium brands that satisfy our customers' lifestyle needs through a blend of operating efficiency, effective use of technology, and talented people. We build our competitive advantage by achieving economies of scale through our single operating platform. Businesses comprise sourcing, retail and wholesale distribution of quality products.

Pricerite is one of Hong Kong's leading one-stop home furnishing specialists. We are committed to offering a quality shopping environment, great value-for-money products and services that exceed customer expectations. We also strive to foster a caring culture for our customers, associates, vendors, communities and natural environment. Our comprehensive network of outlets ensures ease of access for customers and enables them to enjoy better living every day. Pricerite is known for its relentless effort in enhancing customer satisfaction, which is acknowledged by obtaining various accreditations, such as the Premier Service Brand from the Hong Kong Brand Development Council, the Distinguished Salespersons Awards from The Hong Kong Management Association, and the Services and Courtesy Award from Hong Kong Retail Management Association. Other service certifications obtained include the Q-Mark Service Scheme certification, the Quality Tourism Services Trademark from Hong Kong Tourism Board, and the "No Fakes" Pledge.

ENTERTAINMENT PORTAL

Moli Group is a fully-fledged service provider of online entertainment, with superior research and development capabilities, a proprietary international publishing network and operation platforms in China. Founded in 2005, Moli, headquartered in Shanghai, has a mission of providing users with a diversified portfolio of the best online entertainment and services, through self-developed online games and licensing online games from overseas. Moli will further strengthen its R&D capability, and continue to develop new technology for the digital community to enhance users' total gaming experience. Moli is confident that it will soon develop into the most influential service and content provider of digital entertainment in China.

Corporate Information

BOARD OF DIRECTORS

Executive:

KWAN Pak Hoo Bankee (Chairman)
LIN Che Chu George (CEO)
LAW Ping Wah Bernard (CFO)

Independent Non-executive:

LEUNG Ka Kui Johnny
WONG Chuk Yan
CHAN Hak Sin

AUDIT COMMITTEE

LEUNG Ka Kui Johnny (committee chairman)
WONG Chuk Yan
CHAN Hak Sin

REMUNERATION COMMITTEE

LEUNG Ka Kui Johnny (committee chairman)
WONG Chuk Yan
KWAN Pak Hoo Bankee

COMPANY SECRETARY

LUKE Wing Sheung Suzanne, FCIS

AUTHORISED REPRESENTATIVES

KWAN Pak Hoo Bankee
(alternate: LIN Che Chu George)

LAW Ping Wah Bernard
(alternate: LUKE Wing Sheung Suzanne)

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
Nanyang Commercial Bank, Limited
Wing Hang Bank, Limited
The Hongkong and Shanghai Banking Corporation Limited
DBS Bank (Hong Kong) Limited
Industrial and Commercial Bank of China (Asia) Limited
Standard Chartered Bank (Hong Kong) Limited

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants

SOLICITORS

Sidley Austin

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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

REGISTRARS AND TRANSFER OFFICE IN HONG KONG

Tricor Standard Limited
26/F Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

WEBSITE

www.cash.com.hk

STOCK CODE ON MAIN BOARD : 1049

CONTACTS

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Chairman's Letter

Dear Fellow Shareholders,

It proved to be an eventful year in 2008, filled with joy and tears, fun and fears. Hong Kong's economy experienced solid growth in early 2008, spurred on by the Beijing Olympics in August. However, the arrival of the financial tsunami in the latter part of the year hit both investment and consumer sentiment hard. The crisis damaged the global economy, completely altering the financial landscape and devastating the corporate expansion efforts of many companies made in 2007 and early 2008. CASH Group was no exception. We saw a drop in the Group's revenue and recorded a loss for 2008.

In anticipation of the financial tsunami, the Group carried out a series of precautionary measures in the fourth quarter of 2008 to prepare for an economic downturn. These included rationalisation of cost structures, further improvement in operating efficiencies, and fine-tuning product offerings to meet the less ebullient needs of investors and consumers. The Group proactively adopted a "Back to Basics" strategy to mitigate risk in the fragile economic environment, to preserve our capital strength, and to sustain our business development.

Thanks to our year-long focus on cost leadership and prudent management, I am pleased to report that the Group is currently operating healthily, despite some setbacks at the end of 2008. In all, our financial services business should be well poised to deal with market volatility. In addition, our retail management business is set to offer a variety of value-for-money home improvement products, as customers tend to stay at home more when employment and asset markets are depressed.

Looking forward, conditions in 2009 are likely to remain tough as the market contracts and the economy struggles. Unemployment is expected to climb beyond 6%, which will further aggravate the situation for investment and consumer markets. It is also envisaged that oligopolies or monopolies may arise in certain sectors, with market consolidation occurring to give companies the necessary economy of scale to survive the turmoil. We hope that this will be a short-term scenario as it will certainly affect robust market development. With the Group continuing our cost leadership and prudent management strategy, diverse product offerings and professional service approach, we are confident of weathering the challenges ahead.

I am also glad to report that our commitment to the Total Caring Organisation concept has positioned us well to further develop sustainable business with our key stakeholders, namely customers, employees, community and the environment. The many accolades we obtained in the past year are just one indication of this. Among other commendations, Pricerite received the prestigious "Premier Service Brand" and "The Most Popular Online Service Brand" awards from the Hong Kong Brand Development Council, proving the success of our unceasing efforts in past years to rejuvenate the brand and advance quality service. Since CFSG formally established a foothold in the mainland in early 2008, we have also been very much encouraged by the overwhelming response of clients there, with CFSG gaining "The Most Popular Service Brand - Gold Award" at the sixth Money Fair International Exposition in Shanghai. In addition, our efforts to protect the environment have been recognised by the industry. Both our financial services and retail management businesses were awarded a "Wastewi$e Label Certificate of Merit" in the 2008 Hong Kong Awards for Environmental Excellence, organised by the Environmental Campaign Committee.

For the rest of 2009 and beyond, China is expected to play a more active role in the world economic recovery as western economies flounder. With strong fundamentals and abundant foreign exchange reserves, China is in a good shape to maintain sturdy economic growth. Hong Kong's location and close economic ties with the mainland should mean the city benefits from the China factor. I am therefore confident of the Group's development in the longer term.

Last but not least, I would like to thank all staff members for their dedicated efforts to make the Group a leading service conglomerate in China. People are vital to our success and our staff members are regarded as our most important asset. We will continue to take a "people-oriented" approach in the Group's future development.

Yours sincerely,

Bankee P Kwan
Chairman

Financial Review

FINANCIAL PERFORMANCE

For the year ended 31 December 2008, the Group recorded revenue of HK$1,312.7 million as compared to HK$1,665.5 million in the previous year. The decrease in revenue was mainly due to a drop in financial services income recorded by the Group's financial services division (CFSG) for the current year.

The Group posted a net loss of HK$396.5 million for the current year as compared to a net profit of HK$139.6 million recorded in the previous year. The recorded loss was mainly due to (i) recognition of the investment loss of HK$239.7 million on financial assets when the financial crisis in the last quarter of 2008 damaged investor confidence, causing the share prices of most listed securities in the local stock market to reach their new lows since the aftermath of SARS outbreak in 2003; and (ii) the impairment loss of HK$84.7 million on goodwill which was recognised as delay in return to profitability of the Group's online business had been expected amid significant deterioration in economic conditions in the PRC and Taiwan during the year. The Group's financial services business and retail management business other than those which had been discontinued during the year still recorded operating profits for the year under review even though the poor investor confidence and consumer sentiment caused by the US subprime credit crisis and the economic downturn started to take their toll on the local stock market and retail business.

Financial Services — CFSG

CFSG recorded revenue from its financial services of HK$317.1 million for the year ended 31 December 2008 as compared to HK$671.4 million as recorded in the previous year. The significant decrease was attributable to the reduction in both the commission income generated from CFSG's brokerage business and interest income from its financing activities, which had in turn resulted from the weak investor sentiment and the lack of mega IPO activities in the midst of the worsening US sub-prime credit crisis since late last year, followed by the downturn in both the local and global economies in the current year. Despite the fact that 2008 had been a most difficult year for the financial services sector at home and overseas, CFSG's core financial services business still recorded an operating profit of HK$62.3 million for the whole year.

Retail Management — CRMG

CRMG recorded a net loss for the year ended 31 December 2008 even though Pricerite recorded a profit of HK$34.9 million for the year under review. Thanks to the solid labour market conditions towards the end of 2008, the overall consumer spending had not been severely affected by the recent financial market turbulence and economic slowdown. Pricerite recorded a mild growth in revenue to HK$735.0 million for the current year (2007: HK$665.7 million) while still being able to maintain decent gross profit margins for the household products amid the rising merchandising costs brought about by the galloping inflation at home and abroad. The mild growth in the operating results had reflected Pricerite's consistent improvement in its services and products quality and operational effectiveness, including the continued overhaul brand rejuvenation for its retail network since late 2007. LZ LifeZtore, the Group's chain stores for retailing lifestyle household products in China, still recorded operating losses during the first half of 2008. In order to preserve its financial resources to get through the current difficult times, the Group had determined to downsize all of its retailing business in China in the second half of 2008 and would consider resuming the pursuit of the long-term expansion strategy of its retail business on the mainland when the worst-ever recession in recent decades starts to bottom out and the economy is on its course of recovery.

Online Game — Moli Group

For the year ended 31 December 2008, Moli Group recorded an operating loss of HK$107.0 million (excluding impairment loss recognised on goodwill). During the year, the loss was mainly attributable to the decrease in revenue and the provisions for the investments in Moli Taiwan, the business of which had been discontinued at the end of the year for the purpose of more focused allocation of resources in Moli's PRC operation.

During the year under review, Moli Group has suffered the setbacks from the negative impact of illegal private servers, which is a commonly known problem in the online gaming industry. The number of concurrent users, paying users, together with the revenue contributions by such users were severely impacted. In view of the suspension of online gaming activities during the national mourning period in Sichuan earthquake, Moli Group has decided to postpone the commercial operation of "Radiant Arcana", which is the major game in the Moli PRC operation during the year under review. As such, the scheduled investments in commercial advertising could not achieve the expected promotion performance.

Moli Group dedicates to launch strict measures with the aid of government regulatory units to combat the operations of illegal pirate servers to secure the stability of Moli Group's normal operations. Moli Group will continue to expand game offerings on various styles of storylines and designs to broaden income streams. In addition, Moli Group will seek for opportunities in forming strategic alliances with local and overseas game developers and operators to foster our growth in various aspects. We believe that Moli Group will substantially generate stable and scaleable income contributions to the Group for the years to come.

Liquidity and Financial Resources

The Group's total equity amounted to HK$628.7 million on 31 December 2008 as compared to HK$1,140.2 million at the end of the previous year. The net decrease in equity was attributed to the net loss reported for the year and the distribution of 2007 final dividend made during the year.

On 31 December 2008, our cash and bank balances were HK$971.3 million as compared to HK$1,348.2 million at the end of the previous year. The decrease in cash and bank balances was mainly due to the decrease in deposits by securities clients of CFSG whose confidence in the stock market had been weakened as the financial crisis was deepening in the last quarter of 2008. The liquidity ratio on 31 December 2008 remained healthy at 1.1 times as compared with 1.3 times on 31 December 2007.

Our total borrowings on 31 December 2008 were HK$511.3 million as compared with the total borrowings of HK$326.0 million on 31 December 2007. The substantial increase in borrowings was mainly due to the drawdown of a term loan of HK$100 million on 31 December 2008, the proceeds of which were intended to be used as additional working capital to strengthen the Group's financial position. The drawdown of several mortgage loans for the purchase of several properties in Shanghai also explained the increase in the borrowings during the year. As a result of the increase in the borrowings, the ratio for our interest bearing borrowings to total equity increased to 0.81 on 31 December 2008 from 0.29 on 31 December 2007.

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

As at 31 December 2008, the Group's property at its market value of approximately HK$60.0 million was pledged to secure general banking facilities granted to us.

Save as aforesaid, the Group had no other material contingent liabilities at the year-end.

Foreign Exchange Risks

As of 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

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

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

On 11 November 2008, the Group entered into a convertible note agreement and sale and purchase agreement with the controlling shareholder of the Company to acquire the entire equity shareholding interest and the shareholder's loan of an investment holding company which owns three properties in Hong Kong and the PRC. The consideration was fixed at HK$43,243,000 on the date of completion on 17 February 2009, and a convertible note in the principal amount of HK$43,243,000 was issued by the Company to the controlling shareholder as consideration for the acquisition on the same date.

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

On 19 December 2008, CGL (a wholly-owned subsidiary of the Company) entered into a sale and purchase agreement with CFSG to dispose 60% of the equity interests in the Retail Group and the loan due from the Retail Group to CGL, at an aggregate consideration of approximately HK$184 million (subject to adjustment) and the Group would grant to CFSG a purchaser call option for acquisition of the remaining 40% of the equity interests in the Retail Group at the consideration of approximately HK$116 million (subject to adjustment) at any time from the date of the first completion date up to 31 December 2011. The total consideration of approximately HK$300 million (subject to adjustment) was based on the PE ratio of 10 times of the estimated net profits of the Retail Group for the year ended 31 December 2008. The final consideration could be adjusted upward or downward based on the audited net profits of the Retail Group for the year ended 31 December 2008. The PE ratio was determined by reference to prospective PE ratio for year 2008 of various companies listed in Hong Kong engaging in the retail business. This transaction is still subject to, inter alia, the approval by independent shareholders of the Company at a special general meeting to be convened.

As at 31 December 2008, CFSG has paid part of the consideration of HK$60 million to CGL as non-interest bearing deposit for the acquisition of 60% equity interests in the Retail Group. The aggregate of remaining consideration for this 60% equity interest and the 40% interest (upon CFSG exercising the purchaser call option as mentioned above) will be settled by the convertible note to be issued by CFSG at principal value of approximately HK$240 million (subject to adjustment) with conversion price of HK$1.15 per conversion share. The conversion price has been adjusted to HK$1.482 per conversion share with retrospective effect from 19 March 2009 upon completion of the 2-for-1 rights issue of CFSG on 17 April 2009.

Subsequent to the balance sheet date in March 2009, the Group entered into an agreement with an independent third party to dispose of the unlisted share investment of the Group at the consideration of HK$13,980,000 to be settled in cash. Completion took place on the same date of the agreement of 24 March 2009.

In April 2009, the Group entered into a preliminary agreement with an independent third party to dispose a residential property in Hong Kong at the consideration of HK$51,000,000 to be settled in cash. Completion shall take place on or before 15 July 2009 in accordance with the preliminary agreement.

Save as aforesaid, the Group did not make any material acquisitions or disposals during the year ended 31 December 2008.

Capital Commitment

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

Material Investments

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

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

Management Discussion and Analysis

INDUSTRY AND ECONOMIC REVIEW

The unprecedented crisis afflicting the international financial system resulted in a sharp slowdown in global growth in the latter half of the year. Hong Kong, a small, open economy, has been hit hard. With key operations in two of Hong Kong's pillar industries, financial services and retail management, and other strategic investments such as online entertainment, the Group saw a drop in revenue and recorded a loss.

The rapidly deteriorating external environment in the fourth quarter of 2008 dealt a severe blow to Hong Kong's export industry and other sectors, dampening Hong Kong's economic outlook. Unemployment rose to 3.8% in the final three months of 2008 and climbed to 5.0% in December 2008-February 2009. It is expected to rise further, to highs not seen since SARS in 2003, putting pressure on investment and consumer sentiment.

The impact of the worsening economic situation on consumer sentiment was visible in the fourth quarter of 2008, with a quarter-to-quarter 3.6% drop in the volume of total retail sales. The Hang Seng Index closed the year at 14,387, down 48.3% from the previous year. Market capitalisation evaporated by 50% to HK$10 trillion.

BUSINESS REVIEW AND OUTLOOK

Despite repercussions from the global financial crisis, a sound financial position, positive growth momentum, prudent management, and strong human capital contributed to the positive operating profits of the Group's financial services and retail management businesses during the year.

FINANCIAL SERVICES — CFSG

Securities Broking

With the fall in market turnover and the lack of mega IPO activities, both commission income and interest income of CFSG decreased. However, as a leading technology-focused financial services house, CFSG continued to introduce cutting-edge technologies to improve client experience and its operating efficiency. During the year, CFSG introduced the world's first *3D AI Broker*, a real-time, humanoid system that substantially enhances online communications. As we successfully moved from traditional branch network to investment in advanced technology platform, our rental costs have been substantially saved for client's larger benefit.

Wealth Management and Asset Management

The financial meltdown following the Lehman Brothers collapse in the fourth quarter of 2008 had far-reaching effects on both the world's wealth management and asset management markets. For CFSG, it experienced a fall in average order size on its wealth management business, and a reduction in asset under management due to global market sell-offs and fund withdrawals. On the other hand, investors are increasingly interested in protection-based investment, while the number of clients increased for its asset management business, reflecting the underlying need for professional investment service in times of rising volatility. CFSG will continue to grow its client base and assets under management.

Investment Banking

CFSG has been focusing on financial advisory and special transactions since 2007, a strategy proved to be effective especially during slowing mega IPO activities in 2008. On the other hand, CFSG will continue to seek financial advisory and IPO sponsorship opportunities, so as to increase the size of its pipeline for the prospective economic recovery.

China Development

CFSG well positioned itself for business growth in China in 2008. In addition to setting up the Shanghai office, CFSG strategically opened several branch offices in the northern (Beijing), south-western (Chongqing) and southern (Shenzhen) parts of China. China remains as the world economic powerhouse and maintains her resilient growth in the coming years. Our diversified capabilities and our China presence should place us amongst the first to benefit from the regional economic recovery.

Overall, we will continue to diversify CFSG's revenue mix through strengthening existing businesses, enriching product offering, and sourcing new income streams in concert with our business development in China. Our goal is to position CFSG as a respectable financial services house of choice for clients.

RETAIL MANAGEMENT — CRMG

The retail market remained buoyant in the first half of 2008. However, deterioration in the economic environment depressed the market in the fourth quarter. Local consumer spending remains subdued amid rising unemployment, with the furniture market experiencing setbacks alongside corrections in the property market.

Pricerite

Despite the adverse external environment, Pricerite made remarkable progress in 2008, with retail sales and profits both recording satisfactory growth. The company benefited from the strong local economy and high consumer spending in the first three quarters of 2008. As the financial tsunami gained strength, Pricerite took a series of precautionary measures in the fourth quarter to prepare for an economic downturn.

During the year, Pricerite continued with its rejuvenation programme to enhance our brand image and to offer a total and more enjoyable shopping experience to customers. Revamps took place in several areas, including product assortment, customer services, logistics, product displays and visual merchandising. Preliminary results proved positive, with improved store efficiency and transactions. We also successfully expanded our customer base to younger households.

Customer spending sentiment plunged in November and December, especially in relation to durable and high-ticket items. Knowing that the local retail industry would be affected by the global financial crisis, Pricerite took a proactive approach in rationalising costs and refining retail strategies. This included consolidating our retail network by closing down or replacing underperforming stores; improving operating efficiencies by further reducing fixed overheads, such as head office rental; enhancement of our product mix to better serve our customers' needs in basic and commodity items; and closer cooperation with vendors on discount promotions.

Since August 2007, Pricerite has offered a membership programme. We currently have about 160,000 members. More in-depth customer profiles can help us to provide better service and product offerings to cater for customer needs, especially in turbulent times.

The company continued to put tremendous effort into employee development in 2008. In the second quarter of 2008, we established the Pricerite Professional Training Institute (PPTI) to offer systematic in-house training and continuous development to frontline associates to professionalise retail operations and management.

Pricerite has also continued our commitment to corporate social responsibility. Following our successful community project "Building • Power" in 2007, which received an Outstanding Partnership Project Award 2006/2007 from the Hong Kong Council of Social Service, the company launched a new programme, "Play @ Home", in 2008, together with Hong Kong Christian Service. This seeks to enhance parent-child communication through the therapeutic power of play, helping children to achieve healthy development, which in turn adds to social harmony.

In the fourth quarter of 2008, Pricerite won the 2008 Hong Kong Premier Service Brand and the 2008 Most Popular Brand On-line in the Hong Kong Top Service Brand Awards, organised by the Hong Kong Brand Development Council. Pricerite was the only retailer to win the awards in 2008. These awards, together with other service accolades, acknowledge our ongoing efforts to offer service beyond customers' expectations.

Looking ahead, Pricerite is well positioned to weather the financial turmoil as customers in this type of economic climate tend to be more cautious about spending, looking for value-for-money products and services in a quality-shopping environment. These are Pricerite's key strengths over competitors.

LZ LifeZtore

The board of directors reviewed the economic situation and business performance of lifestyle brand LZ LifeZtore in the first half of 2008. It concluded that the economic fallout caused by the US subprime loans crisis would cause lifestyle retailers to struggle for patronage, exhausting financial capital given that the company was still at the investment stage. To preserve the financial strength of the Group during the economic slowdown, the Group downsized LZ LifeZtore operations in the second half of 2008. With the central government increasing its efforts to transform the mainland economy into a domestic demand-driven one, the Group will consider resuming our long-term expansion strategy against a backdrop of solid, sustainable economic development in Mainland China.

ENTERTAINMENT PORTAL — MOLI GROUP

In the year under review, Moli postponed the original plan to launch "Radiant Arcana" commercially in May 2008 in light of the Sichuan earthquake. Game revenue declined due also to the adverse impact of pirate servers.

We continued to build up a comprehensive game publishing platform. Our self-developed Massively Multiplayer Online Role-Playing Game (MMORPG), "King of Pirate", has already been successfully launched in Taiwan, Hong Kong, Singapore, Malaysia, Thailand, North America and Russia, earning acclaim in different online gaming markets. Indonesian and Japanese versions are scheduled to launch in 2009 to add to our penetration of overseas markets.

Moli's proven track record overseas helped the company to gain the 2008 Overseas Development Award for Domestic Games at the 2008 China Game Industry Annual Conference. Moli also received the 2008 China Game Industry Caring Company Award in recognition of our outstanding approach to corporate social responsibility.

During the year under review, Moli entered into a strategic alliance with Gonzo Rosso KK, a leading online game and mobile site provider in Japan. Under the alliance, Gonzo Rosso KK granted Moli an exclusive global publishing license (excluding Japan) for the MMORPG entitled "The Tower of DRUAGA — the Recovery of BABYLIM", and an exclusive license for publishing rights in the North American region for the MMORPG entitled "Pandora Saga". Moli granted an exclusive publishing license to Gonzo Rosso KK for "King of Pirate" in Japan. Both parties also entered into a co-development agreement to develop a 3D MMORPG involving historical characters and themes. Such alliances further prove that Moli's game development capabilities and experience in overseas markets are recognised by globally renowned partners.

With respect to 2009, we will strive to expand our product pipeline, provide quality customer services, leverage our technological capabilities and actively broaden our promotion and channel sales network. We will continue to work closely with law enforcement departments to combat pirate servers and will adopt strong defensive measures to mitigate internet security risks.

Moli will continue to explore collaboration opportunities with local and overseas game developers and operators. With our strong foundation and existing links with leading online game partners in different countries, we will promote and publish our self-developed games in more countries and regions to expand our overseas customer base.

We plan to further enhance our game development capabilities by recruiting high-calibre game developers and designers. We will also dedicate resources to improving and updating our existing games. In accordance with our strategic focus on game development and overseas publishing, we will seek opportunities to commence development of quality game titles to add to our services and pipeline for local and overseas gamers.

PROSPECTS

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

In 2009, the Group will focus on maintaining and leveraging our operational excellence, healthy financial position, disciplined management and innovation to ride out market adversity. The board of directors is cautiously optimistic about the long-term outlook of Hong Kong and hence the performance of the Group.

Employee Information

At 31 December 2008, the Group had 1,443 employees, of which 258 were at the CFSG Group. Our employees were remunerated according to their performance, working experience and market conditions. The total amount of remuneration cost of employees of the Group for the year under review was approximately HK$240.4 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, presentation, coaching, quality management and also professional regulatory training programs as required by regulatory bodies. The Group also arranges for relevant staff, who are licensed persons under the SFO, to attend the requisite training courses to fulfill/comply with the continuous professional training as prescribed in the SFO.

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

Directors and Senior Management

Chairman

Bankee Pak-hoo KWAN

ED, MBA, BBA, FFA, MHKSI, CPM(HK), MHKIM

aged 49, joined the Board on 9 March 1998. He is responsible for the overall business strategy of the Group. Mr Kwan has extensive experience in corporate management, strategic planning, marketing management, financial advisory and banking. He graduated from the Murdoch University of Perth, Australia in 1998 with a Master's degree in Business Administration and from the Chinese University of Hong Kong in 1984 with a Bachelor's degree in Business Administration. Mr Kwan is also a fellow membership of the Institute of Financial Accountants of the United Kingdom since 1999 and a member of the Hong Kong Securities Institute since 1999. Mr Kwan is also a Certified Professional Marketer (Hong Kong) of Hong Kong Institute of Marketing and a member of Hong Kong Institute of Marketing.

Mr Kwan is a John Harvard fellow of Harvard University, US; a member of the Harvard University Asia Center Advisory Committee; an honorary university fellow of The Open University of Hong Kong, a trustee of New Asia College of the Chinese University of Hong Kong; an honorary member of the Board of Trustees of Nanjing University, the PRC, and an honorary advisor of both the Graduate School of Business, Hong Kong Polytechnic University, and the Fong Yun Wah Foundation and appointed as an honorary advisor of China Charity Federation. He is also an honorary advisor to LiPACE of The Open University of Hong Kong and the Academy of Oriental Studies of Peking University, the PRC; and an advisory professor of Nanjing University, the PRC. Mr Kwan is a member of the Chinese People's Political Consultative Conference, Shanghai Committee. Mr Kwan has been a member of the Central Policy Unit of the Government of the HKSAR and the past chairman of the Hong Kong Retail Management Association. At present, Mr Kwan is the honorary advisor of the Hong Kong Retail Management Association, a general committee member of the Hong Kong Brand Development Council, a member of China Trade Advisory Committee of Hong Kong Trade Development Council, an honorary advisor of the CEPA Business Opportunities Development Alliance, a member of the Hong Kong Quality Assurance Agency Governing Council, the Retail Trade Training Board of Vocational Training Council, the SME Development Fund Vetting Committee of the Trade and Industry Department, the Consumer Council and the Consultation Panel of the West Kowloon Cultural District Authority.

Mr Kwan is a substantial Shareholder of the Company and the chairman of CFSG. Mr Kwan is a member of the Remuneration Committee, as well as a member of the remuneration committee of CFSG.

Executive Directors

George Che-chu LIN

CEO, MBA, BEng

aged 45, joined the Board on 1 December 2006. He is in charge of the Group's business development and business management. Mr Lin has extensive experience in the field of direct investment and management of technology and commercial business in PRC, Taiwan and Hong Kong. Mr Lin graduated from the Illinois Institute of Technology in 1991 with a Master of Business Administration and from the Feng Chia University, Taiwan in 1986 with a Bachelor's degree of Engineering.

Bernard Ping-wah LAW

CFO, MBA, FCCA, FCPA, MHKSI

aged 50, joined the Board on 9 March 1998. He is in charge of the Group's financial and accounting management. Mr Law has extensive experience in financial management and accountancy. Mr Law graduated from the University of Warwick, United Kingdom in 1997 with a Master's degree of Business Administration. Mr Law has been a fellow of The Association of Chartered Certified Accountants since 1994, a fellow member of the Hong Kong Institute of Certified Public Accountants since 1998 and a member of Hong Kong Securities Institute since 1999. Mr Law is also an executive director and chief financial officer of CFSG.

Independent Non-executive Directors

Johnny Ka-kui LEUNG

INED, LL.B

aged 51, joined the Board on 25 October 2000. Mr Leung has extensive experience in the legal field and is the managing partner of a legal firm in Hong Kong. Mr Leung graduated from the University of London in 1984 with a Bachelor of Laws. Mr Leung is the chairman of the Audit Committee and the Remuneration Committee.

Chuk-yan WONG

INED, MSc (Business Administration), BBA, CFA, CGA

aged 47, joined the Board on 3 June 1998. Mr Wong has extensive investment management experience in the global financial markets and is a portfolio manager of a large renowned investment counsel in Toronto, Canada and is responsible for the company's equity investments in the Asia Pacific region. Mr Wong graduated from the University of British Columbia, Canada in 1989 with a Master of Science degree in Business Administration and from the Chinese University of Hong Kong in 1984 with a Bachelor's degree of Business Administration. Mr Wong is also a Chartered Financial Analyst (CFA) charterholder since 1993 and a Certified General Accountant of Canada since 1996. Mr Wong is also a member of the Audit Committee and the Remuneration Committee.

Hak-sin CHAN

INED, PhD, MBA, BBA

aged 47, joined the Board on 25 October 2000. Dr Chan has extensive experience in the academia in the US as professor, researcher and consultant in the fields of corporate finance and international marketing and is a faculty member of the Department of Marketing at The Chinese University of Hong Kong. Dr Chan graduated from the University of Wisconsin-Madison, US with a Doctor of Philosophy degree in Business in 2000 and a Master's degree in Business Administration in 1986 and from the Chinese University of Hong Kong with a Bachelor's degree in Business Administration in 1984. Dr Chan is also a member of the Audit Committee.

Senior Management

Benson Chi-ming CHAN

Executive Director and Chief Executive Officer of CFSG

aged 42, is a holder of Master Degree of Business Administration from The Hong Kong University of Science and Technology and a holder of Bachelor of Arts (Hons.) Degree in Accountancy from The Hong Kong Polytechnic University. He is a fellow member of The Association of Chartered Certified Accountants, a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants and a member of the Hong Kong Securities Institute since 1999. Mr Chan has extensive experience in the field of auditing, accounting, investment banking and corporate finance. Mr Chan is in charge of the CFSG Group's business development, business management and operation of corporate finance business, including investment banking advisory. Mr Chan is also the managing director and head of investment banking group of the CFSG Group, and a responsible officer of Celestial Capital.

Ben Man-pan CHENG

Executive Director of CFSG

aged 39, graduated from The City University of Hong Kong in 1992 with a Bachelor's degree in Accountancy. He has been admitted as a fellow member of The Association of Chartered Certified Accountants since 2001 and a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants since 1995. Mr Cheng has extensive experience in auditing, accounting, financial controlling and project management. Mr Cheng is the managing director of the retail business group of CFSG. He is a responsible officer of Celestial Securities and Celestial Commodities.

Raymond Pak-lau YUEN

Qualified Accountant of the Company and Executive Director and Chief Operating Officer of CFSG

aged 45, graduated from The City University of Hong Kong with a Bachelor of Arts in Accountancy. He is a fellow member of The Association of Chartered Certified Accountants, a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants and an associate of The Institute of Chartered Accountants in England and Wales. Mr Yuen has extensive experience in accounting, auditing, financial management and operations control. Mr Yuen is responsible for assisting the CFO to oversee the Group's finance, treasury and accounting functions and in charge of monitoring the CFSG Group's day-to-day operation.

Raymond Kung-chit NG

COO

aged 40, is a Master Degree holder of Management from Macquarie University, Australia and a Bachelor Degree holder of Commerce from the University of Toronto, Canada. Mr Ng joined the Group in November 1998 and has extensive management experience in human resources, logistics and back office gained in various industries. He is in charge of the Group's operation control, logistics, human resources, corporate administration as well as information technology.

Bob Yau-ching CHAN

Director of Investment

aged 46, graduated with a Doctor of Philosophy in Business from Purdue University, US in 1994 and with a Master of Business Administration from the University of Wisconsin-Madison, US in 1986. He is also a Chartered Financial Analyst (CFA) charterholder. Dr Chan joined the Group in September 2000 and has extensive experience in corporate development, financial management and strategic and portfolio investments' management. He is responsible for overseeing the Group's investment activities.

Hon-wo SHUM

Head of Legal

aged 36, is a qualified solicitor of the HKSAR. He is a Master Degree holder in Laws from City University of Hong Kong, Master Degree holder in Laws from Renmin University of China and Bachelor Degree holder in Laws from University of Hong Kong. Mr Shum joined the Group in August 2005 and has extensive experience in legal field. He is the Group's legal counsel and is responsible for all legal issues of the Group.

Suzanne Wing-sheung LUKE

Company Secretary

aged 40, is a fellow of the Institute of Chartered Secretaries and Administrators. Ms Luke joined the Group in May 2000 and has extensive listed company secretarial experience. In addition to taking the role as company secretary of the Company, she is also the company secretary of CFSG.

Corporate Governance Report

This CG Report presents the corporate governance matters during the CG Period required to be disclosed under the Listing Rules.

ADOPTION OF PRINCIPLES IN THE CG CODE

The Board has adopted the Principles which aligns with the requirements set out in the CG Code. The Company had duly complied with the Principles throughout the CG Period. The Board is not aware of any deviations from the Principles during the CG Period.

Directors' Securities Transactions

The Company has also adopted the Model Code. Having made specific enquiry with the Directors, all the Directors confirmed that they have complied with the required standards as set out in the Model Code during the CG Period.

BOARD OF DIRECTORS

The Board is responsible for formulating the strategies and policies of the business development of the Group, while the management is delegated with the powers and authorities for overseeing the day-to-day operations of the Group under the leadership of the Board.

During the CG Period, the Board had held the following number of physical meetings of the Directors:

- 9 meetings of the full Board
- 7 meetings of the EDs

Out of the 9 full Board meetings, 5 of them were held to discuss and/or approve the annual/quarterly financial performance/results of the Group, while 4 meetings to discuss and approve connected transactions and corporate transactions of the Company which arose during the CG Period. The ED meetings were held to report, discuss and/or resolve for the ordinary business and operation matters.

During the CG Period, the composition of the Board, and the respective attendances of the Directors at the above Directors' meetings are presented as follows:

Director	Board capacity	Resignation during the CG Period	Attendance Full Board meetings	Attendance ED meetings
Mr Kwan Pak Hoo Bankee	ED & Chairman		8/9	7/7
Mr Lin Che Chu George	ED & CEO		8/9	4/7
Mr Law Ping Wah Bernard	ED & CFO		9/9	7/7
Mr Wong Kin Yick Kenneth	ED	Resigned on 1 August 2008	3/3	1/1
Mr Leung Ka Kui Johnny	INED		9/9	N/A
Mr Wong Chuk Yan	INED		9/9	N/A
Dr Chan Hak Sin	INED		9/9	N/A

During the CG Period, none of the Directors above has or maintained any financial, business, family or other material/relevant relationship with any of the other Directors.

The terms of the appointments of the EDs, the NEDs and the INEDs were governed by the respective employment or service contracts while the appointments of the directorship were subject to, as to EDs, retirement, rotation and re-election at least once every 3 financial years and, as to NEDs and INEDs, retirement and re-election every year, all at annual general meetings of the Company.

REMUNERATION COMMITTEE

Throughout the CG Period, the Company had maintained a Remuneration Committee. The role and function of the Remuneration Committee includes:

- recommendation to the Board on the remuneration policy and structure for all remuneration of the Directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration;

- determination of the specific remuneration packages of all EDs and senior management based on delegated responsibility, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment, and recommendations to the Board of the remuneration of NEDs;

- review and approve of performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time;

- review and approve of the compensation payable to EDs and senior management in connection with any loss or termination of their office or appointment to ensure that such compensation is determined in accordance with relevant contractual terms and that such compensation is otherwise fair and not excessive for the Company;

- review and approve of compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that such arrangements are determined in accordance with relevant contractual terms and that any compensation payment is otherwise reasonable and appropriate; and

- ensure that no Director or any of his associates is involved in deciding his own remuneration.

Terms of reference of the Remuneration Committee had been compiled since the establishment of the Remuneration Committee and each version was endorsed and adopted by the Remuneration Committee. A revised version of the terms of reference was adopted on 1 January 2009 and has been posted onto the corporate website of the Company.

During the CG Period, the Remuneration Committee had held 2 physical meetings for the purpose of considering the remuneration of the Directors, and a written resolution for the adoption of the revised terms of reference of the Remuneration Committee was passed by the full Board on 1 January 2009.

The composition of the Remuneration Committee, and the respective attendances of the committee members are presented as follows:

Member	**Board capacity**	**Attendance**
Mr Leung Ka Kui Johnny	INED	2/2
Mr Wong Chuk Yan	INED	2/2
Mr Kwan Pak Hoo Bankee	Chairman of the Board	2/2

The chairman of the Remuneration Committee since its establishment has been Mr Leung Ka Kui Johnny.

The summary of the work performed by the Remuneration Committee for the financial period under review included:

- endorsement to the remuneration policy and structure for the Directors and senior management;
- review and approval of the specific remuneration package of each Director and senior management including benefits in kind, pension rights and compensation payments.

REMUNERATION POLICY FOR DIRECTORS

The Company adopted a remuneration policy providing guideline for Directors' remuneration.

Under the remuneration policy, Directors' remuneration should be based on internal equity factors and external market conditions and will be reviewed from time to time.

The remuneration of EDs generally consists of:

- fixed monthly salary/allowance — which is set in accordance with the Director's duties, responsibilities, skills, experiences and market influences;
- pension — which is based on the local Mandatory Provident Fund Contribution Scheme;
- short term variable incentive — which may include discretionary cash bonus depending on the achievement of short-term corporate objectives and/or personal targets;
- long term variable incentive — which may include share options designed to encourage long-term commitment.

The remuneration of NEDs and INEDs will be a lump sum of Directors' remuneration made annually.

Directors' Remuneration

The remuneration paid to and/or entitled by each of the Directors for the financial period under review is set out in note 11 to the consolidated financial statements in the annual report.

The share options granted to and/or entitled by the Directors during the financial period under review are set out in the section headed "Directors' Interests in Securities" of the Directors' Report of this annual report.

NOMINATION OF DIRECTORS

The Board shall be composed of members with mixed skills and experience with appropriate weights necessary to accomplish the Group's business development, strategies, operation, challenges and opportunities. Each member of the Board shall possess, be recognised for and be able to exhibit high and professional standard of a set of core criteria of competence.

The Company had adopted a nomination policy for the criteria, procedures, and process of the appointment and removal of Directors.

Under the nomination policy, the Board of EDs has been delegated the full power to the administration of the nomination policy and the appointment and the termination of Directors, where the full Board remains to have the full and overriding power and absolute right thereover.

During the CG Period, 1 meeting was held by the EDs in resolving for the resignation of Director. The attendances of the EDs were as follows:

Director	Attendance
Mr Kwan Pak Hoo Bankee	1/1
Mr Lin Che Chu George	1/1
Mr Law Ping Wah Bernard	1/1
Mr Wong Kin Yick Kenneth (resigned on 1 August 2008)	0/0

AUDIT COMMITTEE

Throughout the CG Period, the Company had maintained an Audit Committee. The major role and function of the Audit Committee include:

- monitoring the integrity of the financial statements, annual report and half-yearly report of the Group;
- providing independent review and supervision of the effectiveness of the financial controls, internal control and risk management systems of the Group;
- reviewing the adequacy of the external audits;
- reviewing the compliance issues with the Listing Rules and other compliance requirements in relation to financial reporting;
- providing independent views on connected transactions and transactions involving materially conflicted interest; and
- considering and reviewing the appointment, reappointment and removal of the auditor, the audit fee and terms of engagement of the auditor.

Terms of reference of the Audit Committee had been compiled since the establishment of the Audit Committee and each version was endorsed and adopted by the Audit Committee. A revised version of the terms of reference was adopted on 1 January 2009 and has been posted onto the corporate website of the Company.

During the CG Period, the Audit Committee had held 5 physical meetings for discussing and/or approving the periodic financial results of the Group, and a written resolution for the adoption of the revised terms of reference of the Audit Committee was passed by the full Board on 1 January 2009.

The composition of the Audit Committee, and the respective attendances of the committee members are presented as follows:

Member	Board capacity	Attendance
Mr Leung Ka Kui Johnny	INED	5/5
Mr Wong Chuk Yan	INED	5/5
Dr Chan Hak Sin	INED	5/5

The chairman of the Audit Committee has been Mr Leung Ka Kui Johnny during the CG Period.

The report of the work performed by the Audit Committee for the financial period under review is set out in the section headed "Audit Committee Report" of this annual report.

Corporate Governance Report

AUDITOR'S REMUNERATION

The analysis of the auditor's remuneration for the financial period under review is presented as follows:

	Fee amount
	HK$
Audit service	3,300
Non-audit services	110
Total	3,410

The audit services include the audit for the annual accounts of the Group. The non-audit services included the preparation of reports for agreed upon procedures on the results announcement and the continuing connected transaction of the Group.

ACKNOWLEDGEMENT OF RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledged their responsibilities for preparing the accounts of the Group. In preparing the accounts for the financial period under review, the Directors have:

- based on a going concern basis;
- selected suitable accounting policies and applied them consistently;
- made judgments and estimates that were prudent, fair and reasonable.

REVIEW OF INTERNAL CONTROL

During the financial period under review, the Directors had arranged to conduct a review over the effectiveness of the internal control system of the Group including functions of financial, operation, compliance and risk management, and also over the adequacy of resources, qualifications and experience of employees who are responsible for the accounting and financial reporting functions of the Group, and their training programmes and budget. These reviews showed a satisfactory control system. The review had been reported to the Audit Committee. The Directors had also initiated necessary improvement and reinforcement to the internal control system during the year under review.

On behalf of the Board
Bankee P Kwan
Chairman

Hong Kong, 17 April 2009

Audit Committee Report

The Audit Committee of the Company was established on 28 June 1999. Its composition shall be a minimum of 3 members of NEDs with a majority being INEDs. For the financial period under review, the Audit Committee comprised all the INEDs of the Company at all times.

For the financial period under review, the Audit Committee had performed the following duties:

- reviewed and commented on the financial report of each of the half-yearly and the full year of the Group of the financial period under review before submission to the Board for adoption and publication;
- endorsed the policy on the engagement of external auditor for non-audit services;
- met with the auditor to discuss the financial matters of the Group that arose during the course of the audit process, and reviewed the findings, recommendations and representations of the auditor;
- reviewed and approved the remuneration and the terms of engagement of the auditor for both audit service and non-audit services for the financial period under review;
- reviewed the Company's financial controls, internal control and risk management systems; and
- reviewed the Company's statement on internal control systems including adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget.

Based on the reviews and discussions performed by the Audit Committee, the Audit Committee had:

- recommended to the Board for the approval of the unaudited half-yearly financial statements before the announcement of the interim results;
- recommended to the Board for the approval of the audited financial statements of the financial period under review together with the auditor's report there attached, before the announcement of the annual results; and
- recommended to the Board for the proposal for the re-appointment of Deloitte Touche Tohmatsu as the auditor of the Company for the ensuing year in the forthcoming annual general meeting of the Company.

Audit Committee Members:
LEUNG Ka Kui Johnny *(committee chairman)*
WONG Chuk Yan
CHAN Hak Sin

Hong Kong, 17 April 2009

Directors' Report

The Directors are pleased to present their report and the audited consolidated financial statements of the Group for the year ended 31 December 2008.

PRINCIPAL ACTIVITIES

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

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2008 are set out in the consolidated income statement on page 38 of this annual report.

The Board does not recommend the payment of a final dividend.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the audited results and the assets and liabilities of the Group for the last five financial years ended 31 December 2008 is set out on page 113 of this annual report.

PROPERTY AND EQUIPMENT

Details of movements during the year in the property and equipment of the Group are set out in note 16 to the consolidated financial statements.

SUBSIDIARIES

Particulars of the Company's principal subsidiaries are set out in note 46 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 35 to the consolidated financial statements.

RESERVES AND DISTRIBUTABLE RESERVES

Details of movements in the reserves of the Group during the year are set out in the "Consolidated Statement of Changes in Equity" of the consolidated financial statements.

As at 31 December 2008, the reserves of the Company available for distribution to Shareholders were approximately HK$211,645,000, comprising contributed surplus of HK$199,719,000 and accumulated profit of HK$11,926,000, and the Company's share premium available for distribution in the form of fully paid bonus shares was HK$317,255,000.

PRE-EMPTIVE RIGHTS

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

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

(1) Connected transactions

(a) Acquisition of the properties in Hong Kong and the PRC and issue of convertible note to controlling Shareholder

As disclosed in the Company's announcement dated 11 November 2008 and the circular dated 21 January 2009, the Group entered into a convertible note agreement and sale and purchase agreement with Mr Kwan Pak Hoo Bankee (an executive Director and a controlling Shareholder) on 11 November 2008 to acquire the entire equity shareholding interest of Excelbright Enterprises Limited ("Sale Shares") and the shareholder's loan advanced by Mr Kwan to Excelbright Enterprises Limited ("Sale Debt"), at the consideration of approximately HK$42.8 million (subject to adjustment). The consideration would be subject to adjustment in accordance with the actual amount of the net asset value of the Sale Shares and the Sale Debt as at the date of completion in accordance with the management accounts of Excelbright Enterprises Limited as at the date of completion. Excelbright Enterprises Limited is holding three properties in Hong Kong and the PRC. The consideration would be fully settled by the issue of the convertible note of the Company in the same principal amount of the consideration. The transactions were completed on 17 February 2009 and the final consideration was fixed at HK$43,243,000. A convertible note in the principal amount of HK$43,243,000 was issued by the Company to Cash Guardian (controlling Shareholder, a company controlled by Mr Kwan and an associate of Mr Kwan) on 17 February 2009. Mr Kwan is a controlling Shareholder and an executive Director and beneficially owns the entire interest in Excelbright Enterprises Limited before the completion of the aforesaid transactions and hence is a connected person of the Company. The entering into of the convertible note agreement and the sale and purchase agreement constituted connected transactions of the Company under the Listing Rules.

(b) Acquisition of CFT from connected persons

As disclosed in the Company's announcement dated 18 February 2009, CFS (a non-wholly-owned subsidiary of the Company and a wholly-owned subsidiary of CFSG) entered into a letter of agreement with each of Mr Wong Tat Tung Dennis and Ms Kam Chi Wan Sandy (both are director and/or substantial shareholders of CFT (a non-wholly-owned subsidiary of the Company and a 70%-owned subsidiary of CFSG as at the date of transaction) and hence connected persons of the Company within the meaning of the Listing Rules) as vendors respectively on the same date. Pursuant to the agreements, CFS has agreed, inter alia, to purchase from the vendors an aggregate of 300,000 shares (representing 30% of the issued share capital) in CFT at a total consideration of HK$1,400,000 to be fully settled in cash. The consideration is equivalent to about 30% of the unaudited net asset value of CFT of HK$4.7 million as at 31 December 2008. The acquisition constituted a connected transaction exempt from independent shareholders' approval requirement for the Company under the Listing Rules. There is no conditions precedent to the completion of the agreements and completion took place on 20 February 2009. Since then, CFT remained as a non-wholly-owned subsidiary of the Company via CFSG but became a wholly-owned subsidiary of CFSG.

(2) Continuing connected transactions

Margin Financing Arrangement

Pursuant to the resolution passed by the independent Shareholders at a special general meeting held on 19 March 2007, the Margin Financing Arrangement was approved and CFSG entered into written margin financing agreements with each of the Connected Clients, under which CFSG would extend margin financing facilities to the Connected Clients for trading in securities, at an annual cap of up to HK$4 billion to ARTAR and of up to HK$30 million to each of the other Connected Clients for each of the three financial years ending on 31 December 2009 and are on terms and rates which are similar as those offered by CFSG to its other margin financing clients. The Connected Clients (save as Kawoo Finance Limited and Libra Capital Management (HK) Limited (formerly E-Tailer Holding Limited)) were all substantial Shareholders and/or directors of the Group and/or their respective associates as at the date of transaction, and hence connected persons of the Company within the meaning of the Listing Rules. The margin financing facilities are repayable on demand and secured by listed securities held by the respective Connected Clients. Details of the Margin Financing Arrangement were disclosed in the Company's announcement dated 9 February 2007 and the circular dated 1 March 2007.

Details of the maximum amounts of the margin financing facilities granted to the Connected Clients during the year under review are set out in note 27 to the consolidated financial statements. The commission and interest income received from the Connected Clients during the year under review are disclosed in notes 44(a) to (c) to the consolidated financial statements.

Pursuant to rule 14A.38 of the Listing Rules, the Board engaged the auditor of the Company to perform certain agreed upon procedures in respect of the Margin Financing Arrangement. The auditor has reported the factual findings on these procedures to the Board. The INEDs have reviewed the Margin Financing Arrangement and the report of the auditor and confirmed that the Margin Financing Arrangement has been entered into (a) in the ordinary and usual course of business of the Group; (b) either on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; and (c) in accordance with terms of the relevant agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

Based on the work performed, the auditor of the Company has also confirmed that the Margin Financing Arrangement (a) has received the approval of the Board; (b) has been entered into in accordance with the pricing policies of the Company with reference to similar transactions with independent third parties; (c) has been entered into in accordance with the terms of the relevant agreements governing such transactions; and (d) has not exceeded the relevant cap amount for the financial year ended 31 December 2008 as set out in the circular of the Company dated 1 March 2007.

The above transaction (2) is also disclosed as related party transactions of the Group in notes 27 and 44 to the consolidated financial statements. The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules in relation to the above connected and continuing connected transactions during the year ended 31 December 2008 and up to the date of this report.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, the Group's turnover attributable to the five largest customers accounted for less than 30% of the Group's total turnover.

None of the Directors or any of their associates or any shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers.

Directors' Report

DIRECTORS

The Directors of the Company during the year and up to the date of this annual report were as follows:

Executive Directors:

Kwan Pak Hoo Bankee
Lin Che Chu George
Law Ping Wah Bernard
Wong Kin Yick Kenneth (resigned on 1 August 2008)

Independent Non-executive Directors:

Leung Ka Kui Johnny
Wong Chuk Yan
Chan Hak Sin

The following Directors shall retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company:

(i) Mr Lin Che Chu George shall retire at least once in every three financial years at the annual general meeting of the Company in accordance with the bye-laws of the Company and the CG Code; and

(ii) Mr Leung Ka Kui Johnny, Mr Wong Chuk Yan and Dr Chan Hak Sin, all being INEDs, shall retire at the annual general meeting of the Company in each year in accordance with their terms of office of directorship.

DIRECTORS' SERVICE CONTRACTS

None of the Directors proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Company within one year without payment of compensation, other than statutory obligation.

DIRECTORS' INTERESTS IN CONTRACTS

Save as the convertible note agreement and the sale and purchase agreement both dated 11 November 2008 and the Margin Financing Arrangement as disclosed in sub-headings (1)(a) and (2) under the heading "Connected transactions and continuing connected transactions" in this section above, no Director had a material interest in any significant contract to the business of the Group to which the Company and its subsidiaries was a party during the year or as at the end of the year under review.

RETIREMENT BENEFITS SCHEMES

Details of the Group's retirement benefits schemes are set out in note 42 to the consolidated financial statements.

DIRECTORS' INTERESTS IN SECURITIES

As at 31 December 2008, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or (b) were recorded in the register required to be kept under section 352 of the SFO, or (c) were otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

A. The Company

1. Long positions in the Shares

Name	Capacity	Number of Shares: Personal	Number of Shares: Other interest	Shareholding (%)
Kwan Pak Hoo Bankee	Founder of a discretionary trust	—	66,398,512*	36.78
Lin Che Chu George	Beneficial owner	5,230,000	—	2.90
Law Ping Wah Bernard	Beneficial owner	6,784,060	—	3.76
		12,014,060	66,398,512	43.44

* The Shares were held by Cash Guardian. Mr Kwan Pak Hoo Bankee was deemed to be interested in all these Shares as a result of his interests in Cash Guardian as disclosed in the "Substantial Shareholders" below.

2. Long positions in the underlying shares — options under share option schemes

Name	Date of grant	Exercise period	Exercise price per share (Note (2)) (HK$)	Notes	Number of options: outstanding as at 1 January 2008	adjusted on 6 June 2008 (Note (2))	lapsed during the year (Note (3))	reallocated upon change of directorate (Note (4))	outstanding as at 31 December 2008	Percentage to issued shares as at 31 December 2008 (%)
Kwan Pak Hoo Bankee	13/11/2006	13/11/2006–12/11/2008	1.615	(1)	4,000,000	(3,200,000)	(800,000)	—	—	—
	6/6/2007	6/6/2007–31/5/2009	2.450	(1)	2,500,000	(2,000,000)	—	—	500,000	0.28
Lin Che Chu George	13/11/2006	13/11/2006–12/11/2008	1.615		4,000,000	(3,200,000)	(800,000)	—	—	—
	6/6/2007	6/6/2007–31/5/2009	2.450		2,500,000	(2,000,000)	—	—	500,000	0.28
Law Ping Wah Bernard	13/11/2006	13/11/2006–12/11/2008	1.615		4,000,000	(3,200,000)	(800,000)	—	—	—
	6/6/2007	6/6/2007–31/5/2009	2.450		2,500,000	(2,000,000)	—	—	500,000	0.28
Wong Kin Yick Kenneth	13/11/2006	13/11/2006–12/11/2008	1.615	(4)	4,000,000	(3,200,000)	(800,000)	—	—	—
	6/6/2007	6/6/2007–31/5/2009	2.450	(4)	2,500,000	(2,000,000)	—	(500,000)	N/A	N/A
					26,000,000	(20,800,000)	(3,200,000)	(500,000)	1,500,000	0.84

Notes:

(1) Mr Kwan Pak Hoo Bankee is also the substantial Shareholder of the Company.

(2) The number and the exercise price of share options which remained outstanding on 6 June 2008 have been adjusted due to the share consolidation of the Company for every 5 existing shares into 1 share with effect from 4:00 pm on 6 June 2008. The exercise prices per share were adjusted from HK$0.323 to HK$1.615 and from HK$0.490 to HK$2.450.

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

(4) Mr Wong Kin Yick Kenneth resigned as Director of the Company on 1 August 2008.

(5) No option was granted, exercised or cancelled during the year.

(6) The options are held by the Directors in the capacity of beneficial owners.

B. Associated corporations (within the meaning of SFO)

(i) CFSG

Long positions in the shares

		Number of shares		
Name	**Capacity**	**Personal**	**Other interest**	**Shareholding** (%)
Kwan Pak Hoo Bankee	Beneficial owner and founder of a discretionary trust	1,988,000	210,080,799*	51.55
Lin Che Chu George	Beneficial owner	3,942,400	—	0.96
Law Ping Wah Bernard	Beneficial owner	6,513,920	—	1.58
		12,444,320	210,080,799	54.09

* The shares were held as to 198,771,039 shares by CIGL, a wholly-owned subsidiary of Praise Joy Limited (which was 100% beneficially owned by the Company), and as to 11,309,760 shares by Cash Guardian. Mr Kwan Pak Hoo Bankee was deemed to be interested in all these shares as a result of his interests in the Company through Cash Guardian as disclosed in the "Substantial Shareholders" below.

(ii) Netfield (BVI)

Long positions in the underlying shares

On 9 January 2007 (as amended on 22 January 2007), Mr Lin Che Chu George, an executive Director, was granted of an option to acquire from the Group such number of shares in Netfield (BVI) (a subsidiary of the Group) as representing 10% of the issued share capital in Netfield (BVI) for a cash consideration of HK$12 million. The option is exercisable during the 12-month period immediately before and after the securities of Netfield (BVI) or its holding company become listed on any recognised stock exchange, in whole or in part by Mr Lin.

Save as disclosed above, as at 31 December 2008, none of the Directors, chief executive or their associates had any interests and short positions in the Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or (b) were recorded in the register required to be kept under section 352 of the SFO, or (c) were otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTION SCHEMES

(A) The Company

Particulars of the terms of the Company's share option scheme and details of movements in the share options to subscribe for Shares granted under the share option scheme during the year are set out in note 41(A) to the consolidated financial statements.

(B) The subsidiaries

(i) CFSG

During the period from 1 January 2008 up to 2 March 2008, CFSG's share option scheme was the CFSG Option Scheme. On 22 February 2008, CFSG has adopted the CFSG New Option Scheme to replace the CFSG Option Scheme with effect from 3 March 2008 due to migration of CFSG's listing from GEM to Main Board.

Particulars of the terms of the CFSG New Option Scheme and the CFSG Option Scheme, and the details of movements in the share options to subscribe for shares of HK$0.10 each in CFSG granted under the CFSG Option Scheme during the year are set out in note 41(B) to the consolidated financial statements. No option has been granted under the CFSG New Option Scheme as at the date of this report.

(ii) Netfield (Bermuda)

Particulars of the terms of the share option scheme of Netfield (Bermuda) are set out in note 41(C) to the consolidated financial statements. No option has been granted under the share option scheme of Netfield (Bermuda) since the adoption of the scheme.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2008, so far as is known to the Directors and chief executive of the Company, the persons/companies, other than a Director or chief executive of the Company, who had interests or short positions in the Shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group and any options in respect of such capital, or were otherwise notified to the Company and recorded in the register required to be kept under section 336 of the SFO were as follows:

Name	Capacity	Number of Shares	Shareholding (%)
Jeffnet Inc (Note)	Trustee of a discretionary trust	66,398,512	36.78
Cash Guardian (Note)	Interest in a controlled corporation	66,398,512	36.78

Note: This refers to the same number of Shares held by Cash Guardian (which is 100% beneficially owned by Jeffnet Inc). Jeffnet Inc held these Shares as trustee of The Jeffnet Unit Trust, units of which were held by a discretionary trust established for the benefit of the family members of Mr Kwan Pak Hoo Bankee. Pursuant to the SFO, Mr Kwan Pak Hoo Bankee (a Director whose interests are not shown in the above table) and Jeffnet Inc were deemed to be interested in the Shares held by Cash Guardian. The above interest has already been disclosed as other interest of Mr Kwan Pak Hoo Bankee in the section headed "Directors' Interests in Securities" above.

Save as disclosed above, as at 31 December 2008, so far as is known to the Directors and chief executive of the Company, no other parties (other than a Director or chief executive of the Company) who had interests or short positions in the Shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group and any options in respect of such capital, or were otherwise notified to the Company and recorded in the register required to be kept under section 336 of the SFO.

Directors' Report

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

During the year ended 31 December 2008, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company listed securities.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained sufficient public float of not less than 25% of its Shares in the hands of the public in accordance with the Listing Rules as at the latest practicable date prior to the issue of this annual report.

DONATIONS

During the year, the Group made charitable donations amounted to approximately HK$5,450,000.

POST BALANCE SHEET EVENTS

Details of the significant post balance sheet events of the Group are set out in note 45 to the consolidated financial statements.

CONFIRMATION OF INDEPENDENCE

The Company has received a written confirmation in respect of independence from each of the INEDs in compliance with rule 3.13 of the Listing Rules, and the Company still considers that each of them to be independent.

AUDITOR

The consolidated financial statements of the Company for the year was audited by Messrs Deloitte Touche Tohmatsu. A resolution will be submitted to the forthcoming annual general meeting of the Company to re-appoint Messrs Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board
Bankee P Kwan
Chairman

Hong Kong, 17 April 2009

Independent Auditor's Report

Deloitte.
德勤

TO THE MEMBERS OF CELESTIAL ASIA SECURITIES HOLDINGS LIMITED
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Celestial Asia Securities Holdings Limited ("Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 38 to 112, which comprise the consolidated balance sheet as at 31 December 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the consolidated financial statements

The Directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 90 of the Companies Act 1981 of Bermuda, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2008 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

17 April 2009

Consolidated Income Statement

For the year ended 31 December 2008

	NOTES	2008 HK$'000	2007 HK$'000
Revenue	6	**1,312,746**	1,665,452
Other income		**10,645**	5,828
Cost of sales for retailing business		**(498,173)**	(485,890)
Cost of sales and services for online game business		**(59,077)**	(83,800)
Salaries, allowances and commission	8	**(319,664)**	(400,799)
Other operating, administrative and selling expenses		**(476,913)**	(420,659)
Depreciation of property and equipment		**(46,607)**	(39,708)
Finance costs	9	**(30,453)**	(104,690)
Net (loss) gain on financial assets at fair value through profit or loss	10	**(239,721)**	52,106
Realised gain on disposal of available-for-sale investments		**—**	456
Fair value change on derivative financial instruments		**235**	(12,683)
Bad debt recovered		**1,802**	4,540
Reversal of (Allowance for) bad and doubtful debts		**176**	(673)
Loss on disposal of property and equipment		**(4,241)**	—
Loss on disposal of subsidiaries	36	**(3,292)**	—
Gain (Loss) on dilution of shareholding in subsidiaries	20	**41,655**	(5,623)
Discount on acquisition of additional interests in subsidiaries		**—**	708
Share of profit (loss) of associates	21	**39,096**	(3,370)
Impairment loss recognised on goodwill		**(84,687)**	—
Impairment loss recognised on intangible assets		**(5,420)**	—
Impairment loss recognised on accounts and other receivables		**(22,319)**	—
Impairment loss recognised in respect of property and equipment		**(2,869)**	(1,472)
(Loss) Profit before taxation		**(387,081)**	169,723
Taxation charge	12	**(9,425)**	(30,079)
(Loss) Profit for the year	13	**(396,506)**	139,644
Attributable to:			
Equity holders of the Company		**(358,113)**	51,902
Minority interests		**(38,393)**	87,742
		(396,506)	139,644
Dividend:			
Proposed final dividend — 31 December 2008: Nil; 31 December 2007: HK$0.04 per ordinary share	15	**—**	36,101
(Loss) Earnings per share	14		
— Basic		**HK$(1.98)**	HK$0.34
— Diluted		**N/A**	HK$0.32

Consolidated Balance Sheet

At 31 December 2008

	NOTES	2008 HK$'000	2007 HK$'000
Non-current assets			
Property and equipment	16	**172,019**	109,252
Prepaid lease payments	17	**15,548**	15,963
Investment property	18	**—**	5,000
Available-for-sale investments	19	**—**	—
Goodwill	20	**192,547**	233,115
Interests in associates	21	**111,684**	65,778
Loan to an associate	21	**10,296**	10,296
Intangible assets	22	**55,929**	68,255
Other assets	24	**9,447**	9,136
Deposits paid for purchase of property and equipment		**63,271**	16,136
Loan receivables	25	**671**	692
		631,412	533,623
Current assets			
Inventories	26	**39,263**	42,028
Accounts receivable	27	**305,923**	938,998
Loan receivables	25	**13,677**	28,915
Prepayments, deposits and other receivables	27	**73,045**	91,126
Tax recoverable		**1,230**	—
Amounts due from associates		**260**	260
Investments held for trading	28	**79,155**	60,254
Deposits with brokers	29	**2,730**	131,751
Bank deposits under conditions	29	**101,719**	90,183
Bank balances — trust and segregated accounts	29	**542,079**	928,527
Bank balances (general accounts) and cash	29	**327,480**	329,501
		1,486,561	2,641,543
Current liabilities			
Accounts payable	30	**823,593**	1,511,664
Deferred revenue		**5,981**	4,059
Accrued liabilities and other payables		**85,714**	121,520
Taxation payable		**24,072**	23,149
Obligations under finance leases — amount due within one year	31	**127**	487
Borrowings — amount due within one year	32	**383,071**	324,792
Derivative financial instruments	33	**3,067**	12,683
Loan from a minority shareholder	34	**27,437**	27,437
		1,353,062	2,025,791
Net current assets		**133,499**	615,752
		764,911	1,149,375

Consolidated Balance Sheet

At 31 December 2008

	NOTES	2008 HK$'000	2007 HK$'000
Capital and reserves			
Share capital	35	**18,051**	90,253
Reserves		**240,344**	557,748
Equity attributable to equity holders of the Company		**258,395**	648,001
Share option reserve of a listed subsidiary		**—**	88
Minority interests		**370,324**	492,118
Total equity		**628,719**	1,140,207
Non-current liabilities			
Deferred tax liabilities	12	**7,606**	7,879
Obligations under finance leases — amount due after one year	31	**315**	40
Borrowings — amount due after one year	32	**128,271**	1,249
		136,192	9,168
		764,911	1,149,375

The financial statements on pages 38 to 112 were approved and authorised for issue by the Board of Directors on 17 April 2009 and are signed on its behalf by:

KWAN PAK HOO BANKEE
DIRECTOR

LAW PING WAH BERNARD
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2008

		Attributable to equity holders of the Company												
	Notes	Share capital HK$'000	Share premium HK$'000 (Note (a))	Contributed surplus HK$'000 (Notes (b)&(c))	General reserve HK$'000	Other reserve HK$'000 (Note (d))	Translation reserve HK$'000	Share option reserve HK$'000	Revaluation reserve HK$'000 (Note (k))	Accumulated profits (losses) HK$'000	Total HK$'000	Share option reserve of a listed subsidiary HK$'000	Minority interests HK$'000	Total HK$'000
At 1 January 2007		65,623	137,398	16,724	1,160	12,314	(288)	422	29,659	41,943	304,955	2,496	259,880	567,331
Exchange difference arising from translation of foreign operations		—	—	—	—	—	(755)	—	—	—	(755)	—	—	(755)
Fair value changes on available-for-sale investments recognised directly in equity		—	—	—	—	—	—	—	(13,639)	—	(13,639)	—	—	(13,639)
Share of translation reserve of associates		—	—	—	—	—	855	—	—	—	855	—	460	1,315
Total income and expense recognised directly in equity		—	—	—	—	—	100	—	(13,639)	—	(13,539)	—	460	(13,079)
Transfer to profit or loss on disposal of available-for-sale investments		—	—	—	—	—	—	—	(456)	—	(456)	—	—	(456)
Profit for the year		—	—	—	—	—	—	—	—	51,902	51,902	—	87,742	139,644
Total recognised income and expense for the year		—	—	—	—	—	—	—	(456)	51,902	51,446	—	87,742	139,188
Recognition of employee share option benefits		—	—	—	—	—	—	1,129	—	—	1,129	—	—	1,129
2007 dividend paid by subsidiary		—	—	—	—	—	—	—	—	—	—	—	(30,474)	(30,474)
Issue of new shares due to the exercise of share options	(e)	1,600	4,196	—	—	—	—	—	—	—	5,796	—	—	5,796
Issue of new shares	(f)	23,030	292,176	—	—	—	—	—	—	—	315,206	—	—	315,206
Issue of new shares by subsidiary	(g)	—	—	—	—	—	—	—	—	—	—	(1,525)	165,443	163,918
Acquisition of additional interest in a subsidiary		—	—	—	—	—	—	—	—	—	—	—	(12,757)	(12,757)
Amount transferred to accumulated profits as a result of expiration of a subsidiary's share options		—	—	—	—	—	—	—	—	—	—	(883)	—	(883)
Transfer upon exercise of share options		—	477	—	—	—	—	(477)	—	—	—	—	—	—
Arising from acquisition of subsidiaries from CFSG		—	—	—	—	—	—	—	—	—	—	—	21,824	21,824
Transaction costs attributable to issue of new shares		—	(16,992)	—	—	—	—	—	—	—	(16,992)	—	—	(16,992)
At 31 December 2007		90,253	417,255	16,724	1,160	12,314	(188)	1,074	15,564	93,845	648,001	88	492,118	1,140,207
Exchange difference arising from translation of foreign operations		—	—	—	—	—	183	—	—	—	183	—	—	183
Share of translation reserve of associate		—	—	—	—	—	4,425	—	—	—	4,425	—	2,384	6,809
Loss for the year		—	—	—	—	—	—	—	—	(358,113)	(358,113)	—	(38,393)	(396,506)
Total recognised income and expense for the year		—	—	—	—	—	4,608	—	—	(358,113)	(353,505)	—	(36,009)	(389,514)

Consolidated Statement of Changes in Equity

For the year ended 31 December 2008

		Attributable to equity holders of the Company												
	Notes	Share capital HK$'000	Share premium HK$'000 (Note (a))	Contributed surplus HK$'000 (Notes (b)&(c))	General reserve HK$'000	Other reserve HK$'000 (Note (d))	Translation reserve HK$'000	Share option reserve HK$'000	Revaluation reserve HK$'000 (Note (k))	Accumulated profits (losses) HK$'000	Total HK$'000	Share option reserve of a listed subsidiary HK$'000	Minority interests HK$'000	Total HK$'000
2008 dividend paid by subsidiary		—	—	—	—	—	—	—	—	—	—	—	(54,950)	(54,950)
Reduction of shares due to share consolidation and reduction	(h)	(72,202)	—	72,202	—	—	—	—	—	—	—	—	—	—
Amount transferred from share premium to contributed surplus	(i)	—	(100,000)	100,000	—	—	—	—	—	—	—	—	—	—
Amount transferred to set off accumulated losses	(j)	—	—	(50,000)	—	—	—	—	—	50,000	—	—	—	—
Amount transferred to accumulated losses as a result of expiration of a subsidiary's share options		—	—	—	—	—	—	—	—	—	—	(88)	—	(88)
Transfer upon lapsed of share options		—	—	—	—	—	—	(422)	—	422	—	—	—	—
Acquisition of additional interest in a subsidiary		—	—	—	—	—	—	—	—	—	—	—	(31,436)	(31,436)
Issue of new shares by a subsidiary		—	—	—	—	—	—	—	—	—	—	—	601	601
2008 dividend paid		—	—	—	—	—	—	—	—	(36,101)	(36,101)	—	—	(36,101)
At 31 December 2008		18,051	317,255	138,926	1,160	12,314	4,420	652	15,564	(249,947)	258,395	—	370,324	628,719

Notes:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(k) The balance of revaluation reserve represents fair value adjustment attributable to the Group's interest in an associate before the acquisition of additional interests in that associate (which became a subsidiary after the acquisition of additional interest).

Consolidated Cash Flow Statement

For the year ended 31 December 2008

	NOTE	2008 HK$'000	2007 HK$'000
Operating activities			
(Loss) Profit before taxation		(387,081)	169,723
Adjustments for:			
Advertising and telecommunication services expenses	38(a)	—	2,233
(Reversal of) Allowance for bad and doubtful debts		(176)	673
Amortisation of intangible assets		6,906	4,119
Amortisation of prepaid lease payments		415	415
Depreciation of property and equipment		46,607	39,708
Employee share option benefits		—	1,129
Gain on disposal of intangible assets		—	(9)
(Reversal of) Allowance for inventory obsolescence and write-off of inventories		(3,171)	8,829
Dividends from investments		(5,890)	(1,617)
Gain (Loss) on dilution of shareholding in subsidiaries		(41,655)	5,623
Discount on acquisition of additional interests in subsidiaries		—	(708)
Fair value change on investment property		(823)	—
Impairment loss recognised in respect of property and equipment		2,869	1,472
Revaluation deficit on buildings		1,388	—
Realised gain on disposal of available-for-sale investments		—	(456)
Interest expense		30,453	104,690
Loss on disposal of property and equipment		4,241	—
Change in fair value of derivative financial instruments		(235)	12,683
Share of (profit) loss of associates		(39,096)	3,370
Loss on disposal of subsidiaries		3,292	—
Impairment loss on amount due from an associate		—	4,075
Impairment loss recognised on goodwill		84,687	—
Impairment loss recognised on intangible assets		5,420	—
Impairment loss recognised on accounts and other receivables		22,319	—
Operating cashflow before movements in working capital		(269,530)	355,952
Decrease (Increase) in inventories		5,832	(1,233)
Decrease (Increase) in accounts receivable		623,479	(158,085)
Decrease (Increase) in loan receivables		14,359	(9,974)
Decrease (Increase) in prepayments, deposits and other receivables		1,367	(33,739)
Increase in amounts due from associates		—	(4,519)
Increase in investments held for trading and derivative financial instruments		(28,282)	(10,929)
Decrease (Increase) in deposits with brokers		129,021	(131,751)
Decrease (Increase) in bank balances — trust and segregated accounts		386,448	(353,950)
(Decrease) Increase in accounts payable		(681,689)	439,834
Increase (Decrease) in deferred revenue		1,737	(3,968)
(Decrease) Increase in accrued liabilities and other payables		(30,168)	12,053
Net cash from operations		152,574	99,691
Income taxes paid		(10,005)	(10,839)
Dividends received		5,890	1,617
Net cash from operating activities		148,459	90,469

Consolidated Cash Flow Statement

For the year ended 31 December 2008

	NOTE	2008 HK$'000	2007 HK$'000
Investing activities			
Loan to an associate		—	(10,296)
Increase in investment in associate		—	(67,833)
Proceeds from disposal of available-for-sale investments		—	19,753
Disposal of subsidiaries	36	**(867)**	—
Acquisition of subsidiaries		—	(24,403)
Acquisition of assets and liabilities	37	—	37
Acquisition of additional interest in subsidiaries		**(69,723)**	(12,456)
Increase in bank deposits under conditions		**(11,536)**	(12,108)
Proceeds from disposal of property and equipment		**1,280**	—
Proceeds from disposal of investment property		**5,823**	—
Purchase of property and equipment		**(126,983)**	(50,708)
Deposits paid for purchases of property and equipment		**(47,135)**	(16,136)
Statutory and other deposits (paid) refunded		**(311)**	7,105
Expenditure on intangible assets		—	(5,422)
Proceeds from disposal of intangible assets		—	1,769
Net cash used in investing activities		**(249,452)**	(170,698)
Financing activities			
Loan from a minority shareholder		—	27,437
Increase in borrowings		**284,050**	263,828
Repayment of borrowings		**(111,924)**	(287,972)
Increase (Decrease) in bank overdrafts		**12,415**	(87,281)
Repayments of obligations under finance leases		**(630)**	(770)
Proceeds on issue of shares		—	321,002
Proceeds on issue of shares to minority interests		**47,368**	159,948
Dividends paid to minority shareholders by CFSG		**(54,950)**	(30,474)
Dividends paid by the Company		**(36,101)**	—
Interest paid on obligations under finance leases		**(74)**	(108)
Payment of repurchase of shares by CFSG		**(10,904)**	—
Share issue expenses		—	(16,992)
Share issue expenses paid by CFSG		**(40)**	(467)
Interest paid on bank and other loans		**(30,379)**	(104,582)
Net cash from financing activities		**98,831**	243,569
Net (decrease) increase in cash and cash equivalents		**(2,162)**	163,340
Cash and cash equivalents at beginning of year		**329,501**	168,569
Effect of foreign exchange rate changes		**141**	(2,408)
Cash and cash equivalents at end of year		**327,480**	329,501
Being:			
Bank balances (general accounts) and cash		**327,480**	329,501

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

1. GENERAL

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

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

The Company is an investment holding company. The activities of its principal subsidiaries are set out in note 46.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied, for the first time, a number of new standard, amendments and interpretations ("New HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are effective for accounting periods beginning on or after 1 January 2008.

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

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

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

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

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

1 Effective for annual periods beginning on or after 1 January 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009.

2 Effective for annual periods beginning on or after 1 January 2009.

3 Effective for annual periods beginning on or after 1 July 2009.

4 Effective for annual periods ending on or after 30 June 2009.

5 Effective for annual periods beginning on or after 1 July 2008.

6 Effective for annual periods beginning on or after 1 October 2008.

7 Effective for transfers on or after 1 July 2009.

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

Basis of consolidation

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations

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

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

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

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

Goodwill

Goodwill arising on acquisition prior to 1 January 2005

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

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

Goodwill arising on acquisition on or after 1 January 2005

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill (continued)

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

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

Investment in associates

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

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

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

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

- The net increase or decrease in fair value of trading investments are recognised directly in net profit or loss;
- Commission income for broking business is recorded as income on a trade date basis;
- Underwriting commission income, sub-underwriting income, placing commission and sub-placing commission are recognised as income in accordance with the terms of the underlying agreement or deal mandate when relevant significant act has been completed;
- Advisory and other fee income are recognised when the relevant transactions have been arranged or the relevant services have been rendered; and
- Interest income from clients are recognised on a time proportion basis, taking into account the principal amounts outstanding and the effective interest rates applicable.

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

- Online game subscription income is recognised when the in-game premium features is consumed or points for in-game premium features is expired. Payments received from the sales of points for in-game premium features, that have not been consumed, are recorded as deferred revenue;
- Sales of online game auxiliary products are recognised when products are delivered and title has passed; and
- Licensing fee income is recognised on a straight-line basis over the licensing period.

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

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

Property and equipment

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment (continued)

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

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

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

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

Investment property

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

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

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

Leasing

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

The Group as lessee

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leasing (continued)

The Group as lessee (continued)

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis. Contingent rents is determined with reference to the turnover generated by respective shops using the predetermined formulae and is recognised in the consolidated income statement when relevant turnover is recognised.

Foreign currencies

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

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

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

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

Retirement benefit costs

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

Borrowing costs

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation

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

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

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

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

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

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

Intangible assets

Intangible assets acquired separately

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

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

Intangible assets acquired in a business combination

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

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

Alternatively, intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (continued)

Research and development expenditures

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

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

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

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

Inventories

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

Impairment losses on tangible and intangible assets other than goodwill

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

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that standard.

Financial instruments

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets

The Group's financial assets are classified into one of the three categories, including financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

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

Financial assets at fair value through profit or loss

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

A financial asset is classified as held for trading if:

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Loans and receivables

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

Available-for-sale financial assets

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

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

Impairment of financial assets

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Impairment of financial assets (continued)

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

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

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

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

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

Financial liabilities and equity

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

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Effective interest method

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity (continued)

Financial liabilities

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

Equity instruments

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

Derivative financial instruments

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

Embedded derivatives

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

Derecognition

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

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

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

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

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

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

Income taxes

No deferred tax asset was recognised in the Group's consolidated balance sheet in relation to the remaining estimated unused tax losses of approximately HK$891,964,000 (2007: HK$452,234,000). The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In case where the actual future profits generated are more than expected, further recognition of deferred tax asset in relation to unutilised tax losses may arise, which would be recognised in the income statement for the period in which such a recognition takes place.

Allowance for bad and doubtful debts

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

Estimated impairment of goodwill and intangible assets

Determining whether goodwill and trading rights allocating to the cash generating units ("CGUs") of financial services are impaired requires an estimation of the value in use of the financial services CGUs. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the CGUs and a suitable discount rate in order to calculate the present value. The discount rate represents rate that reflects current market assessments of time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2008, the carrying amounts of goodwill and trading rights allocating to financial services CGUs are approximately HK$23,667,000 (2007: HK$15,827,000) and HK$9,092,000 (2007: HK$9,092,000) respectively. Details of the recoverable amount calculation are disclosed in note 23.

Determining whether goodwill and online game related intellectual property allocating to CGUs are impaired requires an estimation of the value in use of the online game services CGUs. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the CGUs, a suitable discount rate in order to calculate the present value. The discount rate represents rate that reflects current market assessments of time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted. Where the actual future cash flows are less than expected, a material impairment loss may arise. During the year, an impairment loss of HK$84,687,000 (2007: nil) and HK$2,690,000 (2007: nil) was recognised in the goodwill and online game related intellectual property respectively. As at 31 December 2008, the carrying amounts of goodwill and online game related intellectual property are approximately HK$83,361,000 (2007: HK$131,769,000) and HK$4,096,000 (2007: HK$8,194,000) respectively. Details of the recoverable amount calculation are disclosed in note 23.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Estimated impairment of goodwill and intangible assets (continued)

Determining whether intangible asset relating to domain name is impaired requires an estimation of the fair value less costs to sell. The fair value less costs to sell is arrived at by market approach, which is to determine the desirability of the domain name through recent sales or offering of similar domain name currently on the market in order to arrive at an indication of the most probable selling price for the domain name. Where the actual future cash flows are less than expected, a material impairment loss may arise. During the year, an impairment loss of HK$2,730,000 (2007: nil) was recognised on the domain name. As at 31 December 2008, the carrying amount of the domain name is approximately HK$2,730,000 (2007: HK$5,460,000). Details of the recoverable amount calculation are disclosed in note 22.

Determining whether goodwill and trademarks allocating to CGUs of retailing business are impaired requires an estimation of the value in use of the retailing business CGUs. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the CGUs and trademarks and a suitable discount rate in order to calculate the present value. The discount rate represents rate that reflects current market assessments of time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2008, the carrying amounts of goodwill and trademarks allocating to CGUs of retailing business are approximately HK$85,519,000 (2007: HK$85,519,000) and HK$38,000,000 (2007: HK$38,000,000) respectively. Details of the recoverable amount calculation are disclosed in note 23.

5. FINANCIAL INSTRUMENTS

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debts, which include the borrowings disclosed in note 32, and equity attributable to equity holders of the Company, comprising issued share capital disclosed in note 35, reserves and accumulated losses/profits as disclosed in consolidated statement of changes in equity. The management reviews the capital structure by considering the cost of capital and the risks associated with each class of capital. In view of this, the Group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt. The Group's overall strategy remains unchanged throughout the year.

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

Categories of financial instruments

	2008 **HK$'000**	2007 HK$'000
Financial assets		
Available-for-sale investments	**—**	—
Investments held for trading	**79,155**	60,254
Loans and receivables (including cash and cash equivalents)	**1,339,850**	2,502,986
Financial liabilities		
Amortised cost	**1,399,760**	1,884,432
Derivative financial liabilities	**3,067**	12,683

5. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies

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

Market risk

Equity price risk

The Group is exposed to equity price risk as a result of changes in fair value of its investments in equity securities and derivative financial instruments. The Directors of the Company manage the exposure by closely monitoring the portfolio of equity investments and derivative financial instrument (see note 33).

Equity price sensitivity

The sensitivity analyses below have been determined based on the exposure to equity price risk at the reporting date. The analysis is prepared assuming the financial instruments outstanding at the balance sheet date were outstanding for the whole year. As a result of the volatility of the financial market in 2008, the management adjusted the sensitivity rate from 10% for 2007 to 30% for 2008 for the purpose of assessing equity price risk. A 30 percent change is used when reporting equity price risk internally to key management personnel and represents management's assessment of the reasonably possible change in equity price.

As at 31 December 2008, if the market bid prices of the Group's listed equity investments had been 30 percent higher/lower, the Group's loss would decrease/increase by HK$23,747,000 (2007: the Group's profit would increase/decrease by HK$6,025,000). This is mainly attributable to the changes in fair values of the listed investments held for trading.

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

In management's opinion, the sensitivity analysis is unrepresentative of the inherent equity price risk as the year end exposure does not reflect the exposure during the year. An unexpected decrease in market bid price may result in the Group suffering significant loss due to the leverage feature.

5. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Market risk (continued)

Interest rate risk

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

The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank borrowings, loan receivables and loans to margin clients. The Group currently does not have a cash flow interest rate hedging policy. However, management is closely monitoring its exposure arising from margin financing and other lending activities undertaken by allowing an appropriate margin on the interest received and paid by the Group. A 100 basis point change is used when reporting cash flow interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

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

The sensitivity analysis is prepared assuming the financial instruments outstanding at the balance sheet date were outstanding for the whole year. As at 31 December 2008, if the interest rate of borrowings, loan receivables and loans to margin clients had been 100 basis point higher/lower, the Group's loss would increase/decrease by HK$3,638,000 (2007: the Group's profit would increase/decrease by HK$5,028,000). This is mainly attributable to the bank interest expense under finance costs or interest income under revenue.

Foreign currency risk

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

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

5. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Credit risk

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

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

Other than concentration of credit risk on loan to an associate, 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

As part of ordinary broking activities, the Group is exposed to liquidity risk arising from (1) timing difference between settlement with clearing houses or brokers and customers and (2) derivative financial instruments (trading as accumulator) if it has difficulties in fulfilling its obligation to purchase the agreed amount of equity securities at any agreed point as set out in the contract. Securities market bid price and the associated volatility will affect the Group's future cash flows and profit and loss. To address the risk, treasury team works closely with the settlement division on monitoring the liquidity gap. In addition, for contingency purposes, clean loan facilities are put in place.

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

Liquidity and interest risk tables

For derivative financial liabilities, which are to be settled on gross basis, the Group has approximately HK$7.2 million (2007: HK$222.6 million) contractual cash outflow in return for listed securities within 2 months (2007: 9 months) from 31 December 2008. The expected cash outflow is calculated with reference to the number of listed securities to be received on the assumption that market price of the underlying securities as at year end remained constant until expiry.

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

5. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Liquidity risk (continued)

Liquidity and interest risk tables (continued)

	Weighted average effective interest rate	Repayable on demand	Less than 1 month	Between 1 to 3 months	Between 3 months to 1 year	Between 1 to 2 years	Between 2 to 5 years	Over 5 years	Total undiscounted cash flows	Carrying amount at balance sheet date
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 31 December 2008										
Accounts payable	N/A	542,079	192,698	88,816	—	—	—	—	823,593	823,593
Other payables	N/A	—	24,253	2,539	10,154	—	—	—	36,946	36,946
Borrowings	Note	—	39,516	56,218	298,780	96,927	4,756	42,416	538,613	511,342
Loan from a minority shareholder	N/A	—	27,437	—	—	—	—	—	27,437	27,437
Obligations under finance leases	6%	—	10	21	100	147	218	—	496	442
		542,079	283,914	147,594	309,034	97,074	4,974	42,416	1,427,085	1,399,760
At 31 December 2007										
Accounts payable	N/A	928,527	485,882	97,255	—	—	—	—	1,511,664	1,511,664
Other payables	N/A	—	16,212	510	2,041	—	—	—	18,763	18,763
Borrowings	Note	—	23,222	52,438	259,648	1,286	—	—	336,594	326,041
Loan from a minority shareholder	N/A	—	27,437	—	—	—	—	—	27,437	27,437
Obligations under finance leases	4%	—	2	4	502	42	—	—	550	527
		928,527	552,755	150,207	262,191	1,328	—	—	1,895,008	1,884,432

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

5. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Liquidity risk (continued)

Liquidity and interest risk tables (continued)

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

	Weighted average effective interest rate	Repayable on demand	Less than 1 month	Between 1 to 3 month	Between 3 months to 1 year	Between 1 to 2 years	Over 2 years	Undated	Total undiscounted cash flows	Carrying amount at balance sheet date
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000 (Note (1))	HK$'000	HK$'000
At 31 December 2008										
Investments held for trading	N/A	—	79,155	—	—	—	—	—	79,155	79,155
Accounts receivable	Hong Kong Prime Rate plus spread (Note (2))	97,858	208,750	—	—	—	—	—	306,608	305,923
Loan to an associate	N/A	—	—	—	—	—	—	10,296	10,296	10,296
Loan receivables	Hong Kong Prime Rate plus spread (Note (2))	—	—	10,083	3,792	250	440	—	14,565	14,348
Other receivables	N/A	—	2,594	—	32,421	—	—	—	35,015	35,015
Amounts due from associates	N/A	—	260	—	—	—	—	—	260	260
Deposits with brokers	0.5%	—	2,731	—	—	—	—	—	2,731	2,730
Bank balances with fixed interest rate	0.01% — 1%	—	49,472	82,062	159,130	—	—	—	290,664	290,402
Bank balances with variable interest rate	0.01% — 1%	—	216,674	—	—	—	—	—	216,674	216,604
Bank balances without interest-bearing	N/A	464,272	—	—	—	—	—	—	464,272	464,272
		562,130	559,636	92,145	195,343	250	440	10,296	1,420,240	1,419,005
At 31 December 2007										
Investments held for trading	N/A	—	60,254	—	—	—	—	—	60,254	60,254
Accounts receivable	Hong Kong Prime Rate plus spread (Note (2))	452,624	489,890	—	—	—	—	—	942,514	938,998
Loan receivables	(Note (3))	—	28,931	—	210	179	546	—	29,866	29,607
Loan to an associate	N/A	—	—	—	—	—	—	10,296	10,296	10,296
Other receivables	N/A	—	10,168	—	33,695	—	—	—	43,863	43,863
Amounts due from associates	N/A	—	260	—	—	—	—	—	260	260
Deposits with brokers	1.5%	—	131,916	—	—	—	—	—	131,916	131,751
Bank balances with fixed interest rate	1.5%–3.5%	—	301,376	346,854	90,446	—	—	—	738,676	731,872
Bank balances with variable interest rate	1.5%–3.5%	—	135,754	—	—	—	—	—	135,754	135,088
Bank balances without interest-bearing	N/A	481,251	—	—	—	—	—	—	481,251	481,251
		933,875	1,158,549	346,854	124,351	179	546	10,296	2,574,650	2,563,240

5. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Liquidity risk (continued)

Liquidity and interest risk tables (continued)

Notes:

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

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

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

Fair values

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

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

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

- the fair values of derivative instruments are determined based on valuation techniques that incorporate market observable date such as share market price, risk-free and dividend yield.

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

6. REVENUE

	2008 **HK$'000**	2007 HK$'000
Fees and commission income	**278,464**	511,881
Interest income	**38,605**	159,560
Online game subscription income	**82,893**	121,613
Sales of online game auxiliary products	**27,020**	41,669
Licensing income	**6,724**	6,379
Sales of furniture and household goods and trendy digital products, net of discounts and returns	**879,040**	824,350
	1,312,746	1,665,452

7. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

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

Principal activities are as follows:

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

Segment information about these businesses is presented as follows:

Consolidated income statement for the year ended 31 December 2008

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

Note: Segment loss of online game services represented an operating loss of HK$107.0 million and impairment loss recognised on goodwill of HK$84.7 million.

7. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Business segments (continued)

Consolidated balance sheet as at 31 December 2008

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

Other information for the year ended 31 December 2008

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

7. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Business segments (continued)

Consolidated income statement for the year ended 31 December 2007

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

Consolidated balance sheet as at 31 December 2007

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

7. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Business segments (continued)

Other information for the year ended 31 December 2007

	Financial services HK$'000	Online game services HK$'000	Retailing HK$'000	Unallocated HK$'000	Consolidated HK$'000
Additions to property and equipment	5,045	21,246	22,086	2,331	50,708
Addition to property and equipment in acquisition of subsidiaries	247	—	—	—	247
Allowance for (Reversal of) bad and doubtful debts	1,566	—	(893)	—	673
Bad debt recovered	—	—	—	4,540	4,540
Depreciation of property and equipment	7,403	7,540	23,899	866	39,708
Expenditure on intangible assets	—	5,422	—	—	5,422
Amortisation of prepaid lease payments	—	—	415	—	415
Impairment loss recognised in respect of property and equipment	—	—	1,472	—	1,472
Net gain on financial assets at fair value through profit or loss	(52,106)	—	—	—	(52,106)

Geographical segments

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

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

	2008 HK$'000	2007 HK$'000
Hong Kong	**1,201,650**	1,501,929
PRC	**79,786**	105,394
Taiwan (Note)	**31,310**	58,129
	1,312,746	1,665,452

Note: The revenue derived from Taiwan was contributed by the subsidiaries disposed of during the year ended 31 December 2008. Details of the disposal of subsidiaries are disclosed in note 36.

7. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Geographical segments (continued)

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

Carrying amount of segment assets

	2008 HK$'000	2007 HK$'000
Hong Kong	**1,733,537**	2,724,104
PRC	**175,609**	168,685
Taiwan	**—**	46,528
	1,909,146	2,939,317

Additions to property and equipment and expenditure on intangible assets

	2008 HK$'000	2007 HK$'000
Hong Kong	**114,036**	32,441
PRC	**10,499**	11,444
Taiwan	**2,993**	12,492
	127,528	56,377

8. SALARIES, ALLOWANCES AND COMMISSION

	2008 HK$'000	2007 HK$'000
Salaries, allowances and commission represent the amounts paid and payable to the Directors and employees and comprises of:		
Salaries, allowances and commission	**305,980**	393,874
Contributions to retirement benefits schemes	**13,684**	10,718
Employee share option benefits	**—**	1,129
Less: Amount capitalised in online game development costs	**—**	(4,922)
	319,664	400,799

9. FINANCE COSTS

	2008 HK$'000	2007 HK$'000
Interest on:		
Bank overdrafts, bank loans and other borrowings:		
— repayable within five years	**29,748**	104,582
— repayable more than five years	**631**	—
Finance leases	**74**	108
	30,453	104,690

10. NET (LOSS) GAIN ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

11. DIRECTORS' AND EMPLOYEES' REMUNERATION

Directors' remuneration

The remuneration paid or payable to each of the seven (2007: seven) Directors was as follows:

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

11. DIRECTORS' AND EMPLOYEES' REMUNERATION (continued)

Directors' remuneration (continued)

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

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

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

Employees' remuneration

Of the five individuals with the highest emoluments in the Group, four (2007: two) were Directors of the Company whose emoluments are included in the disclosures above. The emoluments of the remaining one (2007: three) individuals were as follows:

	2008 HK$'000	2007 HK$'000
Salaries, allowances and benefits in kind	**1,920**	2,080
Contributions to retirement benefit scheme	**99**	107
Performance related incentive payments	**400**	14,442
	2,419	16,629

Their remuneration were within the following band:

	2008 Number of Employees	2007 Number of Employees
HK$1,000,001 to HK$1,500,000	**—**	—
HK$1,500,001 to HK$2,000,000	**—**	—
HK$2,000,001 to HK$2,500,000	**1**	1
HK$3,500,001 to HK$4,000,000	**—**	—
HK$6,500,001 to HK$7,000,000	**—**	1
HK$7,500,001 to HK$8,000,000	**—**	1

12. TAXATION CHARGE

	2008 HK$'000	2007 HK$'000
The charge (credit) comprises:		
Current tax:		
— Hong Kong	**9,055**	29,047
— PRC	**845**	457
	9,900	29,504
Overprovision in prior years	**(202)**	(385)
	9,698	29,119
Deferred taxation (credit) charge	**(273)**	960
	9,425	30,079

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

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

On 16 March 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax ("New Law") by Order No. 63 of the President of the PRC. On 6 December 2007, the State Council of the PRC issued Implementation Regulations of the New Law. Under the New Law and Implementation Regulations, the Enterprise Income Tax rate of certain Group's subsidiaries in the PRC was reduced from 33% to 25% from 1 January 2008 onwards. The relevant tax rate for Group's subsidiaries in the PRC is 25% (2007: 33%) and will affect the PRC subsidiaries of the Company from 1 January 2008, except for 摩力游（上海）信息科技有限公司 (MOLI China Information Technology Limited) as disclosed below. The Directors of the Company consider that the effect on deferred tax balance is insignificant.

Pursuant to relevant laws and regulations in the PRC, 摩力游（上海）信息科技有限公司 (MOLI China Information Technology Limited) is entitled to an exemption from PRC Enterprise Income Tax for the two years starting from their first profit making year, followed by a 50% tax relief for the next three years. No provision for PRC Enterprise Income Tax has made for 摩力游（上海）信息科技有限公司 (MOLI China Information Technology Limited) for two year ended 31 December 2008 as fiscal year ended 31 December 2007 was its first profit making year and the entity will continue to enjoy such tax exemption under the New Law.

12. TAXATION CHARGE (continued)

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

	2008 **HK$'000**	2007 HK$'000
(Loss) Profit before taxation	**(387,081)**	169,723
Taxation (credit) charge at income tax rate of 16.5% (2007: 17.5%)	**(63,868)**	29,702
Overprovision in respect of prior years	**(202)**	(385)
Tax effect of share of results of associates	**(6,451)**	590
Tax effect of expenses not deductible for tax purpose	**17,028**	5,744
Tax effect of income not taxable for tax purpose	**(12,447)**	(4,617)
Tax effect of estimated tax losses and deductible temporary difference not recognised	**80,593**	20,898
Tax effect of utilisation of estimated tax losses and deductible temporary difference previously not recognised	**(6,636)**	(19,399)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**1,408**	483
Effect of tax exemption granted	**—**	(2,937)
Taxation charge	**9,425**	30,079

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

	Accelerated (tax) accounting depreciation HK$'000	**Estimated tax losses** HK$'000	**Fair value adjustment on intangible assets under business combination** HK$'000	**Total** HK$'000
At 1 January 2007	513	1,062	(8,494)	(6,919)
(Charge) Credit to consolidated income statement	(513)	(1,062)	615	(960)
At 31 December 2007	—	—	(7,879)	(7,879)
(Charge) Credit to consolidated income statement	(342)	—	615	273
At 31 December 2008	(342)	—	(7,264)	(7,606)

At the balance sheet date, the Group had estimated unused tax losses of HK$891,964,000 (2007: HK$452,234,000) and deductible temporary difference in respect of accelerated accounting depreciation of HK$29,402,000 (2007: HK$20,908,000) available to offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams.

13. (LOSS) PROFIT FOR THE YEAR

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

Notes:

(a) Certain obsolete inventories which made allowance in previous years were sold during the year. Thus, this resulted in a reversal of allowance for inventories.

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

14. (LOSS) EARNINGS PER SHARE

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

	2008 HK$'000	2007 HK$'000
(Loss) Profit for the purpose of basic (loss) earnings per share	**(358,113)**	51,902
Effect of dilutive potential ordinary shares:		
Decrease in share of profits in CFSG and loss on dilution	**—**	(1,379)
(Loss) Profit for the purpose of diluted (loss) earnings per share	**(358,113)**	50,523

	2008	2007 (restated)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	**180,505,148**	152,231,669
Effect of dilutive potential ordinary shares assumed exercise of share options	**—**	5,029,505
Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share	**180,505,148**	157,261,174

Pursuant to a special resolution passed by the shareholders at the annual general meeting of the Company held on 6 June 2008, every 5 issued shares of the issued share capital of the Company have been consolidated to 1 share (details disclosed in note 35(d)). Accordingly, the weighted average number of ordinary shares for the purpose of basic and diluted (loss) earnings per share have been adjusted for the years ended 31 December 2008 and 2007.

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

15. DIVIDEND

	2008 HK$'000	2007 HK$'000
Dividend recognised as distribution during the year:		
2007 Final dividend paid — HK$0.04 per share	**36,101**	—

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

16. PROPERTY AND EQUIPMENT

	Buildings HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
THE GROUP					
COST OR VALUATION					
At 1 January 2007	30,300	80,545	101,311	3,856	216,012
Additions	—	21,123	29,261	324	50,708
Disposals/written off	—	(4,254)	(7,037)	—	(11,291)
Arising on acquisition of subsidiaries	—	137	110	—	247
Exchange differences	—	90	659	—	749
Deficit on valuation	(1,400)	—	—	—	(1,400)
At 31 December 2007	28,900	97,641	124,304	4,180	255,025
Additions	1,688	63,848	59,882	2,110	127,528
Disposals	—	(28,164)	(19,722)	(657)	(48,543)
Eliminated on disposal of subsidiaries	—	—	(15,724)	(170)	(15,894)
Exchange differences	—	535	2,318	49	2,902
Deficit on valuation	(2,788)	—	—	—	(2,788)
At 31 December 2008	27,800	133,860	151,058	5,512	318,230
ACCUMULATED DEPRECIATION AND IMPAIRMENT					
At 1 January 2007	—	56,125	58,955	2,182	117,262
Provided for the year	1,400	21,520	15,964	824	39,708
Eliminated on disposals/written off	—	(4,254)	(7,037)	—	(11,291)
Impairment loss recognised	—	1,456	16	—	1,472
Exchange differences	—	9	12	1	22
Eliminated on revaluation	(1,400)	—	—	—	(1,400)
At 31 December 2007	—	74,856	67,910	3,007	145,773
Provided for the year	1,400	20,688	23,673	846	46,607
Eliminated on disposals	—	(23,015)	(19,350)	(657)	(43,022)
Eliminated on disposal of subsidiaries	—	—	(5,049)	(62)	(5,111)
Impairment loss recognised	—	140	2,729	—	2,869
Exchange differences	—	138	354	3	495
Eliminated on revaluation	(1,400)	—	—	—	(1,400)
At 31 December 2008	—	72,807	70,267	3,137	146,211
NET BOOK VALUES					
At 31 December 2008	27,800	61,053	80,791	2,375	172,019
At 31 December 2007	28,900	22,785	56,394	1,173	109,252

16. PROPERTY AND EQUIPMENT (continued)

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

Buildings	20 years
Leasehold improvements	The shorter of the lease terms and 5 years
Furniture, fixtures and equipment	3 to 7 years
Motor vehicles	3 to 5 years

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

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

If the buildings had not been revalued, they would have been included in these consolidated financial statements at historical cost less accumulated depreciation of HK$27,500,000 (2007: HK$28,900,000).

The net book values of motor vehicles included an amount of HK$407,000 (2007: HK$661,000) in respect of assets held under finance leases.

During the year ended 31 December 2008, the Directors of the Company reassessed the recoverable amount of the property and equipment of certain shops of which continuous losses incurred and recognised an impairment loss of approximately HK$2,869,000 (2007: HK$1,472,000).

17. PREPAID LEASE PAYMENTS

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

The leasehold land is amortised on a straight-line basis over the remaining 30 years of leases.

18. INVESTMENT PROPERTY

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

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

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

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

19. AVAILABLE-FOR-SALE INVESTMENTS

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

	2008 **HK$'000**	2007 HK$'000
Unlisted investments:		
Unlisted shares, at cost	**10,800**	10,800
Less: Impairment loss recognised	**(10,800)**	(10,800)
	—	—

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

20. GOODWILL

	HK$'000
COST	
At 1 January 2007	212,027
Acquisition of a subsidiary from CFSG (Note (i))	21,824
Deemed disposal of CFSG	(736)
At 31 December 2007	233,115
Deemed disposal of Netfield (BVI) (Note (ii))	(4,544)
Acquisition of additional interest in subsidiaries	48,663
At 31 December 2008	277,234
IMPAIRMENT	
At 1 January 2007 and 31 December 2007	—
Impairment loss recognised (Note 23)	84,687
At 31 December 2008	84,687
CARRYING AMOUNTS	
At 31 December 2008	192,547
At 31 December 2007	233,115

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

Notes:

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

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

21. INTERESTS IN ASSOCIATES

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

Note: Pursuant to the shareholders agreement entered into between a subsidiary, Marvel Champ Investments Limited, and other shareholders of the associate on 27 June 2007, the loan to the associate is unsecured, non-interest bearing and has no fixed repayment terms. In the opinion of the Directors of the Company, the loan will not be repaid within the next twelve months from 31 December 2008.

21. INTERESTS IN ASSOCIATES (continued)

As at 31 December 2008 and 2007, the Group had interest in the following associates:

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

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

	2008 HK$'000	2007 HK$'000
Total assets	**704,248**	327,781
Total liabilities	**(369,197)**	(130,446)
Net assets	**335,051**	197,335
Group's share of net assets of associates	**111,684**	65,778
Revenue	**22,231**	—
Profit (Loss) for the year	**117,288**	(10,111)
Group's share of results of associates for the year	**39,096**	(3,370)

Pursuant to the shareholders agreement entered into between a subsidiary, Marvel Champ investments Limited, and the other shareholders of the associate on 27 June 2007, the Group is required to make capital contribution to the associate amounting to HK$153,200,000. During the year ended 31 December 2007, the associate has obtained banking facilities to finance its operations. Accordingly, both outstanding capital contribution from the Group and other shareholders were reduced. The outstanding capital contribution of the commitment by the Group was reduced from HK$153,200,000 to HK$84,388,000. In 2007, the Group has made payments of HK$67,833,000 and HK$10,296,000 in the form of capital injection and shareholders' loan respectively to the associate. During the year, the Group has not made any further contributions to the associate. At 31 December 2008, the remaining capital contribution committed by the Group amounted to HK$6,259,000 (2007: HK$6,259,000).

22. INTANGIBLE ASSETS

	Trading rights	Club membership	Online game related intellectual property	Online game development costs	Domain name	Trademarks	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
	(Note (a))	(Note (b))	(Note (c))	(Note (d))	(Note (e))	(Note (f))	
COST							
At 1 January 2007	9,092	3,730	16,390	171	5,460	38,000	72,843
Additions	—	—	—	5,422	—	—	5,422
Disposal	—	(1,760)	—	—	—	—	(1,760)
At 31 December 2007 and 31 December 2008	9,092	1,970	16,390	5,593	5,460	38,000	76,505
AMORTISATION AND IMPAIRMENT							
At 1 January 2007	—	—	4,098	33	—	—	4,131
Charge for the year	—	—	4,098	21	—	—	4,119
At 31 December 2007	—	—	8,196	54	—	—	8,250
Charge for the year	—	—	4,098	2,808	—	—	6,906
Impairment loss recognised	—	—	—	2,690	2,730	—	5,420
At 31 December 2008	—	—	12,294	5,552	2,730	—	20,576
NET BOOK VALUES							
At 31 December 2008	9,092	1,970	4,096	41	2,730	38,000	55,929
At 31 December 2007	9,092	1,970	8,194	5,539	5,460	38,000	68,255

Notes:

(a) Intangible assets with cost of HK$9,092,000 (2007: HK$9,092,000) represent trading rights that confer eligibility of the Group to trade on the Stock Exchange and the Hong Kong Futures Exchange. Particulars regarding impairment testing on the trading rights are disclosed in note 23.

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

(c) At 31 December 2008, intangible assets of online game related intellectual property with carrying amounts of HK$4,096,000 (2007: HK$8,194,000) represented online game development costs and licensing fee, website development costs and software technology copyrights arising from acquisition of online game business in the PRC. These intangible assets have finite useful lives. Such intangible assets are amortised on a straight-line basis over four years. Particulars regarding impairment testing on online game related intellectual property are disclosed in note 23.

(d) At 31 December 2008, intangible assets of online game development costs with carrying amounts of HK$41,000 (2007: HK$5,539,000) represented internally generated online game development costs. This intangible asset has definite useful life and is amortised on a straight-line basis over two years. During the year, the management of the Group reviewed the recoverable amounts of the online game development costs based on the value in use calculation and identified the actual future cashflows are less than expected and recognised an impairment loss of approximately HK$2,690,000.

22. INTANGIBLE ASSETS (continued)

(e) At 31 December 2008, intangible assets with carrying amounts of HK$2,730,000 (2007: HK$5,460,000) represent domain name. It represents the legal and beneficial ownership of domain name "www.shanghai.com" and has indefinite useful life.

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

For the purpose of impairment testing on domain name, the recoverable amount has been determined based on fair value less costs to sell. The fair value less costs to sell is arrived at by market approach, which is to determine the desirability of the domain name through recent sales or offering of similar domain name currently on the market in order to arrive at an indication of the most probable selling price for the domain name. The fair value less costs to sell at 31 December 2008 was supported by a valuation carried out at that day by Norton Appraisals Limited, an independent qualified professional valuer not connected with the Group. Based on the valuation report, an impairment loss of HK$2,730,000 (2007: nil) on domain name was recognised during the year since the carrying amounts of domain name exceed the recoverable amounts.

(f) At 31 December 2008, intangible assets of trademarks amounting to HK$38,000,000 (2007: HK$38,000,000) represent the perpetual right for the use of the brand name "Pricerite" which takes the form of sign, symbol, name, logo design or any combination thereof arising from acquisition of retail business. These trademarks are considered by management of the Group as having an indefinite useful life. Particulars regarding impairment testing on trademarks are disclosed in note 23.

23. IMPAIRMENT TESTINGS ON GOODWILL AND INTANGIBLE ASSETS

As explained in note 7, the Group uses business segments as its primary segment for reporting segment information. For the purposes of impairment testing, goodwill, trading rights, trademarks and online game related intellectual property set out in notes 20 and 22 have been allocated to the following CGUs respectively. The carrying amounts of goodwill, trading rights, trademarks and online game related intellectual property as at 31 December 2008 allocated to these units are as follows:

	Goodwill		**Trading rights**		**Trademarks**		**Online game related intellectual property**	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Financial services	**23,667**	15,827	**9,092**	9,092	**—**	—	**—**	—
Online game services	**83,361**	131,769	**—**	—	**—**	—	**4,096**	8,194
Retailing business	**85,519**	85,519	**—**	—	**38,000**	38,000	**—**	—
	192,547	233,115	**9,092**	9,092	**38,000**	38,000	**4,096**	8,194

Management of the Group consider cashflow projections which were prepared based on financial budgets covering respective period of goodwill, trading rights, trademarks and online game related intellectual property to determine whether there was any impairment of its CGUs containing goodwill, trading rights, trademarks and online game related intellectual property as at 31 December 2008.

The recoverable amounts of the CGUs of financial services have been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a three-year period and discount rate of 8% (2007: 5%). A key assumption for the value in use calculation is the estimation of cash inflows/outflows, which are determined based on past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of the assumptions would not cause the aggregate carrying amount of the above CGUs to exceed the aggregate recoverable amount of the above CGUs.

23. IMPAIRMENT TESTINGS ON GOODWILL AND INTANGIBLE ASSETS (continued)

The recoverable amount of the CGU of online game services has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a five-year period and discount rate of 12% (2007: 18%). Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted active concurrence user, peak concurrence user and payment subscribers. Such estimation is based on the CGU's past performance and management's expectations for the market development. Due to continuous losses incurred by the subsidiaries principally engaging in online game services in the PRC and Taiwan and having taken into account of the uncertain future prospect and revenue to be generated from these subsidiaries, the Directors of the Company assessed the recoverable amount of goodwill and recognised an impairment losses amounting to HK$84,687,000 (2007: nil) during the year ended 31 December 2008. The reduction in recoverable amount was driven by higher losses than were expected, including delay in expected return to profitability of the business and significant deterioration in economic conditions in the PRC and Taiwan. Management believes that if the budgeted usage rate of active concurrence user, peak concurrence user and payment subscribers decrease by 5%, the recoverable amount of the CGU of online game services will decrease by HK$4,283,000. There is no material changes in the recoverable amount of the CGU of online game business if the discount rate is decreased by 1%.

The recoverable amounts of the CGUs of retailing business have been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a one-year period and discount rate of 10% (2007: 12%). The cash flows beyond the one-year period are extrapolated having a steady 3% growth rate. The growth rate is based on the relevant industry growth forecasts and average long-term growth rate for the relevant industry. A key assumption for the value in use calculation is the budgeted growth rate, which is determined based on past performance and management's expectations for the market development. No impairment on goodwill and trademarks was noted. Management believes that any reasonably possible change in any of the assumptions would not cause the aggregate carrying amount of the above CGUs to exceed the aggregate recoverable amount of the above CGUs.

24. OTHER ASSETS

	2008 **HK$'000**	2007 HK$'000
Statutory and other deposits	**9,447**	9,136

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

25. LOAN RECEIVABLES

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

All the loan receivables are denominated in Hong Kong dollars.

Interest rates underlying the variable-rate loan receivables are Hong Kong Prime Rate plus a spread for both years. Interest rates underlying the fixed-rate loan receivable are 5% (2007: 5%) per annum for the year ended 31 December 2008.

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

Movement in the allowance for bad and doubtful debts:

	2008 HK$'000	2007 HK$'000
Balance at the beginning of the year	**5,717**	26,570
Amounts written off during the year	**—**	(21,151)
Charge for the year	**900**	1,997
Reversal for the year	**—**	(1,699)
Amounts recovered during the year	**(2,884)**	—
Balance at the end of the year	**3,733**	5,717

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

25. LOAN RECEIVABLES (continued)

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

	2008 **HK$'000**	2007 HK$'000
0–30 days	—	4,267
31–60 days	—	23,312
61–90 days	—	—
Over 90 days	—	1,141
	—	28,720

The loan receivables with a carrying amount of HK$14,348,000 (2007: HK$887,000) are neither past due nor impaired at the reporting date for which the Group believes that the amounts are recoverable.

Loan receivables with an aggregate carrying value of approximately HK$13,821,000 (2007: HK$4,267,000) are secured by pledged marketable securities with fair values of HK$3,357,000 (2007: HK$11,934,000) and convertible instrument with nominal value of HK$13,000,000 (2007: nil).

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

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

	2008 **HK$'000**	2007 HK$'000
Within one year	**48**	1,313
More than one year but not exceeding two years	**48**	144
More than two years but not exceeding five years	**144**	144
More than five years	**287**	324
	527	1,925

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

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

	2008 **HK$'000**	2007 HK$'000
Within one year	**13,629**	27,602
In more than one year but not more than two years	**192**	25
In more than two years but not more than five years	—	55
	13,821	27,682

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

26. INVENTORIES

	2008 HK$'000	2007 HK$'000
Finished goods held for sale	**39,113**	39,693
Consumables for online game auxiliary products	**150**	2,335
	39,263	42,028

27. OTHER FINANCIAL ASSETS

	2008 HK$'000	2007 HK$'000
Accounts receivable arising from the business of dealing in securities and equity options:		
Clearing houses, brokers and dealers	**72,199**	216,343
Cash clients	**36,425**	166,310
Margin clients	**97,185**	449,162
Accounts receivable arising from the business of dealing in futures and options:		
Clients	**65**	68
Clearing houses, brokers and dealers	**94,719**	93,032
Commission receivables from brokerage of mutual funds and insurance-linked investment plans and products	**2,349**	5,238
Accounts receivable arising from the business of provision of corporate finance services	**1,100**	1,442
Accounts receivable arising from the business of provision of online game services	**1,881**	6,995
Trade debtors arising from retailing business	**—**	408
	305,923	938,998

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

27. OTHER FINANCIAL ASSETS (continued)

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

	2008 HK$'000	2007 HK$'000
0–30 days	**3,382**	9,967
31–60 days	**499**	1,192
61–90 days	**523**	1,730
Over 90 days	**926**	1,194
	5,330	14,083

Loans to margin clients are secured by clients' pledged securities at fair values of HK$442,488,000 (2007: HK$1,827,557,000) which can be sold at the Group's discretion to settle any margin call requirements imposed by their respective securities transactions. The Group is able to use client's pledged securities up to the amount of 140% of the loans to margin clients as collateral of the Group's borrowings (with client's consent). The loans are repayable on demand and bear interest at commercial rates. No aged analysis is disclosed as in the opinion of Directors of the Company, the aged analysis does not give additional value in view of the nature of business of share margin financing.

Accounts receivable are netted off by allowance for bad and doubtful debts of HK$7,524,000 (2007: HK$9,330,000).

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

Movement in the allowance for bad and doubtful debts:

	2008 HK$'000	2007 HK$'000
Balance at the beginning of the year	**9,330**	20,086
Amounts written off during the year	**(7,934)**	(11,797)
Charge for the year	**6,720**	1,041
Amounts recovered during the year	**(592)**	—
Balance at the end of the year	**7,524**	9,330

In addition to the individually assessed allowance for bad and doubtful debt, the Group has also provided, on a collective basis, loan impairment allowance for accounts receivable arising from the business of dealing in securities and equity options with margin client that are individually insignificant or accounts receivable where no impairment has been identified individually. Objective evidence of collective impairment could include the Group's past experience of collecting payments and observable changes in national or local economic conditions that correlate with default on receivables.

27. OTHER FINANCIAL ASSETS (continued)

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

Included in the Group's accounts receivable are debtors, with a carrying amount of HK$8,624,000 (2007: HK$24,281,000) which are past due at the reporting date for which the Group has not provided as there has not been a significant change in credit quality. The Group believes that the amounts are still recoverable given the substantial subsequent settlement after the reporting date.

During the year ended 31 December 2008, accounts receivable and other receivables with carrying amounts of HK$6,720,000 and HK$15,599,000 (2007: nil) respectively are individually impaired which have either been placed under liquidation or in severe financial difficulties. The Group does not hold any collateral over these balances.

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

	2008 **HK$'000**	2007 HK$'000
0–30 days	**6,549**	21,771
31–60 days	**826**	619
61–90 days	**323**	697
Over 90 days	**926**	1,194
	8,624	24,281

The accounts receivable with a carrying amount of HK$297,299,000 (2007: HK$914,717,000) are neither past due nor impaired at the reporting date for which the Group believes that the amounts are recoverable.

As at 31 December 2008, deposits with a carrying amount of HK$15,518,000 (2007: HK$14,323,000) are expected to be recovered after more than twelve months.

27. OTHER FINANCIAL ASSETS (continued)

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

Name	Balance at 1 January 2008 HK$'000	Balance at 31 December 2008 HK$'000	Maximum amount outstanding during the year HK$'000	Market value of pledged securities at 31 December HK$'000
Directors of the Company				
Mr Wong Kin Yick Kenneth (Note (1)) and associates				
2007	648	1,678	28,842	3,941
2008	1,678	222	16,031	1,096
Mr Law Ping Wah Bernard and associates				
2007	—	—	29,489	19,914
2008	—	—	15,401	6,049
Mr Lin Che Chu George and associates				
2007	—	—	29,703	12,900
2008	—	—	—	6,372
Directors of CFSG				
Mr Cheng Man Pan Ben and associates				
2007	—	—	23,349	1,945
2008	—	29	16,412	433
Mr Yuen Pak Lau Raymond and associates				
2007	—	—	—	—
2008	—	—	996	748
Substantial shareholders of the Company				
Cash Guardian Limited				
2007	—	—	—	930
2008	—	—	—	8,895
Mr Kwan Pak Hoo Bankee and associates				
2007	—	—	29,021	10,161
2008	—	—	1,792	1,363
Abdulrahman Saad Al-Rashid & Sons Company Limited ("ARTAR") and associates				
2007	—	—	2,060,400	218,735
2008 (Note (2))	—	—	—	5,387

Notes:

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

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

(3) Associates are defined in accordance with the Rules Governing the Listing of Securities on the Stock Exchange.

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

28. INVESTMENTS HELD FOR TRADING

	2008 HK$'000	2007 HK$'000
Equity securities listed in Hong Kong	**78,419**	58,596
Investment funds	**736**	1,658
	79,155	60,254

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

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

29. BANK DEPOSITS UNDER CONDITIONS, DEPOSITS WITH BROKERS AND BANK BALANCES

Bank deposits under conditions

	2008 HK$'000	2007 HK$'000
Other bank deposits (note (a))	**17,142**	17,105
Pledged bank deposits (notes (b), (c) and (d))	**84,577**	73,708
	101,719	90,813

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

Notes:

(a) Pursuant to a letter of undertaking given by the Group to a bank, the Group covenants to maintain deposits of not less than HK$15,000,000 (2007: HK$15,000,000) with a bank as a condition precedent to an overdraft facility granted by the bank. The bank deposits will mature within one year or at an earlier date when the overdraft facility is expired.

(b) The Group's bank deposits of HK$77,283,000 (2007: HK$72,082,000) are pledged to secure the short-term general banking facilities granted by banks.

(c) The Group's bank deposits of HK$223,000 (2007: HK$996,000) were pledged for bank guarantee of rental deposit. The bank deposits will mature when the bank guarantee is expired.

(d) The Group's bank deposits of HK$7,071,000 (2007: nil) were pledged to secure the short-term general facilities granted by a bank. The bank deposits will mature on clearance of the stand-by letter of credit facility.

29. BANK DEPOSITS UNDER CONDITIONS, DEPOSITS WITH BROKERS AND BANK BALANCES (continued)

Deposits with brokers

The amount represents deposits with brokers in trading in securities. The amount is unsecured, repayable on demand and bears interest at 0.5% (2007: 3.2%) per annum.

Bank balances — trust and segregated accounts

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

Bank balances (general accounts) and cash

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

30. ACCOUNTS PAYABLE

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

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

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

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.

30. ACCOUNTS PAYABLE (continued)

The accounts payable amounting to HK$542,079,000 (2007: HK$928,527,000) was payable to clients and other institutions in respect of the trust and segregated bank balances received and held for clients and other institution in the course of the conduct of regulated activities. However, the Group does not have a currently enforceable right to offset these payables with the deposits placed.

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

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

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

	2008	2007
	HK$'000	HK$'000
0–30 days	**54,166**	54,474
31–60 days	**34,877**	32,772
61–90 days	**17,537**	22,897
over 90 days	**25,504**	15,632
	132,084	125,775

31. OBLIGATIONS UNDER FINANCE LEASES

The Group leases certain of its motor vehicles under finance leases. The average lease term is 3 to 4 years (2007: 2 to 3 years). Interest rates underlying all obligations under finance leases are fixed at respective contract dates at 6% (2007: ranging from 2.9% to 6%) per annum. No arrangements have been entered into for contingent rental payments.

	Minimum lease payments		**Present value of minimum lease payments**	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amount payable under finance leases				
Within one year	**150**	500	**127**	487
In more than one year but not more than two years	**338**	41	**315**	40
	488	541	**442**	527
Less: Future finance charges	**(46)**	(14)	**—**	—
Present value of lease obligations	**442**	527	**442**	527
Less: Amount due for settlement within one year (shown under current liabilities)			**(127)**	(487)
Amount due for settlement after one year			**315**	40

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

32. BORROWINGS

	2008 HK$'000	2007 HK$'000
Secured bank borrowings:		
Bank overdrafts	**15,023**	2,066
Bank loans	**225,803**	244,535
Trust receipt loans	**79,066**	71,327
	319,892	317,928
Secured other borrowings	**100,012**	—
Unsecured other borrowings	**91,438**	8,113
	511,342	326,041

The maturity profile of the above borrowings is as follows:

	2008 HK$'000	2007 HK$'000
On demand or within one year	**383,071**	324,792
More than one year but not exceeding two years	**92,716**	1,249
More than two years but not exceeding five years	**4,136**	—
More than five years	**31,419**	—
	511,342	326,041
Less: Amount due within one year shown under current liabilities	**(383,071)**	(324,792)
Amount due after one year	**128,271**	1,249

At 31 December 2008, bank borrowings of HK$319,892,000 (2007: HK$316,679,000) were secured by:

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

(b) marketable securities of the Group's clients with carrying value of HK$175,432,000 (2007: HK$502,840,000) (with client's consent);

(c) bank deposits as disclosed in note 29;

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

(e) a charge over the properties to be delivered by the residential property developer (2007: nil).

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

In addition, pursuant to a letter of undertaking given by the Group to a bank, the Group covenants to maintain deposits of not less than HK$15,000,000 (2007: HK$15,000,000) with a bank as a condition precedent to an overdraft facility granted by the bank (note 29).

32. BORROWINGS (continued)

Bank overdrafts amounting to HK$15,023,000 (2007: HK$2,066,000) carry interest at either HIBOR plus a spread or Hong Kong Prime Rate plus a spread. Bank loans amounting to HK$225,083,000 (2007: HK$238,659,000) are at variable-rate borrowings which carry interest at either HIBOR plus a spread or Hong Kong Prime Rate plus a spread. Trust receipt loans amounting to HK$79,066,000 (2007: HK$71,327,000) carry interest at Hong Kong Prime Rate plus a spread. The unsecured other borrowings amounting to HK$91,438,000 (2007: HK$8,113,000) carry interest at Hong Kong Prime Rate plus 3% per annum. Secured other borrowings of HK$100,012,000 (2007: nil) carry interest rate at HIBOR plus 4% per annum.

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

As at 31 December 2007, bank loan amounting to HK$4,627,000 is at fixed rate of 4.75% per annum. Also, the fixed-rate borrowing amounting to HK$1,249,000 at fixed rate of 6% is denominated in New Taiwan dollars, a currency other than the group entity's functional currency of Hong Kong dollars.

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

As at the balance sheet date, the Group had undrawn borrowing facility amounting to HK$1,340,935,000 (2007: HK$1,107,609,000) with floating rate and expiring within one year.

33. DERIVATIVE FINANCIAL INSTRUMENTS

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

The fair value of derivative financial instruments is determined based on valuation techniques that incorporate market observable data. Such equity-linked derivative contracts are not accounted for using hedge accounting mechanism. They are measured at fair value at each balance sheet date with any gains or losses arising from changes in fair value being recognised in the profit and loss immediately. As at 31 December 2008, there were 5 (2007: 10) outstanding equity linked derivative contracts with fair value of HK$3,067,000 (2007: HK$12,683,000). All the 5 equity-linked derivative contracts expired subsequent to the balance sheet date and resulted in a loss of HK$2,982,000, calculated with reference to the number of equity securities taken up, and the difference between the strike price and market price as at the date of settlement.

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

34. LOAN FROM A MINORITY SHAREHOLDER

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

35. SHARE CAPITAL

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

Notes:

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

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

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

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

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

35. SHARE CAPITAL (continued)

Notes: (continued)

(d) Share consolidation and capital reduction

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

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

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

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

36. DISPOSAL OF SUBSIDIARIES

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

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

37. ACQUISITION OF ASSETS AND LIABILITIES

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

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

38. MAJOR NON-CASH TRANSACTIONS

(a) Pursuant to the agreement entered into between the Group and a third party, the third party agreed to procure its group companies to provide advertising and telecommunication services to the Group. The fee for these services would be used to offset the prepayment for advertising and telecommunication services which the Group paid. During the year ended 31 December 2007, the Group utilised approximately HK$2,233,000 advertising and telecommunication services (2008: nil).

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

39. CONTINGENT LIABILITIES

On 11 May 2006, Hallmark Cards, Incorporated ("Petitioner") filed a petition for a winding-up order against Cosmos Global Limited ("Cosmos"), a subsidiary of the Company, under which the Petitioner claimed that Cosmos was indebted to the Petitioner for a sum of US$41,591.23 (equivalent to approximately HK$324,000) and interest accrued thereon. A winding-up order was made by a master of the High Court on 2 August 2006. Provisional liquidator has been appointed by the court to manage the affairs of Cosmos on the same date and Cosmos is now in the process of liquidation. Cosmos is a dormant company and the winding up of Cosmos will not have any material impact to the operation of the Group.

40. OPERATING LEASE COMMITMENTS

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

	2008 **HK$'000**	2007 HK$'000
Within one year	**130,914**	134,259
In the second to fifth year inclusive	**122,612**	117,227
	253,526	251,486

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

41. SHARE OPTION SCHEMES

(A) Share option scheme of the Company

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

(i) The purpose was to provide incentives to:

- award and retain the participants who have made contributions to the Group, including CFSG and its subsidiaries ("CFSG Group"); or

- attract potential candidates to serve the Group for the benefit of the development of the Group.

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

(iii) The maximum number of shares in respect of which share options might be granted under the Share Option Scheme must not exceeded 10% of the issued share capital of the Company as at the date of approval of the Share Option Scheme and such limit might be refreshed by shareholders in general meeting. The maximum number of shares was 18,050,514 shares (as adjusted on 10 June 2008 due to share consolidation), representing around 10% of the issued share capital of the Company as at the date of this annual report. However, the total maximum number of shares which might be issued upon exercise of all outstanding share options granted and yet to be exercised under the Share Option Scheme and any other share option scheme must not exceed 30% of the shares in issue from time to time.

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

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

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

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

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

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

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

- the nominal value of the Company's share.

41. SHARE OPTION SCHEMES (continued)

(A) Share option scheme of the Company (continued)

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

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

		Exercise price per share (Note (3))			Number of share options							
Name of scheme	Date of grant	Before 6.6.2008 HK$	After 6.6.2008 HK$	Exercise period	outstanding as at 1.1.2007	granted in 2007 (Note (1))	exercised in 2007 (Note (2))	outstanding as at 31.12.2007 and 1.1.2008	adjusted on 6.6.2008 (Note (3))	lapsed in 2008	reallocated upon change of directorate	outstanding as at 31.12.2008
Directors												
Share Option Scheme	13.11.2006	0.323	1.615	13.11.2006 — 12.11.2008	16,000,000	—	—	16,000,000	(12,800,000)	(3,200,000)	—	—
	6.6.2007	0.490	2.450	6.6.2007 — 31.5.2009	—	10,000,000	—	10,000,000	(8,000,000)	—	(500,000)	1,500,000
					16,000,000	10,000,000	—	26,000,000	(20,800,000)	(3,200,000)	(500,000)	1,500,000
Employees												
Share Option Scheme	13.11.2006	0.323	1.615	13.11.2006 — 12.11.2008	16,000,000	—	(12,000,000)	4,000,000	(3,200,000)	(800,000)	—	—
	30.5.2007	0.480	2.400	30.5.2007 — 31.5.2009	—	11,700,000	(4,000,000)	7,700,000	(6,160,000)	—	—	1,540,000
	6.6.2007	0.490	2.450	6.6.2007 — 31.5.2009	—	32,300,000	—	32,300,000	(25,840,000)	—	500,000	6,960,000
					16,000,000	44,000,000	(16,000,000)	44,000,000	(35,200,000)	(800,000)	500,000	8,500,000
					32,000,000	54,000,000	(16,000,000)	70,000,000	(56,000,000)	(4,000,000)	—	10,000,000

Notes:

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

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

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

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

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

41. SHARE OPTION SCHEMES (continued)

(A) Share option scheme of the Company (continued)

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

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

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

There were no share options granted and no expense was charged to consolidated income statement for year ended 31 December 2008. The Group recognised the total expenses of approximately HK$1,129,000 for the year ended 31 December 2007 in relation to share options granted by the Company.

(B) Share option schemes of CFSG

(a) CFSG New Option Scheme

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

The major terms of the CFSG New Option Scheme are summarised as follows:

(i) The purpose was to provide incentives to:

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

(ii) The participants included any employees (whether full time or part time), executives and officers (including executive and non-executive directors) and business consultants, agents and legal and financial advisers of the Group.

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

41. SHARE OPTION SCHEMES (continued)

(B) Share option schemes of CFSG (continued)

(a) CFSG New Option Scheme (continued)

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

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

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

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

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

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

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

(b) CFSG Option Scheme

Prior to 3 March 2008, CFSG's share option scheme ("CFSG Option Scheme") was adopted pursuant to an ordinary resolution passed at the special general meeting of CFSG held on 19 February 2002. The major terms of the CFSG Option Scheme are summarised as follows:

(i) The purpose was to provide incentives to:

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

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

41. SHARE OPTION SCHEMES (continued)

(B) Share option schemes of CFSG (continued)

(b) CFSG Option Scheme (continued)

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

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

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

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

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

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

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

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

41. SHARE OPTION SCHEMES (continued)

(B) Share option schemes of CFSG (continued)

(b) CFSG Option Scheme (continued)

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

Name of scheme	Date of grant	Exercise price per share HK$	Exercise period	Notes	Number of share options: outstanding as at 1.1.2007	exercised in 2007 (Note (2))	adjusted on 30.10.2007 (Note (4))	outstanding as at 31.12.2007 and 1.1.2008	exercised in 2008 (Note (2))	lapsed in 2008 (Note (5))	adjusted on 1.5.2008 (Note (6))	outstanding as at 31.12.2008
Directors												
CFSG Option Scheme	7.7.2006	0.296	7.7.2006-31.7.2008	(3)	31,800,000	(31,800,000)	—	—	—	—	—	—
Employees												
CFSG Option Scheme	7.7.2006	0.296	7.7.2006-31.7.2008	(3)	68,500,000	(68,500,000)	—	—	—	—	—	—
	7.7.2006	0.262 (before 4:00 pm on 1.5.2008) 1.310 (after 4:00 pm on 1.5.2008)	7.7.2006-31.7.2010	(1), (3), (4) & (6)	6,000,000	(1,200,000)	624,341	5,424,341	(1,203,000)	(1,834,100)	(2,274,241)	113,000
					74,500,000	(69,700,000)	624,341	5,424,341	(1,203,000)	(1,834,100)	(2,274,241)	113,000
					106,300,000	(101,500,000)	624,341	5,424,341	(1,203,000)	(1,834,100)	(2,274,241)	113,000

Notes:

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

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

Date of exercise	Number of options exercised	Exercise price per share HK$	Weighted average preceding closing price HK$ (Note)
23 April 2007	1,000,000	0.296	0.355
3 July 2007	8,600,000	0.296	0.690
4 July 2007	40,100,000	0.296	0.640
9 July 2007	5,000,000	0.296	0.690
17 July 2007	9,000,000	0.296	0.770
7 August 2007	2,600,000	0.296	0.670
13 August 2007	35,200,000	0.296	0.720
24 April 2008	1,000,000	0.262	3.034
15 July 2008	203,000	1.310	2.993

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

41. SHARE OPTION SCHEMES (continued)

(B) Share option schemes of CFSG (continued)

(b) CFSG Option Scheme (continued)

Notes: (continued)

(3) The closing price of CFSG immediately before the date of grant on 7 July 2006 was HK$0.290.

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

(5) The lapsed options were due to expiry or cessation of employment of participants with CFSG.

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

(C) Share option scheme of Netfield (Bermuda)

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

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

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

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

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

41. SHARE OPTION SCHEMES (continued)

(C) Share option scheme of Netfield (Bermuda) (continued)

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

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

(vii) The acceptance of a share option, if accepted, must be made within the time limit specified in the offer letter (which shall not be later than 5 days from the offer date) with a non-refundable payment of HK$1.00 from the grantee to Netfield (Bermuda).

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

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

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

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

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

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

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

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

42. RETIREMENT BENEFITS SCHEMES

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

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

The employer's contributions to the MPF Schemes charged to the income statement and the forfeited voluntary contributions credited to the income statements amounted to approximately HK$7,730,000 (2007: HK$8,409,000) and HK$46,000 (2007: HK$500,000) respectively for the year ended 31 December 2008.

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

The Group operates various benefits schemes for its full-time employees in the PRC in accordance with the relevant PRC regulations and rules, including provision of housing provident fund, medical insurance, retirement insurance, unemployment insurance, labour injury insurance and pregnancy insurance. Pursuant to the existing schemes, the Group contributes 7%, 5%, 17%, 2%, 0.5% and 0.5% of the basic salary of its employees to the housing provident fund, medical insurance, retirement insurance, unemployment insurance, labour injury and pregnancy insurance respectively. During the year ended 31 December 2008, the Group recognised contributions to the aforesaid benefits schemes of HK$3,930,000 (2007: HK$2,494,000).

43. COMMITMENTS

Capital commitments

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

	2008 **HK$'000**	2007 HK$'000
Capital expenditure commitment in respect of the acquisition of property and equipment contracted for but not provided in the consolidated financial statements	—	30,241

44. RELATED PARTY TRANSACTIONS

The Group had the following significant transactions with related parties:

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

Notes:

(a) During the year ended 31 December 2008, the Group received commission and interest income from margin financing of approximately HK$70,000 (2007: HK$684,000) from substantial shareholders of the Company.

(b) During the year ended 31 December 2008, the Group received commission and interest income from margin financing of approximately HK$148,000 (2007: HK$1,405,000) from certain Directors of the Company.

(c) During the year ended 31 December 2008, the Group received commission and interest income from margin financing of approximately HK$46,000 (2007: HK$225,000) from certain directors of CFSG.

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

(e) During the year ended 31 December 2008, the Group paid rental expenses of approximately HK$11,777,000 (2007: nil) to an associate of the Group.

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

45. POST BALANCE SHEET EVENTS

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

(b) Pursuant to the announcement dated 19 December 2008, CASH Group Limited ("CGL"), a wholly-owned subsidiary of the Company, and CFSG entered into a sale and purchase agreement, pursuant to which, subject to conditions, CFSG will acquire 60% of the equity interests in CASH Retail Management (HK) Limited and its subsidiaries (collectively known as "Retail Group") and the loan due from the Retail Group to CGL, at an aggregate consideration of approximately HK$184 million (subject to adjustment) and CFSG will be granted a purchaser call option to acquire the remaining 40% of the equity interests in the Retail Group at the consideration of approximately HK$116 million (subject to adjustment) at any time from the date of the first completion date up to 31 December 2011. The transaction is conditional and is subject to the approval of the Shareholders of the Company.

(c) Pursuant to the announcement dated 18 February 2009, the Group entered into an agreement to purchase the remaining equity interests of 30% in CASH Frederick Taylor Limited ("CFT") from the minority shareholders at a consideration of HK$1,400,000. Upon completion on 20 February 2009, CFT has been changed from a 70% owned subsidiary to a wholly-owned subsidiary of CFSG.

(d) Pursuant to the announcement dated 20 February 2009, CFSG proposed a rights issue on the basis of 1 rights share for every 2 shares at a subscription price HK$0.45. Under the proposal, not more than 205,702,702 new shares of CFSG shall be issued for raising approximately HK$92.6 million (before expenses). The rights issue of CFSG was completed on 17 April 2009.

(e) On 13 March 2009, 17,300,000 share options ("Share Options") to subscribe for ordinary shares of HK$0.10 each of the Company were granted under the Share Option Scheme. The exercise price of Share Options granted is HK$1.13 per share.

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

(g) On 12 April 2009, the Group entered into a preliminary agreement with an independent third party to dispose a residential property in Hong Kong at the consideration of HK$51,000,000, resulting in a loss on disposal of approximately HK$2,500,000.

46. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Name	Place of incorporation	Nominal value of issued and fully paid ordinary share capital/ registered capital	Voting power held by the Company		Proportion of nominal value of issued share capital held by the Company		Principal activities
			2008	2007	**2008**	2007	
			%	%	**%**	%	
CFSG	Bermuda	HK$41,140,541	**54.09***	51.03	**48.32**	45.27	Investment holding
CASH Asset Management Limited	Hong Kong	HK$200,000	**54.09**	51.03	**48.32**	45.27	Provision of asset management services
CASH E-Trade Limited	Hong Kong	HK$4,000,000	**54.09**	51.03	**48.32**	45.27	Provision of management services for group companies
CASH Group Limited	BVI	US$1	**100**	100	**100**	100	Investment holding
CASH Retail Management (HK) Limited	BVI	US$1	**100**	100	**100**	100	Investment holding
CASH Payment Services Limited	Hong Kong	HK$2	**54.09**	51.03	**48.32**	45.27	Provision of payment gateway services for group companies
Celestial Capital Limited	Hong Kong	HK$27,000,000	**54.09**	51.03	**48.32**	45.27	Provision of corporate finance services, investment and financial advisory services
Celestial Commodities Limited	Hong Kong	HK$10,000,000	**54.09**	51.03	**48.32**	45.27	Futures and options broking and trading
Celestial Investments (HK) Limited	Hong Kong	HK$10,000,000	**54.09**	51.03	**48.32**	45.27	Money lending
Celestial Investment Group Limited	BVI	US$10,000	**100**	100	**100**	100	Investment holding
Celestial Securities Limited	Hong Kong	HK$140,000,000	**54.09**	51.03	**48.32**	45.27	Securities, equity options broking and trading, leveraged foreign exchange contracts
icoupon Limited	BVI	US$1	**54.09**	51.03	**48.32**	45.27	Investment holding and trading
Linkup Assets Management Limited	BVI	US$1	**54.09**	51.03	**48.32**	45.27	Investment holding and trading
CFT	Hong Kong	HK$1,000,000	**54.09****	51.03	**48.32**	45.27	Financial advisory consultancy
摩力游(上海)信息科技有限公司# (MOLI China Information Technology Limited)	PRC	US$5,370,000	**100**	100	**100**	100	Online game developer and operator
上海摩力游數字娛樂有限公司## (Shanghai Moliyo Digital Entertainment Limited)	PRC	RMB1,000,000	**100**	100	**100**	100	Online game developer and operator
3C Digital Limited	Hong Kong	HK$100	**60**	60	**60**	60	Retailing of digital products and electrical appliances
3C Electrical Appliances Limited	Hong Kong	HK$1	**100**	60	**100**	60	Retailing of electrical appliances
Libra Capital Management (HK) Limited*** (previously known as E-Tailer Holding Limited)	BVI	US$1	**100**	100	**100**	100	Trading of securities
Lifeztore (HK) Limited	Hong Kong	HK$1	**100**	100	**100**	100	Retailing of furniture and household goods
Praise Joy Limited	BVI	US$1	**100**	100	**100**	100	Investment holding
Think Right Investments Limited	BVI	US$1	**54.09**	100	**48.32**	100	Properties holding
Pricerite Stores Limited	Hong Kong	HK$200,000,000	**100**	100	**100**	100	Retailing of furniture and household goods
Pricerite.com.hk Limited	Hong Kong	HK$2	**100**	100	**100**	100	Retailing of furniture and household goods through corporate sales
Wealthy View Investment Limited	BVI	US$10	**100**	100	**100**	100	Investment holding
Richwell Target Limited	Hong Kong	HK$2	**100**	100	**100**	100	Property holding
生活經艶(上海)商貿有限公司# (LifeZtore (Shanghai) Limited)	PRC	HK$24,920,000	**100**	100	**100**	100	Retailing of furniture and household goods

46. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

* The Group holds 48.32% equity interests in CFSG through CIGL. Cash Guardian, a company in which Mr Kwan Pak Hoo Bankee has a beneficial interest and is also a director, holds 2.75% equity interest in CFSG. Cash Guardian has agreed that it will cast all votes at all shareholder's meeting of CFSG, in accordance with the voting decision of the Company at all times. Mr Kwan Pak Hoo Bankee, Mr Lin Che Chu George and Mr Law Ping Wah Bernard, Directors of the Company, who have 0.48%, 0.96% and 1.58% equity interests and voting power respectively in CFSG, have agreed that they will not vote against the voting decision of the Company at all times. This arrangement is effective and enforceable until the year end of 2009. In the opinion of the Directors, this arrangement can be extended at a minimal cost. As a result, the Group is able to control the voting power at all the general meetings of CFSG. Accordingly, CFSG is accounted for a subsidiary of the Company.

** The Group controls a 70.00% of voting power at general meetings of CFT through the 54.09% of voting power interest in CFSG.

*** E-Tailer Holding Limited has changed its name to Libra Capital Management (HK) Limited with effect from 16 January 2009.

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

\#\# Domestic enterprise with limited liabilities established in the PRC. 上海摩力游數字娛樂有限公司 (Shanghai Moliyo Digital Entertainment Limited) is indirectly held by the Company through the declarations of trust executed by 魏麗 (Wei Li) and 譚靜琳 (Tan Jing Lin) who hold the interest in 上海摩力游數字娛樂有限公司 (Shanghai Moliyo Digital Entertainment Limited) of 80% and 20% respectively.

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

Five-Year Financial Summary

The summary of the consolidated results and assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements and restated as appropriate, is set out below:

	Year ended 31 December				
	2008	2007	2006	2005	2004
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000 (restated) (Note)
RESULTS					
Revenue	**1,312,746**	1,665,452	816,622	588,145	1,124,389
(Loss) Profit before taxation	**(387,081)**	169,723	59,300	(30,058)	(161,638)
Taxation (charge) credit	**(9,425)**	(30,079)	(5,939)	2,999	(356)
(Loss) Profit for the year	**(396,506)**	139,644	53,361	(27,059)	(161,994)
Attributable to:					
Equity holders of the Company	**(358,113)**	51,902	32,057	(37,022)	(143,954)
Minority interests	**(38,393)**	87,742	21,304	9,963	(18,040)
	(396,506)	139,644	53,361	(27,059)	(161,994)

	As at 31 December				
	2008	2007	2006	2005	2004
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000 (restated) (Note)
ASSETS AND LIABILITIES					
Property and equipment	**172,019**	109,252	98,750	12,802	100,497
Prepaid lease payments (non-current)	**15,548**	15,963	16,378	—	48,244
Investment property	**—**	5,000	5,000	—	—
Investment securities	**—**	—	—	—	10,800
Goodwill	**192,547**	233,115	212,027	17,426	57,199
Interest in associates	**111,684**	65,778	—	103,870	—
Intangible assets	**55,929**	68,255	68,712	11,261	9,092
Other non-current assets	**83,685**	36,260	51,864	68,324	32,680
Current assets	**1,486,561**	2,641,543	1,856,640	1,051,541	1,276,366
Total assets	**2,117,973**	3,175,166	2,309,371	1,265,224	1,534,878
Current liabilities	**1,353,062**	2,025,791	1,700,728	821,420	1,065,490
Long term borrowings	**128,271**	1,249	32,277	79,564	81,286
Other non-current liabilities	**7,921**	7,919	9,035	159	—
Total liabilities	**1,489,254**	2,034,959	1,742,040	901,143	1,146,776
Net assets	**628,719**	1,140,207	567,331	364,081	388,102
Equity attributable to equity holders of the Company	**258,395**	648,001	304,955	183,344	220,565
Equity component of convertible loan notes and share option reserve of a listed subsidiary	**—**	88	2,496	1,464	1,451
Minority interests	**370,324**	492,118	259,880	179,273	166,086
	628,719	1,140,207	567,331	364,081	388,102

Note: During the year ended 31 December 2005, the Group has adopted the New HKFRSs which resulted in changes in accounting policies for the 2005 and prior accounting years. The financial summary for prior years has been adjusted to take up the retrospective effects on HKFRS 2 "Share-based payment", HKAS 32 "Financial Instruments: Disclosure and Presentation" and HKAS 17 "Lease".

Definitions

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

"ARTAR"	Abdulrahman Saad Al-Rashid & Sons Company Limited, a substantial shareholder of CFSG
"Audit Committee"	the audit committee of the Company established pursuant to the CG Code of the Listing Rules
"Board"	the board of Directors
"Cash Guardian"	Cash Guardian Limited, a company incorporated in the British Virgin Islands; a substantial Shareholder of the Company and an associate of Mr Kwan Pak Hoo Bankee
"Celestial Capital"	Celestial Capital Limited, a company incorporated with limited liability in Hong Kong, is a non-wholly-owned subsidiary of the Company via CFSG. It is a licensed corporation under the SFO which is engaged in types 1 (dealing in securities) and 6 (advising on corporate finance) regulated activities
"Celestial Commodities"	Celestial Commodities Limited, a company incorporated with limited liability in Hong Kong, is a non-wholly-owned subsidiary of the Company via CFSG. It is a licensed corporation under the SFO which is engaged in type 2 (dealing in futures contracts) regulated activity
"Celestial Securities"	Celestial Securities Limited, a company incorporated with limited liability in Hong Kong, is a non-wholly-owned subsidiary of the Company via CFSG. It is a licensed corporation under the SFO which is engaged in type 1 (dealing in securities) regulated activity
"CEO"	the chief executive officer of the Company
"CFO"	the chief financial officer of the Company
"CFSG"	CASH Financial Services Group Limited (stock code on Main Board: 510), a company incorporated in Bermuda with limited liability and whose shares are listed on the Main Board with effect from 3 March 2008, is a non-wholly-owned subsidiary of the Company. The shares of CFSG were listed on GEM (stock code on GEM: 8122) prior its listing on the Main Board
"CFSG Group"	CFSG and its subsidiaries
"CFSG New Option Scheme"	a new share option scheme adopted by CFSG to replace the CFSG Option Scheme pursuant to an ordinary resolution passed at the special general meeting of CFSG held on 22 February 2008, which took effect on 3 March 2008
"CFSG Option Scheme"	the share option scheme adopted by CFSG pursuant to an ordinary resolution passed by the shareholders of CFSG on 19 February 2002 and was terminated on 3 March 2008
"CFS"	Celestial Financial Services Limited, a company incorporated in the British Virgin Islands with limited liability. It is a non-wholly-owned subsidiary of the Company via CFSG and is the direct holding company of CFT
"CFT"	CASH Frederick Taylor Limited, a company incorporated in Hong Kong with limited liability, is an non-wholly-owned subsidiary of the Company via CFSG. It engages in wealth management business
"CG Code"	the Code on Corporate Governance Practices as contained in the Listing Rules
"CG Period"	the period covering the financial period ended 31 December 2008 and up to the date of this annual report to which the CG Report is inscribed

Definitions

"CG Report"	the corporate governance report of the Company covering the CG period as required to be included in this annual report under the Listing Rules
"CGL"	CASH Group Limited, a company incorporated in the British Virgin Islands with limited liability, is a wholly-owned subsidiary of the Company
"CIGL"	Celestial Investment Group Limited, a company incorporated in the British Virgin Islands with limited liability, is a wholly-owned subsidiary of the Company. It is also a controlling shareholder of CFSG
"Company" or "CASH"	Celestial Asia Securities Holdings Limited (stock code: 1049), a company incorporated in Bermuda with limited liability and whose shares are listed on the Main Board
"Connected Clients"	Mr Kwan Pak Hoo Bankee and Mr Law Ping Wah Bernard (the executive directors of each of the Company and CFSG), Mr Wong Kin Yick Kenneth (ex-director of each of the Company and CFSG), Mr Cheng Man Pan Ben (an executive director of CFSG) and Mr Lin Che Chu George (an executive Director of the Company), Cash Guardian (a substantial Shareholder of the Company), and ARTAR (a substantial shareholder of CFSG), and Kawoo Finance Limited (a then wholly-owned subsidiary of the Company and became a wholly-owned subsidiary of CFSG since 31 July 2008) and Libra Capital Management (HK) Limited (formerly E-Tailer Holding Limited) (a wholly-owned subsidiary of the Company), all of which, except Kawoo Finance Limited and Libra Capital Management (HK) Limited, are now connected persons of the Company (as defined under the Listing Rules)
"COO"	the chief operating officer of the Company
"CRMG" or "CRMG Group"	CASH Retail Management Group Limited, a company incorporated in the British Virgin Islands with limited liability, together with its subsidiaries and the Retail Group which engage in all retail management businesses of the Group. The CRMG Group are wholly-owned subsidiaries of the Group
"Directors"	the directors of the Company
"ED(s)"	the executive Director(s) of the Company
"GEM"	the Growth Enterprise Market of the Stock Exchange
"Group" or "CASH Group"	the Company and its subsidiaries
"Hong Kong" or "HKSAR"	the Hong Kong Special Administrative Region of the PRC
"INED(s)"	the independent non-executive Director(s) of the Company
"Listing Rules"	The Rules Governing the Listing of Securities on the Stock Exchange
"Main Board"	the main board of the Stock Exchange, which excludes GEM
"Margin Financing Arrangement"	the grant of margin financing facilities by CFSG to the Connected Clients, details of which are disclosed in the sub-section headed "Continuing Connected Transactions" in the directors' report of this annual report
"Model Code"	the required standards of dealings regarding securities transactions by Directors or the Model Code for Securities Transactions by Directors of Listed Issuers as set out in the Listing Rules
"Moli" or "Moli Group"	Netfield (Bermuda) and its subsidiaries, which mainly operate and develop online games in the PRC and Taiwan, are wholly-owned subsidiaries of the Company
"NED(s)"	the non-executive Director(s) of the Company

Definitions

"Netfield (Bermuda)"	Netfield Technology Limited, a company incorporated in Bermuda with limited liability. It is a wholly-owned subsidiary of the Company and the holding company of the Moli Group
"Netfield (BVI)"	Netfield Technology Limited, a company incorporated in the British Virgin Islands with limited liability, is a subsidiary of the Moli Group
"PE ratio"	price-to-earning ratio
"PRC"	the People's Republic of China
"Principles"	a set of corporate governance principles adopted by the Board
"Remuneration Committee"	the remuneration committee of the Company established pursuant to the CG Code of the Listing Rules
"Retail Group"	CASH Retail Management (HK) Limited (a company incorporated in the British Virgin Islands with limited liability) and its subsidiaries, which mainly engage in retail business in Hong Kong, are currently wholly-owned subsidiaries of the Group. The Retail Group are, subject to conditions precedent, to be transferred to CFSG Group as more particularly set out in the joint announcement issued by the Company and CFSG dated 19 December 2008
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	ordinary shares of HK$0.10 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong

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