CASH 時富

時機把握
富足一生

Celestial Asia Securities Holdings Limited

(Stock Code: 1049)

Annual Report 2007

Having built a firm foothold in Hong Kong, the Group is committed to further developing into a leading service conglomerate in China with a global perspective. As we celebrate the 10th anniversary of CASH in 2008, we will take bold steps in the next decade to "*open the door to China*" and further develop the market by devoting more resources in it. We believe that the Mainland market will be our growth engine in the future.

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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.

CASH has a growing network of more than 25 offices across the China region, employing over 2,400 people providing unparalleled services to our customers. 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, LZ LifeZtore 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, including furniture, houseware, digital products and electrical appliances.

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 Top 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.

LZ LifeZtore is a total solution provider for home lifestyle products. We are committed to providing customers with ultimate shopping excitement through a "FUNctional" approach via our own design furniture and home accessories, which are functional and with a twist of fun. LZ LifeZtore offers customers inspirational design ideas based on its "ORIwest" concept, a unique fusion of Oriental and Western styles. Customers, who pursue a lively, individual lifestyle will be inspired by LZ LifeZtore's quality designed products, exhilarating store environment and totally committed customer service. Currently, LZ LifeZtore operates in both Hong Kong and Shanghai. Our commitment to service excellence has been widely recognised and brought our staff members numerous awards. These include Service and Courtesy Awards from the Hong Kong Retail Management Association, and Distinguished Service Awards from the Hong Kong Management Association.

ENTERTAINMENT PORTAL

Moli Group is a fully-fledged service provider of online entertainment, with superior research and development (R&D) 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. Currently, Moli has over 20 offices in the main cities in Mainland China and an operations centre in Taiwan. 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)
WONG Kin Yick Kenneth (ED)

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

QUALIFIED ACCOUNTANT

YUEN Pak Lau Raymond, CPA

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants

SOLICITORS

Sidley Austin

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

WEBSITE

www.cash.com.hk

STOCK CODE ON MAIN BOARD : 1049

CONTACTS

Telephone : (852) 2287 8888
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Corporate Information

COMPANY SECRETARY

LUKE Wing Sheung Suzanne, FCIS

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

21/F The Center
99 Queen's Road Central
Hong Kong

AUTHORISED REPRESENTATIVES

KWAN Pak Hoo Bankee
(alternate: WONG Kin Yick Kenneth)
LAW Ping Wah Bernard
(alternate: LUKE Wing Sheung Suzanne)

REGISTRARS AND TRANSFER OFFICE IN HONG KONG

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

PRINCIPAL BANKERS

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

Dear Fellow Shareholders,

The CASH Group enjoyed another year of solid development in 2007, with strong and consistent growth in our core businesses. CASH Financial Services Group continued to perform well and achieved record net profits. With its strong fundamentals, a formidable range of international financial products and a stable team of dedicated professionals, it is high time we transferred the listing to the main board of the Hong Kong Stock Exchange to create more value for shareholders.

Our devotion to quality products and services has provided Pricerite with a sound foundation and has now started to bear fruit. Along with improved operating efficiency, a double-digit growth in profits was recorded in 2007. This upward trend is continuing. Our online game business also recorded a turnaround profit. With our commitment to becoming an influential entertainment portal in China, offering a wide range of online entertainment content to cater for different users, prospects are encouraging. While our lifestyle business is still in the investment stage, its future is promising, especially following our realignment of resources and re-focus on the emerging middle class in Mainland China.

CASH continues to pursue its "total caring" culture. We have maintained close relationships with social service partners, such as Hong Kong Christian Service and UNICEF, and are striving to become a "Total Caring Organisation". At CASH, we fully understand that our business is built on the long-term benefits of people at large. As such, we conscientiously manage business growth. We believe that sustaining the environment and our society will in turn support sustainable growth in our business, and vice versa. CASH is therefore committed to partnering with key stakeholders to work towards the sustainable development of our business, our environment and our society.

Chairman's Letter

Since 1998, we have been diligently transforming the CASH Group from a pure brokerage into a multi-faceted service conglomerate. Having built a firm foothold in Hong Kong, the Group is committed to further developing into a leading service conglomerate in China with a global perspective. In March 2008, we moved into our self-acquired office building in Shanghai to put down roots in this important Mainland financial metropolis. Mainland China recorded 11.9% GDP growth in 2007, with total retail sales of consumer goods growing 16.8%. With the imminent opening up of the financial market, our growth potential in Mainland China is enormous. As we celebrate the 10th anniversary of CASH in 2008, we will take bold steps in the next decade to further develop the Mainland market by devoting more resources to it. We believe that the Mainland market will be our growth engine in the future.

Looking ahead, the lacklustre US economy is likely to continue to affect the global economy in 2008. However, Hong Kong should still benefit from Mainland China's robust growth, despite the slowdown brought by various economic tightening measures. The Group's diversified businesses in Mainland China, spanning financial services, retailing, lifestyle and online gaming, should provide a strong base and position us well for future growth.

I would like to express my gratitude to the Board of Directors and the management team for building up CASH's solid core values and disciplined execution in order to deliver value to stakeholders. My gratitude also goes to the whole staff team for their hard work, dedication and contributions over the past year.

Yours sincerely,

Bankee Kwan

Bankee P Kwan
Chairman

Financial Review

FINANCIAL PERFORMANCE

For the year ended 31 December 2007, the Group recorded revenue of HK$1,665.5 million as compared to HK$816.6 million in the previous year. The increase in revenue was partly due to the significant growth in financial services income recorded by the Group's financial services division (CFSG) for the current year, and partly due to having consolidated the revenue of the retailing management division (CRMG) for the full year of 2007 subsequent to the completion of its acquisition by the Group in June 2006.

Taking into account the operating profits of CFSG and the Group's online game business (Moli Group, the holding company being Netfield) and the operating loss of CRMG, the Group recorded a net profit attributable to Shareholders of HK$51.9 million for the year ended 31 December 2007 as compared to HK$32.1 million for the previous year.

Financial Services – CFSG

For the year ended 31 December 2007, CFSG achieved a net profit attributable to shareholders of HK$207.8 million as compared to HK$39.9 million as recorded in the previous year. Such a significant increase was mainly attributable to an improved performance of CFSG's broking business.

CFSG recorded revenue from its financial services of HK$671.4 million for the year ended 31 December 2007 as compared to HK$346.1 million for the previous year. The increase was attributable to the significant growth in CFSG's brokerage business and interest income from its financing activities for the year, which in turn, was mainly due to the buoyant stock markets in Hong Kong and the PRC throughout 2007.

Retail Management – CRMG

CRMG still recorded a net loss for the year ended 31 December 2007 even though Pricerite had already recorded a profit of HK$34.6 million for the year under review. Benefiting form the stable growth in the Hong Kong economy and the territory's property boom in the second half of the year, Pricerite recorded a mild growth in revenue to HK$665.7 million for the current year (2006: HK$642.7 million) while achieving a continued improvement in its gross profit margins for the household products amid the recent rises in merchandising costs as a result of the appreciation of RMB against Hong Kong dollar. The achievement was partly due to the local strong domestic consumption and partly due to Pricerite's consistent improvement in its services and products quality and operational effectiveness, including the recent overhaul brand rejuvenation for its retail network. The Group's other retail businesses, namely 3C Digital and LZ LifeZtore, still recorded operating losses during the year under review. Without having succeeded in turning around 3C Digital's unsatisfactory results, the Group had decided to downsize its digital retail business and moved the 3C Digital stores into certain Pricerite shops as digital corners by the end of the year. During the year, LZ LifeZtore had opened two new stores in Shanghai and at the same time closed down one store in Hong Kong in order to devote more of the Group's resources to the expansion of its retail business in the PRC market. LZ LifeZtore, still in the early investment stages, had yet to make any profit contribution to the Group even though the year of 2007 had seen a strong growth in the top line of the new stores.

Financial Review

Online Game Business – Moli Group

For the year ended 31 December 2007, Moli Group recorded a turnaround profit of HK$5.4 million from an operating loss recorded in the previous year. It had seen its revenue grow by 3.6 times to HK$169.7 million over the previous year subsequent to the commercial launch of "CABAL", its first licensed 3-D massively multiplayer online role-playing game ("MMORPG") in PRC at the beginning of the year. Subsequent to the successful launch of "CABAL" and its first in-house developed 3-D MMORPG "King of Pirate", Moli Group continued to launch new games, either developed in-house or licensed from overseas developers, on a regular basis on various styles of storylines and designs to expand and diversify its game portfolio. By diversifying its game portfolio and licensing these games to the operators in overseas regions and countries, Moli Group, in the long run, will cater to all the major market segments and player demographics, which, in turn, will generate a scaleable income to the Group for the years to come.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's total equity amounted to HK$1,140.2 million on 31 December 2007 as compared to HK$567.3 million at the end of the previous year. The improvement, apart from the net profit reported for the year, was mainly attributed to the issue of a total of 230.3 million new Shares in the Company, raising approximately HK$315.2 million (before expenses) to strengthen the capital bases during the year.

On 31 December 2007, our cash and bank balances were HK$1,348.2 million as compared to HK$821.2 million at the end of the previous year. The increase in cash and bank balances was the combined results of the cash generated from the operating profit of CFSG, the proceeds raised by the aforesaid issue of new Shares in the Company, the proceeds raised upon completion of a 5 for 2 rights issue by CFSG in November 2007 and an increase in clients' deposits of CFSG at the year-end date. CFSG's clients would like to place more readily liquid fund with CFSG for catching instant investment opportunities under active market conditions. The liquidity ratio on 31 December 2007 remained healthy at 1.3 times as compared with 1.1 times on 31 December 2006.

Our total bank borrowings on 31 December 2007 were HK$326.0 million as compared with the total bank borrowings of HK$437.5 million on 31 December 2006. The substantial decrease in borrowings was partly due to partial repayments of the bank borrowings with the net proceeds raised by the aforesaid rights issue by CFSG in November 2007, and partly due to the reduction in margin financing needs by CFSG's clients in the last quarter of 2007 as a result of the unfavourable investment sentiment caused by the recent sub-prime crisis in USA and the global credit crunch.

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

As at 31 December 2007, the Group's property at its market value of approximately HK$60.0 million was pledged to secure a bank term loan and general banking facilities granted to us.

Financial Review

The ratio for our interest bearing borrowings to total equity was 0.29 on 31 December 2007 as compared to 0.77 on 31 December 2006.

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

In March 2007, the Group disposed of all the remaining 7.89% shareholding interest in a listed company now known as Oriental Ginza Holdings Limited (stock code: 996) at a total consideration of about HK$19.8 million. The sale of investments resulted in a gain of approximately HK$0.5 million for the Group for the year.

In June 2007, the Group acquired the whole interest in Moli Group from CFSG at a final consideration of HK$120 million. The acquisition was approved by the independent Shareholders of the Company at a special general meeting held on 23 April 2007.

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

Subsequent to the balance sheet date in January 2008, Netfield, a subsidiary of the Company, issued a total of 60,000 new shares to an independent third party at a subscription price of US$100 per share, raising new funds of US$6 million (before expenses) to develop and expand the online game business. The transaction resulted in the dilution of the Group's interest in Netfield from 100% to 96.6% and was regarded as a deemed disposal of the Company. This resulted in a gain on deemed disposal of approximately HK$46.2 million for the Group in 2008.

Save as aforesaid, the Group did not make any material acquisitions or disposals during the year ended 31 December 2007.

Financial Review

CAPITAL COMMITMENTS

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

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

MATERIAL INVESTMENTS

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

Save as 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.


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FINANCIAL SERVICES GROUP
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Management Discussion and Analysis

INDUSTRY AND ECONOMIC REVIEW

Economic growth in 2007 remained strong, with GDP growth reaching 6.3% in real terms. Domestic demand was an important driver amid upbeat consumer and business confidence. Total employment expanded more than the labour force, helping the unemployment rate average 4.0% in 2007, noticeably down from 5.6% in 2005 and 4.8% in 2006.

The Hong Kong stock market continued to be buoyant throughout 2007, with a robust growth in the second half of the year after the US began to cut interest rates to stimulate its economy. The bellwether indices as well as market turnover soared to record highs, fuelled by optimism over the 2008 Beijing Olympics, Renminbi-denominated asset appreciation, and possible implementation of thru-train investment scheme to the Hong Kong stock market by the Mainland individuals. The Hang Seng Index reached a historic high of 31,958 on October 30 and subsequently concluded the year with a 39% increase. In addition, the daily market turnover and the single day ups-and-downs also made new records during the fourth quarter. On the back of these market records, continued influx of liquidity, and strong investors' sentiment, average daily market turnover reached HK$88 billion, an 159% increase compared to the same period last year.

The Hong Kong retail sector remained robust during 2007, with total retail sales increasing 12.8% in value and 10.1% in volume over 2006. Polarisation of consumption persisted. Interest rate cuts fuelled a strong rise in the property market in 2007. As a result, total retail sales of furniture and fixtures in Hong Kong grew 11.1% during the year. However, surging rents, labour shortages, increasing labour costs, escalating operating and merchandising costs due to the RMB's appreciation against the Hong Kong dollar continued to present challenges to the retail operating environment.

BUSINESS REVIEW AND OUTLOOK

Financial Services – CASH Financial Services Group

China Development

Our key strategy in 2007 was our positioning in China. Business potential in the Mainland seems unprecedented in recent history as deregulation in the financial sector continued to accelerate. The market is poised to take off thanks to the high savings rate, strong pent-up demand for investment vehicles, and rapid product innovation. To capture these market opportunities and capitalise on these exciting changes, we acquired an office building in Shanghai in preparation to set up our Mainland headquarters there, where we have had a representative office for many years, to further strengthen our capacity and sales network.

The headquarters in Shanghai is strategically placed to lead our future growth in China. Our Hong Kong head office will gear up its execution and control capability to underpin the development in China and remain as a sales and management centre. In addition to the headquarters in Shanghai and operation support centre in Shenzhen, we plan to extend our network in China by setting up branch offices in Chongqing and Beijing by mid 2008. These local offices will carry our brand and serve as contact points for potential clients and marketing means for publicity.

Over the past years, we have developed a network of financial services partners and formed strategic alliances with a number of well-known brokerage firms in the Mainland. These tie-ups have been instrumental in bringing in new co-marketing opportunities from Mainland expand our network, and strengthen our brand.

Our investment banking group started to market its business to the Mainland enterprises since the late nineties. It has developed a good network of connections with corporations, local government offices and regulatory bodies, particularly in the provinces of Shandong, Shanxi, Henan, and Guangxi. Many of these relationships have been long-standing and trustworthy. To further strengthen and nurture these established connections, we plan to setup representative offices in these provinces during 2008. These offices will also serve as liaison offices for other business units.

Our plan is to position the operations in Hong Kong as a fully-fledged sales and execution centre equipped with a full range of product selection, a scaleable and stable platform with a technologically advanced system to provide a boundary-less and interactive service experience.

Securities Broking

We successfully increased our market share as a result of our strategy to bring in a mix of active trading business to our mature and stable brokerage component over the past year. The new business was originally brought in to compensate for the impact of reduced commission on the industry. The result of this new addition has not only increased our revenue, but also raised our securities turnover. What was more significant was that the investments in I.T., management and people in the past to build up a reliable and scalable trading platforms, and broaden our delivery channels have helped us meet the continued increase in trading volume without compromising our service quality at all time.

With the addition of the active trading business and the abundant inflow of international funds into Hong Kong in anticipation of the appreciation of RMB and RMB denominated assets, our securities turnover increased by more than 1.5 times last year. This was also partly attributable to the large inflow of funds after the announcement that Mainland individuals would be allowed to invest directly in the Hong Kong stock market and the commencement of QDII investments. Though the IPO market was not as strong as 2006 in terms of total funds raised, that did not seem to impact the confidence of the investing public. The strong appetite for IPO subscriptions increased the demand for margin financing which was another component of our revenue.

Wealth Management

The wealth management business made a number of significant changes including the re-engineering of its pricing and payout scheme to attract and retain sales professionals over the past year. In addition, it strengthened the recruitment to nearly double the number of sales representatives. As a result of these changes, its sales revenue increased by a high double-digit and the earnings before interest and tax doubled. With a view to enhancing its service experience, the business unit launched an after-sale survey, a pioneer in its field, to gather feedback and strengthen client relationships.

Asset Management

The asset management business is a showcase of our successful strategy of product and income diversification over the years. The service provides us with a lever to tap into the high-net-worth segment where demand for personalised professional asset management service is growing. The business model provides us with a growing opportunity to increase our base income with considerable incentive revenues earned when we achieve higher returns for our clients. Over the past year, the portfolio of our asset management business doubled in value, thanks to the general market strength and good investment strategies. A number of portfolios have recorded out-performance. Income generated from portfolio management and performance has nearly doubled.

Investment Banking Group

In investment banking, corporate activities such as M&As, secondary fund raisings, assets injections seemed to have dominated the market. After a record 2006, IPOs remained robust. Under this favourable environment, the investment banking unit was particularly active in financial advisory and special transactions. It continued to look for IPO sponsorships opportunities for emerging private and state-owned enterprises in China. Its strategic focus was to broaden and deepen client relationships with medium-sized companies and to finalise a number of transactions initiated earlier. We believe that our expertise in special transactions with a global perspective is our key competitive edge to cater for Mainland enterprises to go to the international market.

Main board listing

We set our corporate objectives four years ago to achieve a respectable growth rate and to change our listing to the main board. As we have achieved all our financial targets and strategically positioned ourselves to participate in the eventual opening up of the financial markets in China, it is our belief that time is right to move our listing to the main board and we accomplished the migration on 3 March 2008 (stock code 510).

Mainland Headquarters
The Point – Jing An, Shanghai

Outlook

2008 is the year for building up our platform and strategically establishing our business momentum in China. We are determined to expand our existing networks which are pivotal to business referrals in securities broking, wealth management, and investment banking business. Specifically, we plan to set up two new sales offices and four representative offices to complement our branches in Shanghai and Shenzhen.

The Group is generally optimistic about the business outlook for 2008. Hong Kong's GDP is expected to show a reasonable growth of 4.3% while liquidity remains abundant in anticipation of the Renminbi-asset appreciation and continued high growth in the Mainland. The expectation of interest rate cuts in the US and the rising negative real interest rates in the territory will continue to boost the Hong Kong property market.

Granted, there are challenges and factors ahead that could affect the global and local investment environment, such as the global credit crunch, continued consumer and food price inflation, severe slowdown of the US economy, tension in the Middle East which has resulted in high energy prices, and China's macroeconomic tightening and its impact on the rest of the world.

Locally, we have built a strong platform that positions us favourably as we aim to accelerate the pace of growth. With the PRC market as our future expansion focus, we continue to equip our platform with multi-faceted and diversified capabilities in anticipation of the eventual opening up of the financial markets in the Mainland. In the meantime, we will continue to collaborate with Mainland securities and brokerage firms for co-marketing opportunities. Overall, we will continue to diversify our revenue mix through strengthening existing businesses, enriching product types, and sourcing new income streams in concert with our business development in China. Our goal is to position CFSG as clients' financial services house of choice that has comprehensive product offerings to meet their diverse financial needs and values their business relationships.


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Retail Management – CASH Retail Management Group

Pricerite

The retail operating environment continued to be challenging in 2007. Soaring rentals, labour shortages, escalating operating costs, and surging merchandising costs due to the appreciation of the RMB against the Hong Kong dollar all put pressure on retailers. Despite this, Pricerite still managed to report double-digit growth in profits. This remarkable achievement was mainly attributable to the continuous improvement of Pricerite's services, product quality, product sourcing capabilities, and operating efficiency.

During the year under review, Pricerite further refined its merchandise mix to better suit customers' preferences. We consolidated our lower-margin large electrical appliance range, strengthened the furniture and household product divisions, and improved both our direct sourcing capabilities and the efficiency of our store operations. We also enhanced Pricerite's brand value by launching more targeted and intensive marketing campaigns.

Most importantly, we successfully further improved the quality of our customer service, as demonstrated by the numerous awards we received from the industry and community recognising the strength of our brand and services.

Service awards included a Certificate of Merit in the Hong Kong Awards for Industries Customer Service category, organised by the Hong Kong Retail Management Association, and the Customer Relationship Excellence Awards in the annual regional awards event organised by the Asia Pacific Customer Service Consortium. Pricerite's frontline professionals continued to excel in the Hong Kong Management Association's Distinguished Salesperson Awards in 2007, the fourth consecutive year that Pricerite's staff gained such recognition.

Priceite also obtained Top Service Brand accreditation from the Hong Kong Brand Development Council and the Chinese Manufacturers' Association of Hong Kong, a Best Potential Brand Enterprise Award from the Hong Kong Productivity Council, a Hong Kong and Macau Merchants of Integrity Award from the Guangzhou Daily, Superbrands accreditation from the Superbrands organisation.

To extend our "Caring" philosophy to the community, Pricerite partnered the Hong Kong Institute of Architects and Hong Kong Christian Service in "Building • Power", a community project that sought to improve the living conditions of underprivileged families. Furniture and home appliances were replaced and renovations carried out for a number of families in different areas of the city, including Sham Shui Po and Tin Shui Wai. The project received an Outstanding Partnership Project Award 2006/2007 from the Hong Kong Council of Social Service.

Pricerite will continue to advance operating efficiency, and extend its "Caring" philosophy to the community and environment as well as customers and employees.

3C Digital

Interest rate cuts and the continuous depreciation of the US and Hong Kong dollars saw escalating rental and operating costs affect retailers. This led to further refinement of the business model for our trendy digital product business. We moved our 3C Digital stores into certain Pricerite shops as digital corners. We will continue to develop innovative and personalised services, and broaden the range of digital products for our customers.


LZ 生活经艳

LZ

LZ LifeZtore

LZ LifeZtore is committed to becoming a leading lifestyle home-product provider in China. During the year under review, we devoted more resources to developing our Mainland business. We opened two larger retail outlets in Shanghai, while closing one of our Hong Kong stores with less growth potential. The move provided a solid platform for our next step to extend our network in China.

Brand awareness was further raised by media campaigns. The overwhelming response from a TV promotional campaign contributed to the successful extension of product distribution to high-end strong-growing TV sales channels.

Our established product design team and merchandising expertise provided a FUNctional living experience through world-class designer products and our own signature products, a concept that was well received by the growing middle class in Mainland China.

In 2007, LZ LifeZtore kept one step ahead by introducing its own collection of furniture and home accessories. The series embraced a global vision and the brand concept was further established through participation at international trade fairs and export sales. Products could be found in several countries, including France, Germany, UK, the Netherlands, Switzerland and USA.

LZ LifeZtore is committed to service excellence and, for the second consecutive year, we received both a Service and Courtesy Award (Supervisory Level) from the Hong Kong Retail Management Association and Distinguished Salesperson Awards from the Hong Kong Management Association.

Our dedication to promoting design and creative industrialisation in Mainland China saw a series of events staged with renowned colleges in Shanghai and overseas. These activities achieved their objective of encouraging cross-cultural design.


摩力集团
MOLI Group Limited
Online Media & Entertainment

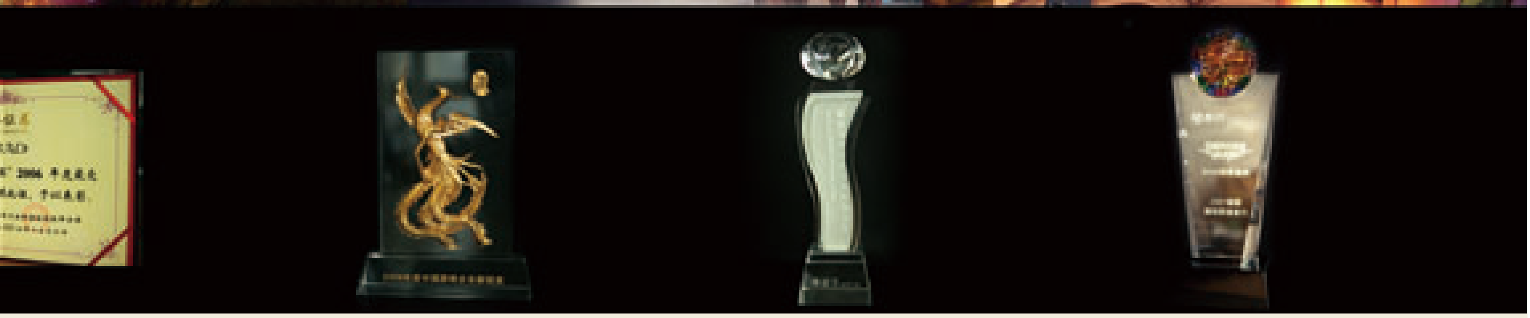

A CASH Group of Companies
时 富 投 资 集 团
摩力集团
上海沂源信息技术有限公司

Entertainment Portal – Moli Group

Moli Group, our online game business, achieved remarkable revenue and user base growth in Mainland China, Taiwan and overseas during the year under review. In the past year, Moli Group expanded its product pipeline, providing a mix of massively multiplayer online role-playing games (MMORPGs), namely King of Pirate, CABAL, Zero of the World, together with casual games, such as Gunbound Online and Dragon Tiger Gate. In addition, a network of more than 20 offices in major cities in Mainland China and Taiwan gave extensive market penetration, enabling Moli Group to cater to changing user preferences and market trends.

Moli Group has won high acclaims in the online game industry over the past year, such as the Best New Online Game Company in the 3rd China Game Industry Annual Conference (CGIAC), Top Ten Customer Service Online Game Company 2007 from 17173 China Remarkable Online Game List, etc. King of Pirate has won the Golden Finger Award of the Best Online Game in Overseas Development from China Software Industry Association. CABAL is awarded with "Top Ten 3D Online Game Award 2007" and "Top Ten Online Game with the Best Music and Audio Effect" from 17173.

Moli Group, a leading international game distributor in Mainland China, has built an effective game distribution platform over the past year. For example, King of Pirate was successfully launched in Taiwan, Hong Kong, Singapore, Malaysia, Thailand and North America in three different language versions. Moli Group has also seen positive reception of products and maintenance services from overseas partners.



The online gaming industry has experienced remarkable growth in the past few years in Mainland China and growth potential remains robust. The situation has enabled Moli Group to both pursue sustainable development and establish a competitive position in the country's online gaming industry. To deliver a total online gaming experience to players, Moli Group strives for operational consistency, customer service excellence and to continuously build on our technological strengths. Moli Group will also utilise our extensive local knowledge to actively extend our operating network to other cities in Mainland China.

Free-to-play (FTP) remains the major operating model for online games launched in Mainland China. Instead of billing players for time spent, players can play games free of charge and enhance their experience by purchasing in-game virtual items and value-added services. Given the proven success of the FTP model, Moli Group will continue to adopt this operating mode in the future. With respect to our product pipeline, Moli Group plans to launch three to five games in 2008, including MMORPGs, casual games and web games.

Development of domestic online games will be the main focus for the online gaming industry due to evolving player tastes and expectations regarding localised game content and features. As domestic online games are gaining more presence and popularity, Moli Group will further strengthen research and development capabilities through local staff recruitment or acquisitions of game development houses.

With our strong foundation and existing links with leading online game operators in different countries, Moli Group will seek to enhance game distribution capabilities by expanding our game portfolio and geographical presence in order to license games to more countries and regions.

Employee Information

At 31 December 2007, the Group had 1,835 employees, of which 283 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$236.7 million.

BENEFITS

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

TRAINING

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

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

BOARD OF DIRECTORS

(Left to right)

George Che-chu LIN *CEO*
Kenneth Kin-yick WONG *ED*
Bankee Pak-hoo KWAN *Chairman*
Bernard Ping-wah LAW *CFO*

Directors and Senior Management

Directors and Senior Management

EXECUTIVE DIRECTORS

Bankee Pak-hoo KWAN

Chairman, MBA, BBA, FFA, MHKSI, CPM(HK), MHKIM, aged 48, joined the Board on 9 March 1998. 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.

Mr Kwan has extensive experience in corporate management, strategic planning, marketing management, financial advisory and banking. He is responsible for the overall business strategy of the Group. Prior to joining the Group, he held several senior executive positions in other listed companies and several leading international banks in Hong Kong. He 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. At present, Mr Kwan is the chairman of the Hong Kong Retail Management Association, an advisor of the Quality Tourism Services 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, a director of the GS1 Hong Kong Board, 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 and a member of the vetting committee for the SME Development Fund of the Trade and Industry Department of the Government of the HKSAR.

Mr Kwan 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.

George Che-chu LIN

CEO, MBA, BEng, aged 44, joined the Board on 1 December 2006. He is in charge of the Group's business development and business management. 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. He has extensive experience in the field of direct investment and management of technology and commercial business in PRC, Taiwan and Hong Kong. Before joining the Group, he had been a fund manager in the investment company and held various senior executive positions in a number of listed companies.

Directors and Senior Management

Bernard Ping-wah LAW

CFO, MBA, FCCA, FCPA, MHKSI, aged 49, joined the Board on 9 March 1998. He is also an executive director of CFSG. Mr Law is in charge of the Group's financial and accounting management. 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 has extensive experience in financial management and accountancy. Before joining the Group, he served as finance director and group financial controller of several Hong Kong listed companies and corporations. Mr Law is also the chief financial officer of CFSG.

Kenneth Kin-yick WONG

ED, MBA, BASc, aged 50, joined the Board on 2 May 2000 and is in charge of the Group's businesses development in the Greater China region and financial services business. Mr Wong is also the chief executive officer of CFSG in charge of its business development and business management. Mr Wong graduated from the Queen's University, Canada in 1981 with a Master's degree of Business Administration and from the University of Toronto, Canada in 1979 with a Bachelor's degree in Applied Science. He has extensive experience in banking and finance. Prior to joining the Group, he held senior management positions in global financial institutions where he was responsible for overseeing the development of various businesses within the Greater China region, and where he gained broad based experience in credit, capital markets, and commercial and institutional banking. Mr Wong is a responsible officer of Celestial Securities. He is the Vice Chairman of the Hong Kong Stockbrokers Association and a founding member of the Hong Kong Professional and Senior Executives Association.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Johnny Ka-kui LEUNG

INED, LL.B, aged 50, joined the Board on 25 October 2000. Mr Leung graduated from the University of London in 1984 with a Bachelor of Laws. Mr Leung has extensive experience in the legal field and is the managing partner of a legal firm in Hong Kong. Mr Leung is the chairman of the Audit Committee and the Remuneration Committee.

Chuk-yan WONG

INED, MSc (Business Administration), BBA, CFA, CGA, aged 46, joined the Board on 3 June 1998. 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 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 is also a member of the Audit Committee and the Remuneration Committee.

Hak-sin CHAN

INED, PhD, MBA, BBA, aged 46, joined the Board on 25 October 2000. 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 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 is also a member of the Audit Committee.

Directors and Senior Management

SENIOR MANAGEMENT

Raymond Kung-chit NG

COO, aged 39, 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 over 15 years of 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.

Raymond Pak-lau YUEN

Deputy CFO, aged 44, is a fellow member of The Association of Chartered Certified Accountants and is also a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants. Mr Yuen joined the Group in November 2000 and has over 18 years of experience in accounting, auditing, financial management and operations control. He is responsible for assisting the CFO to oversee the Group's finance, treasury and accounting functions.

Bob Yau-ching CHAN

Director of Investment, aged 45, 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 over 15 years of 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 35, 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 over 10 years of 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 39, is a fellow of the Institute of Chartered Secretaries and Administrators. Ms Luke joined the Group in May 2000 and has over 15 years of 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 or is more restrictive than all requirements set out in the CG Code. During the CG Period, the Principles had been duly complied with except for the deviations summarised as follows:

CG Code	Deviation and reason
A.2.1 The roles of Chairman and CEO should be separate and should not be performed by the same individual	The defined roles and responsibilities of the CEO shall be placed with a CEO other than the Chairman or if no CEO is appointed, shall be shared and jointly saddled by all EDs. During the period from 1 January 2007 to 7 September 2007, the Company has not maintained a CEO as the roles and responsibilities of the CEO was shared and jointly saddled by all EDs. However, since the appointment of Mr Lin Che Chu George as the CEO on 8 September 2007, the CG Code A.2.1 had been fully complied.

Save for the above, the Company has been in compliance with the CG Code throughout 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:

- 12 meetings of the full Board

- 9 meetings of the EDs

Out of the 12 full Board meetings, 6 of them were held to discuss and/or approve the annual/quarterly financial performance/results of the Group while 6 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.

Corporate Governance Report

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:

		Attendance	
Director	Board capacity	Full Board meetings	ED meetings
Mr Kwan Pak Hoo Bankee	ED & Chairman	12/12	9/9
Mr Lin Che Chu George	ED & CEO	8/12	8/9
Mr Law Ping Wah Bernard	ED & CFO	12/12	9/9
Mr Wong Kin Yick Kenneth	ED	12/12	9/9
Mr Leung Ka Kui Johnny	INED	12/12	N/A
Mr Wong Chuk Yan	INED	12/12	N/A
Dr Chan Hak Sin	INED	11/12	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 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 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 for the Directors;
- review of, approval of and recommendation for (if any) the remuneration package of each Director including benefits in kind, pension right, bonus payment and compensation payable;
- review and approval of performance-based remuneration of each Director (if any) by reference to achievement goals and objectives set by the Board;
- review and approval of the compensation payment to any Director upon his/her cessation of directorship in or employment with the Company; and
- engagement of external professional advisors to assist and/or advise the Remuneration Committee on its duties when necessary and reasonable.

Terms of reference of the Remuneration Committee had been compiled since the establishment of the Remuneration Committee and were endorsed and adopted by the Remuneration Committee. The most updated version of the terms of reference of the Remuneration Committee has been posted onto the corporate website of the Company.

During the CG Period, the Remuneration Committee had held 2 physical meeting for the purpose of considering the remuneration of the Directors.

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 for the Directors;
- review and approval of the remuneration package of each Director including benefits in kind, pension right, bonus payment and compensation payable.

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 will be a lump sum of management fee made annually.

Corporate Governance Report

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 10 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 inscribed 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, no meeting was held by the EDs in resolving for the appointment and the resignation of Directors as there was no change in board members.

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 of the Group;
- providing independent review and supervision of the effectiveness of the internal control of the Group;
- review of the adequacy of the external audits;
- review on the compliance issues with the Listing Rules and other compliance requirements;
- providing independent views on connected transactions and transactions involving materially conflicted interest; and
- consideration and reviewing the appointment of the Auditor and the audit fee.

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 then Audit Committee. The most updated version of the terms of reference of the Audit Committee has been posted onto the corporate website of the Company.

During the CG Period, the Audit Committee had held 6 physical meetings for discussing and/or approving the periodic financial results of the Group.

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	6/6
Mr Wong Chuk Yan	INED	6/6
Dr Chan Hak Sin	INED	5/6

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.

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	4,000
Non-audit services	4,457
Total	8,457

The audit services include the audit for the annual accounts of the Group. The non-audit services included the reporting accountant and internal control services required under the Listing Rules for corporate transactions of the Group which took place during the financial period under review.

Corporate Governance Report

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. The review 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, 21 April 2008

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 first quarter, the half-yearly, the third quarter, 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 of the remuneration and the terms of engagement of the auditor for both audit service and non-audit services for the financial period under review; and

- reviewed the Company's statement on internal control.

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 financial statements of the half-yearly 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, 21 April 2008

Directors' Report

The Directors are pleased to present their report and the audited consolidated financial statements of the Company and of the Group for the year ended 31 December 2007.

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, corporate finance and other financial services; (b) retailing of furniture and household items and trendy digital products; (c) provision of online game services, sales of online game auxiliary products and licensing services; and (d) investment holding. The online game services division (Moli Group) was acquired on 1 June 2007 as mentioned in sub-paragraph headed "Connected Transactions" in this report below.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2007 are set out in the consolidated income statement on page 63 of this annual report.

The Board recommends the payment of 2007 final dividend of HK$0.04 per share for the year ended 31 December 2007 (2006: Nil). Subject to the approval of the 2007 final dividend by the Shareholders at the forthcoming annual general meeting, it is expected that the final dividend will be paid on 13 June 2008 to the Shareholders whose names appear on the register of members on 4 June 2008.

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from 4 June 2008 (Wednesday) to 6 June 2008 (Friday) (both days inclusive). In order to establish entitlements to the proposed final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's share registrars, Tricor Standard Limited, at 26/F Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:30 pm on 3 June 2008 (Tuesday).

Directors' Report

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 2007 is set out on pages 156 to 157 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 15 to the consolidated financial statements.

SUBSIDIARIES

Particulars of the Company's principal subsidiaries are set out in note 47 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 36 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 2007, the reserves of the Company available for distribution to Shareholders were approximately HK$75,970,100, comprising contributed surplus of HK$77,516,900 and accumulated loss of HK$1,546,800, and the Company's share premium available for distribution in the form of fully paid bonus shares was HK$417,255,000.

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 Moli Group from CFSG

As disclosed in the Company's announcements dated 9 January 2007 and 22 January 2007 and the circular dated 4 April 2007, CIGL, a wholly-owned subsidiary of the Company, entered into (i) an agreement with CFSG on 9 January 2007 and (ii) an option deed dated 9 January 2007 and a supplemental deed dated 22 January 2007 with Mr Lin Che Chu George in relation to the grant of option.

Pursuant to the agreement dated 9 January 2007, CIGL would acquire the entire issued capital of Moli Group from CFSG at a consideration of the higher of HK$120 million or the valuation of the online game business operated by Moli Group as at 31 December 2006. The final consideration was fixed at HK$120 million and CIGL has paid a total of HK$50 million as at the date of completion on 1 June 2007. The balance of the consideration will be paid on or before 1 June 2009, the second anniversary of the date of completion with interest at the prime rate. The Moli Group is an online game developer and operator in PRC and Taiwan. The Netfield Group was originally acquired by CFSG at a consideration of HK$110 million in September 2005. As CFSG is a non-wholly-owned subsidiary of the Company where a substantial Shareholder is entitled to exercise, or control the exercise of, 10% or more of the voting power at any general meeting of CFSG, CFSG is a connected person of the Company under the Listing Rules at the date of transaction. The acquisition was a connected transaction of the Company under the Listing Rules.

Pursuant to the option deed dated 9 January 2007 and the supplemental deed dated 22 January 2007, CIGL granted to Mr Lin the right to require CIGL to transfer 10% of the issued share capital of Netfield for a cash consideration at 10% of the consideration with respect of the acquisition. Mr Lin Che Chu George is a Director of the Company and hence a connected person of the Company within the meaning of the Listing Rules.

The entering into of the agreement constituted a connected and major transaction for the Company and the option deed and the supplemental deed constituted a connected and possible discloseable transaction of the Company under the Listing Rules. The acquisition and the grant of option were approved by the independent Shareholders at a special general meeting held on 23 April 2007. The grant of option is also disclosed in note 44(d) to the consolidated financial statements.

(b) Issue of new shares to controlling Shareholder

As disclosed in the Company's announcement dated 12 June 2007 and the circular dated 3 July 2007, the Company entered into the subscription agreements with Cash Guardian (a substantial Shareholder of the Company) and Proteus Growth Fund Limited (an independent third party) on 12 June 2007. Pursuant to the subscription agreements, each of the subscribers agreed to subscribe and the Company agreed to issue and allot 50,000,000 new shares at a subscription price of HK$0.52 per Share. Cash Guardian is a substantial Shareholder of the Company and hence is a connected person of the Company, the entering into of the subscription agreement constituted a connected transaction of the Company under the Listing Rules. The subscriptions were approved by the independent Shareholders at a special general meeting held on 23 July 2007 and was completed on the same day.

(c) Grant of Green-shoe to controlling Shareholder

As disclosed in the Company's announcement dated 25 July 2007 and the circular dated 16 August 2007, the Company entered into the agreement with Cash Guardian on 24 July 2007. Pursuant to the agreement, the Company conditionally agreed to grant, among other things, the green-shoe to Cash Guardian conferring it the rights to subscribe up to HK$101,000,000 in aggregate in cash for Shares at the exercise price of HK$2.02 per Share (subject to adjustments). Based on the initial exercise price, a maximum of 50,000,000 green-shoe shares will be issued to Cash Guardian upon exercise of the green-shoe. The issue of the green-shoe was completed on 10 September 2007 but all the green-shoes were expired on 10 December 2007. Cash Guardian is a substantial Shareholder of the Company and is a connected person of the Company under the Listing Rules. The entering into of the agreement constituted a connected transaction for the Company. The issue of green-shoe was approved by independent Shareholders at a special general meeting held on 3 September 2007.

(2) Continuing connected transactions

Margin Financing Arrangement

As disclosed in the Company's announcement dated 9 February 2007 and the circular of the Company dated 1 March 2007, CFSG (a subsidiary of the Company) proposed to grant margin financing facilities to Connected Clients. The Connected Clients (save as Kawoo Finance Limited and E-Tailer Holding Limited) were substantial Shareholders and/or directors of the Group and/or their respective associates, and hence connected persons of the Company under the Listing Rules. The Margin Financing Arrangement was approved by the independent Shareholders at a special general meeting held on 19 March 2007. Pursuant to the Margin Financing Arrangement, CFSG entered into written margin financing agreements with each of the Connected Clients, under which CFSG extended 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 the same as those offered by CFSG to its other margin financing clients. The margin financing facilities are repayable on demand and secured by listed securities held by the respective Connected Clients. The annual caps of the Margin Financing Arrangement were set after arm's length negotiation between the CFSG Group and the Connected Clients with reference to the historical and anticipated trading volume of the Connected Clients.

As disclosed in the Company's announcement dated 9 February 2007 and the circular of the Company dated 1 March 2007, CFSG had also extended margin financing facility to certain Connected Clients, namely Cash Guardian, Mr Wong Kin Yick Kenneth, Kawoo Finance Limited and E-Tailer Holding Limited during the period between 31 March 2004 and 31 December 2006, which had exceeded 2.5% of each of the percentage ratios (other than the profit ratio) under the Listing Rules and HK$10,000,000 and was subject to the reporting, announcement and independent Shareholders' approval requirements of the Listing Rules. All of such previous financial assistance was fully repaid or either fallen below the threshold of HK$1,000,000 on 31 December 2006.

The commission and interest income received from certain Connected Clients during the year under review are disclosed in notes 44(a) to (c) to the consolidated financial statements.

Pursuant to and 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 CFSG; (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 the relevant agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders of the Company as a whole.

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 relevant agreement governing such transactions; (c) has not exceeded the relevant cap amount for the financial year ended 31 December 2007 as set out in the circular of the Company dated 1 March 2007; and (d) has been entered into in accordance with the pricing policies of the Group with reference to similar transactions with independent third parties.

Details of the maximum amounts of the margin financing facilities granted to certain Connected Clients during the year under review are set out in note 26 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 2007. The above related transactions are also disclosed in note 44 to the consolidated financial statements as related party transactions of the Group.

RAISING OF FUNDS AND USE OF PROCEEDS

(i) Pursuant to the subscription agreement dated 12 June 2007 entered into between the Company with each of Cash Guardian and Proteus Growth Fund Limited, a total of 100,000,000 Shares were issued at HK$0.52 per Share on 23 July 2007. The closing price of each Share in the morning session on 11 June 2007 (the last trading session prior to the fixing of the terms of the subscription agreements) was HK$0.68 per Share. Both the gross and net proceeds of the issue were HK$52 million, representing a net price of HK$0.52 per Share. The fund was raised and had applied for general working capital purposes. Details of the transaction were disclosed in the Company's announcement dated 12 June 2007 and the circular dated 3 July 2007.

(ii) Pursuant to a top up agreement dated 24 July 2007 entered into among the Company, Cash Guardian and Celestial Securities (the placing agent), a total of 130,300,000 Shares were issued at HK$2.02 per Share on 6 August 2007. The closing price of each Share on 20 July 2007 (the last trading day prior to the fixing of the terms of the top up agreement) was HK$2.13 per Share. The gross and net proceeds of the issue were HK$263.2 million and HK$260.6 million respectively, representing a net price of HK$2.00 per Share. The fund was raised and had applied for additional working capital purposes. Details of the transactions were disclosed in the Company's announcement dated 25 July 2007 and the circular dated 16 August 2007.

Directors' 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

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

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 Kwan Pak Hoo Bankee and Mr Law Ping Wah Bernard shall retire at least once in every three financial years at 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' Report

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 Margin Financing Arrangement, 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.

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 2007, 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) as recorded in the register required to be kept under section 352 of the SFO, or as 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	–	314,042,564*	34.80
Lin Che Chu George	Beneficial owner	20,000,000	–	2.22
Law Ping Wah Bernard	Beneficial owner	27,644,300	–	3.06
		47,644,300	314,042,564	40.08

* 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 (HK$)	Notes	Number of options: outstanding as at 1 January 2007	Number of options: granted during the year (Notes (2)&(3))	Number of options: outstanding as at 31 December 2007	Percentage to issued shares as at 31 December 2007 (%)
Kwan Pak Hoo Bankee	13/11/2006	13/11/2006 – 12/11/2008	0.323	(1)	4,000,000	–	4,000,000	0.44
	6/6/2007	6/6/2007 – 31/5/2009	0.490	(1)	–	2,500,000	2,500,000	0.28
Lin Che Chu George	13/11/2006	13/11/2006 – 12/11/2008	0.323		4,000,000	–	4,000,000	0.44
	6/6/2007	6/6/2007 – 31/5/2009	0.490		–	2,500,000	2,500,000	0.28
Law Ping Wah Bernard	13/11/2006	13/11/2006 – 12/11/2008	0.323		4,000,000	–	4,000,000	0.44
	6/6/2007	6/6/2007 – 31/5/2009	0.490		–	2,500,000	2,500,000	0.28
Wong Kin Yick Kenneth	13/11/2006	13/11/2006 – 12/11/2008	0.323		4,000,000	–	4,000,000	0.44
	6/6/2007	6/6/2007 – 31/5/2009	0.490		–	2,500,000	2,500,000	0.28
					16,000,000	10,000,000	26,000,000	2.88

Notes:

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

(2) The closing price of the Share immediately before the date of grant of options on 6 June 2007 was HK$0.48.

(3) The fair value of the options granted by the Company to the Directors during the year totalled approximately HK$205,000. The assumptions in arriving the fair value of the options are disclosed in note 41(A) to the consolidated financial statements.

(4) No option held by the Directors was lapsed, exercised or cancelled during the year.

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

B. Associated corporations (within the meaning of SFO)

(i) CFSG

(a) 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	8,400,000	996,769,998*	48.40
Lin Che Chu George	Beneficial owner	19,712,000	–	0.95
Law Ping Wah Bernard	Beneficial owner	32,569,600	–	1.57
Wong Kin Yick Kenneth	Beneficial owner	22,204,000	–	1.07
		82,885,600	996,769,998	51.99

* The shares were held as to 940,221,198 shares by CIGL, a wholly-owned subsidiary of the Company, and as to 56,548,800 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.

(b) Long positions in the underlying shares – options under share option scheme

Name	Date of grant	Exercise period	Exercise price per share (HK$)	Note	Number of options outstanding as at 1 January 2007	Number of options exercised during the year (Note (2))	Number of options outstanding as at 31 December 2007	Percentage to issued shares as at 31 December 2007 (%)
Kwan Pak Hoo Bankee	7/7/2006	7/7/2006 – 31/7/2008	0.296	(1)	6,000,000	(6,000,000)	–	–
Lin Che Chu George	7/7/2006	7/7/2006 – 31/7/2008	0.296		13,800,000	(13,800,000)	–	–
Law Ping Wah Bernard	7/7/2006	7/7/2006 – 31/7/2008	0.296		6,000,000	(6,000,000)	–	–
Wong Kin Yick Kenneth	7/7/2006	7/7/2006 – 31/7/2008	0.296		6,000,000	(6,000,000)	–	–
					31,800,000	(31,800,000)	–	–

Notes:

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

(2) The options were exercised at an exercise price of HK$0.296 each by the Directors on 23 April 2007 and 13 August 2007 during the year. The weighted average closing price of the shares of CFSG immediately before the respective date of exercise was HK$0.355 per share and HK$0.720 per share respectively.

(3) No option held by the Directors was granted, lapsed or cancelled during the year.

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

(ii) Netfield

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 (a wholly-owned subsidiary of the Group) as representing 10% of the issued share capital in Netfield for a cash consideration of HK$12 million. The option is exercisable during the 12-month period immediately before and after the securities of Netfield or its holding company become listed on any recognised stock exchange, in whole or in part by Mr Lin.

Save as disclosed above, as at 31 December 2007, none of the Directors, chief executive or their associates had registered an interest or short position in the Shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Directors' Report

SHARE OPTION SCHEMES

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.

The subsidiary

CFSG's share option scheme during the year ended 31 December 2007 was the CFSG Option Scheme. Particulars of the terms of the CFSG Option Scheme and 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.

Subsequent to the balance sheet date, CFSG has adopted the CFSG New Option Scheme to replace the CFSG Option Scheme due to migration of CFSG's listing from GEM to Main Board. 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, including the CFSG 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. The maximum number of shares was 207,697,202 shares, representing 10% of the issued share capital of CFSG, as at the date of annual report of CFSG. However, the total maximum number of shares which might be issued upon exercise of all outstanding options granted and yet to be exercised under the CFSG New Option Scheme and any other share option scheme must not exceed 30% of the shares in issue from time to time.

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

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

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

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

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

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

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

- the nominal value of the share of CFSG.

(ix) The life of the CFSG New Option Scheme is effective for 10 years from the date of adoption until 3 March 2018.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2007, 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 as 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	314,042,564	34.80
Cash Guardian (Note)	Interest in a controlled corporation	314,042,564	34.80

Note: This refers to the same number of Shares held by Cash Guardian (which is 100% beneficially owned by Jeffnet Inc). Jeffnet Inc held these Shares as trustee of The Jeffnet Unit Trust, units of which were held by a discretionary trust established for the benefit of the family members of Mr Kwan Pak Hoo Bankee. Pursuant to the SFO, Mr Kwan Pak Hoo Bankee and Jeffnet Inc were deemed to be interested in the Shares held by Cash Guardian. 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, at 31 December 2007, no other parties were recorded in the register required by the SFO to be kept as having an interest of 5% or more or short positions of the issued share capital of the Company.

Directors' Report

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

During the year ended 31 December 2007, 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$3,020,000.

POST BALANCE SHEET EVENTS

Details of the significant post balance sheet events of the Group are set out in note 46 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, 21 April 2008

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 63 to 155, which comprise the consolidated balance sheet as at 31 December 2007, 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.

Independent Auditor's Report

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 Group'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 2007 and of the Group's profit 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, 21 April 2008

Consolidated Income Statement

For the year ended 31 December 2007

	NOTES	2007 HK$'000	2006 HK$'000
Revenue	6	**1,665,452**	816,622
Other income		**5,828**	4,104
Cost of sales for retailing business		**(485,890)**	(277,100)
Cost of services for online game business		**(83,800)**	(11,906)
Convertible loan note settlement income		**–**	291
Salaries, allowances and commission	8	**(400,799)**	(228,369)
Other operating, administrative and selling expenses		**(420,659)**	(244,345)
Depreciation of property and equipment		**(39,708)**	(25,252)
Finance costs	9	**(104,690)**	(63,500)
Net increase in fair value on investments held for trading		**52,106**	18,621
Realised gain on disposal of available-for-sale investments		**456**	–
Net decrease in fair value on derivative financial instruments		**(12,683)**	–
Bad debt recovered		**4,540**	–
Allowance for bad and doubtful debts		**(673)**	(2,876)
Loss on disposal of property and equipment		**–**	(2,331)
Loss on dilution of shareholding in subsidiaries		**(5,623)**	(4,182)
Discount on acquisition of additional interests in subsidiaries		**708**	–
Share of (loss) profit of associates	20	**(3,370)**	14,374
Gain on disposal of associates	20	**–**	71,100
Impairment loss recognised in respect of property and equipment	15	**(1,472)**	(5,951)
Profit before taxation	12	**169,723**	59,300
Taxation charge	13	**(30,079)**	(5,939)
Profit for the year		**139,644**	53,361
Attributable to:			
Equity holders of the Company		**51,902**	32,057
Minority interests		**87,742**	21,304
		139,644	53,361
Dividend:			
Proposed final dividend –			
31 December 2007: HK$0.04 per ordinary share;			
31 December 2006: Nil		**36,101**	–
Earnings per share	14		
– Basic		**HK$0.07**	HK$0.07
– Diluted		**HK$0.06**	HK$0.06

Consolidated Balance Sheet

At 31 December 2007

	NOTES	2007 HK$'000	2006 HK$'000
Non-current assets			
Property and equipment	15	**109,252**	98,750
Prepaid lease payments	16	**15,963**	16,378
Investment property	17	**5,000**	5,000
Available-for-sale investments	18	**–**	33,392
Goodwill	19	**233,115**	212,027
Interests in associates	20	**65,778**	–
Loan to an associate	20	**10,296**	–
Intangible assets	21	**68,255**	68,712
Other assets	23	**9,136**	16,241
Deposits paid for purchase of property and equipment		**16,136**	–
Loan receivables	24	**692**	656
Deferred tax assets	13	**–**	1,575
		533,623	452,731
Current assets			
Inventories	25	**42,028**	49,624
Account receivables	26	**938,998**	782,181
Loan receivables	24	**28,915**	19,275
Prepayments, deposits and other receivables		**91,126**	58,454
Receivable for disposal of an associate		**–**	76,187
Amounts due from associates		**260**	373
Listed investments held for trading	27	**60,254**	49,325
Deposits with brokers	29	**131,751**	–
Bank deposits under conditions	28	**90,183**	78,075
Bank balances – trust and segregated accounts	29	**928,527**	574,577
Bank balances (general accounts) and cash	29	**329,501**	168,569
		2,641,543	1,856,640
Current liabilities			
Account payables	30	**1,511,664**	1,071,830
Deferred revenue		**4,059**	8,027
Accrued liabilities and other payables		**121,520**	109,467
Payable for acquisition of subsidiaries	37(a)(iii)	**–**	100,590
Taxation payable		**23,149**	4,869
Obligations under finance leases – amount due within one year	31	**487**	756
Borrowings – amount due within one year	32	**324,792**	405,189
Derivative financial instruments	33	**12,683**	–
Loan from a minority shareholder	34	**27,437**	–
		2,025,791	1,700,728
Net current assets		**615,752**	155,912
		1,149,375	608,643

Consolidated Balance Sheet

At 31 December 2007

	NOTES	2007 HK$'000	2006 HK$'000
Capital and reserves			
Share capital	36	**90,253**	65,623
Reserves		**557,748**	239,332
Equity attributable to equity holders of the Company		**648,001**	304,955
Share option reserve of a listed subsidiary		**88**	2,496
Minority interests		**492,118**	259,880
Total equity		**1,140,207**	567,331
Non-current liabilities			
Deferred tax liabilities	13	**7,879**	8,494
Obligations under finance leases – amount due after one year	31	**40**	541
Borrowings – amount due after one year	32	**1,249**	32,277
		9,168	41,312
		1,149,375	608,643

The financial statements on pages 63 to 155 were approved and authorised for issue by the Board of Directors on 21 April 2008 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 2007

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

Consolidated Statement of Changes in Equity

For the year ended 31 December 2007

Notes:

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

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

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

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

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

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

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

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

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

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

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

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

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

Consolidated Statement of Changes in Equity

For the year ended 31 December 2007

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

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

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

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

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

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

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

Consolidated Cash Flow Statement

For the year ended 31 December 2007

	NOTE	2007 HK$'000	2006 HK$'000
Operating activities			
Profit before taxation		**169,723**	59,300
Adjustments for:			
Convertible loan note settlement income		**–**	(291)
Advertising and telecommunication services expenses	38(a)	**2,233**	5,393
Allowance for bad and doubtful debts		**673**	2,876
Amortisation of intangible assets		**4,119**	4,131
Amortisation of prepaid lease payments		**415**	207
Depreciation of property and equipment		**39,708**	25,252
Employee share option benefits		**1,129**	2,035
(Gain) Loss on disposal on intangible assets		**(9)**	199
Allowance for inventory obsolescence and write-off of inventories		**8,829**	3,544
Dividends from investments		**(1,617)**	(471)
Loss on dilution of shareholding in subsidiaries		**5,623**	4,182
Discount on acquisition of additional interests in subsidiaries		**(708)**	–
Gain on disposal of associates		**–**	(71,100)
Impairment loss recognised in respect of property and equipment		**1,472**	5,951
Unrealised change in fair value of investments held for trading		**(12,278)**	2,266
Realised gain on disposal of available-for-sale investments		**(456)**	–
Interest expenses		**104,690**	63,500
Loss on disposal of property and equipment		**–**	2,331
Net decrease in fair value of derivative financial instruments		**12,683**	16
Share of loss (profit) of associates		**3,370**	(14,374)
Impairment loss on amount due from an associate		**4,075**	–
Operating cashflow before movements in working capital		**343,674**	94,947
(Increase) Decrease in inventories		**(1,233)**	9,424
Increase in account receivables		**(158,085)**	(307,574)
(Increase) Decrease in loan receivables		**(9,974)**	19,052
(Increase) Decrease in prepayments, deposits and other receivables		**(33,739)**	11,837
Increase in amounts due from associates		**(4,519)**	(373)
Decrease (Increase) in listed investments held for trading		**1,349**	(13,991)
Increase in deposits with brokers		**(131,751)**	–
Increase in bank balances – trust and segregated accounts		**(353,950)**	(221,675)
Increase in account payables		**439,834**	331,051
(Decrease) Increase in deferred revenue		**(3,968)**	8,027
Increase in accrued liabilities and other payables		**12,053**	18,221
Net cash from (used in) operations		**99,691**	(51,054)
Income taxes paid		**(10,839)**	(1,045)
Dividends received		**1,617**	471
Net cash from (used in) operating activities		**90,469**	(51,628)

Consolidated Cash Flow Statement

For the year ended 31 December 2007

	NOTES	2007 HK$'000	2006 HK$'000
Investing activities			
Loan to an associate		**(10,296)**	–
Investment in an associate		**(67,833)**	–
Proceeds from disposal of available-for-sale investments		**19,753**	–
Acquisition of subsidiaries	38(b)	**(24,403)**	(44,053)
Acquisition of assets and liabilities	37(b)	**37**	–
Acquisition of additional interest in subsidiaries		**(12,456)**	–
Proceeds from disposal of an associate		**–**	60,000
Increase in bank deposits under conditions		**(12,108)**	(16,550)
Proceeds from disposal of property and equipment		**–**	616
Purchase of property and equipment		**(50,708)**	(28,799)
Deposits paid for purchases of property and equipment		**(16,136)**	–
Statutory and other deposits refunded (paid)		**7,105**	(8,677)
Expenditure on intangible assets		**(5,422)**	(1,931)
Proceeds from disposal of intangible assets		**1,769**	–
Net cash used in investing activities		**(170,698)**	(39,394)
Financing activities			
Loan from a minority shareholder		**27,437**	–
New borrowings raised		**263,828**	254,267
Repayment of borrowings		**(287,972)**	(191,719)
(Decrease) Increase in bank overdrafts		**(87,281)**	59,610
Repayments of obligations under finance leases		**(770)**	(149)
Repayments of convertible loan note		**–**	(14,300)
Proceeds on issue of shares		**321,002**	61,248
Proceeds on issue of shares to minority interests		**159,948**	63,012
Dividend paid to minority shareholders by CFSG		**(30,474)**	(22,298)
Interest paid on obligations under finance leases		**(108)**	(108)
Share issue expenses		**(16,992)**	(1,487)
Share issue expenses paid by CFSG		**(467)**	–
Interest paid on convertible loan note		**–**	(212)
Interest paid on bank and other loans		**(104,582)**	(63,212)
Deemed disposals of subsidiaries (net of cash and cash equivalents disposed)		**–**	(3,319)
Net cash from financing activities		**243,569**	141,333
Net increase in cash and cash equivalents		**163,340**	50,311
Cash and cash equivalents at beginning of year		**168,569**	118,219
Effect of foreign exchange rate changes		**(2,408)**	39
Cash and cash equivalents at end of year		**329,501**	168,569
Being:			
Bank balances (general accounts) and cash		**329,501**	168,569

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

1. GENERAL

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

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

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

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

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

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

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

Basis of consolidation

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

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

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

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

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

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

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill (continued)

Goodwill arising on acquisition on or after 1 January 2005

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment in an associate

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

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

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

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

Revenue recognition

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

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

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

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

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

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

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

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

Property and equipment

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment property

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

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

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

Leasing

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

The Group as lessee

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

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

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

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

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

Retirement benefit costs

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Borrowing costs

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

Taxation

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets

Intangible assets acquired separately

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

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

Intangible assets acquired in a business combination

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

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

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

Research and development expenditures

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

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

Impairment losses on tangible and intangible assets other than goodwill

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

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

Financial instruments

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

Financial assets

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Effective interest method

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

Investments held for trading

A financial asset is classified as held for trading if:

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

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

Loans and receivables

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Available-for-sale financial assets

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

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

Impairment of financial assets

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Impairment of financial assets (continued)

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

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

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

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

Financial liabilities and equity

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity (continued)

Effective interest method

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

Financial liabilities

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

Convertible loan note

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity (continued)

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

Income taxes

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Estimated impairment of goodwill and intangible assets

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

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

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

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

5. FINANCIAL INSTRUMENTS

Significant accounting policies

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

Categories of financial instruments

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

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, account receivables, other receivables, loan receivables, loan to an associate, account payables, other payables, derivative financial instruments and loan from a minority shareholder. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Equity price risk

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

Equity price sensitivity

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

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

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

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

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

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

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

Foreign currency risk

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

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

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

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

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

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

Liquidity risk

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

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

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

5. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Liquidity risk (continued)

Liquidity tables

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

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

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

5. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Liquidity risk (continued)

Liquidity tables (continued)

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

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

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

5. FINANCIAL INSTRUMENTS (continued)

Fair value

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

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

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

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

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

6. REVENUE

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

7. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

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

Principal activities are as follows:

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

Segment information about these businesses is presented as follows:

Consolidated income statement for the year ended 31 December 2007

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

7. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Business segments (continued)

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

Other information for the year ended 31 December 2007

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

7. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Business segments (continued)

Consolidated income statement for the year ended 31 December 2006

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

Consolidated balance sheet as at 31 December 2006

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

7. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Business segments (continued)

Other information for the year ended 31 December 2006

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

7. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Geographical segments

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

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

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

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

Carrying amount of segment assets

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

Additions to property and equipment and expenditure on intangible assets

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

8. SALARIES, ALLOWANCES AND COMMISSION

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

9. FINANCE COSTS

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

10. DIRECTORS' REMUNERATION

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

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

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

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

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

11. EMPLOYEES' REMUNERATION

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

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

Their remuneration were within the following band:

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

12. PROFIT BEFORE TAXATION

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

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

13. TAXATION CHARGE

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

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

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

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

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

13. TAXATION CHARGE (continued)

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

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

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13. TAXATION CHARGE (continued)

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

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

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

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

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

14. EARNINGS PER SHARE

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

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

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

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15. PROPERTY AND EQUIPMENT

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

15. 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 5 years
Motor vehicles	3 years

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

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

16. PREPAID LEASE PAYMENTS

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

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

17. INVESTMENT PROPERTY

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

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

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

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

18. AVAILABLE-FOR-SALE INVESTMENTS

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

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

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

19. GOODWILL

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

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

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

20. INTERESTS IN ASSOCIATES

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

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

20. INTERESTS IN ASSOCIATES (continued)

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

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

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

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

20. INTERESTS IN ASSOCIATES (continued)

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

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

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

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

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

21. INTANGIBLE ASSETS

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

Notes:

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

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

21. INTANGIBLE ASSETS (continued)

Notes: (continued)

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

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

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

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

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

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

22. IMPAIRMENT TESTINGS ON RESPECTIVE ITEMS

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

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

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

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

22. IMPAIRMENT TESTINGS ON RESPECTIVE ITEMS (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 18% (2006: 15%). Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted active concurrence user, peak concurrence user and payment subscribers. Such estimation is based on the CGU's past performance and management's expectations for the market development. There is no impairment of goodwill and online game related intellectual property since the recoverable amount of the above CGU exceeds its carrying value.

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

23. OTHER ASSETS

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

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

24. LOAN RECEIVABLES

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

All the loan receivables are denominated in Hong Kong dollars.

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

Movement in the allowance for bad and doubtful debts:

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

24. LOAN RECEIVABLES (continued)

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

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

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

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

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

24. LOAN RECEIVABLES (continued)

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

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

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

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

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

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

25. INVENTORIES

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

26. ACCOUNT RECEIVABLES

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

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

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

26. ACCOUNT RECEIVABLES (continued)

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

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

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

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

Movement in the allowance for bad and doubtful debts:

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

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

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

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

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

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

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

26. ACCOUNT RECEIVABLES (continued)

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

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

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

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

27. LISTED INVESTMENTS HELD FOR TRADING

Listed investments held for trading included:

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

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

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

28. BANK DEPOSITS UNDER CONDITIONS

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

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

Notes:

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

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

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

29. DEPOSITS WITH BROKERS AND BANK BALANCES

Deposits with brokers

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

Bank balances – trust and segregated accounts

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

Bank balances (general accounts) and cash

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

30. ACCOUNT PAYABLES

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

30. ACCOUNT PAYABLES (continued)

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

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

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

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

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

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

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

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

31. OBLIGATIONS UNDER FINANCE LEASES

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

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

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

32. BORROWINGS

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

The maturity profile of the above borrowings is as follows:

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

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

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

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

(c) bank deposits as disclosed in note 28.

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

32. BORROWINGS (continued)

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

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

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

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

33. DERIVATIVE FINANCIAL INSTRUMENTS

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

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

34. LOAN FROM A MINORITY SHAREHOLDERS

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

35. CONVERTIBLE LOAN NOTE

Convertible loan note issued by CFSG

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

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

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

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

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

35. CONVERTIBLE LOAN NOTE (continued)

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

36. SHARE CAPITAL

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

36. SHARE CAPITAL (continued)

Notes:

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

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

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

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

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

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

37. ACQUISITION OF SUBSIDIARIES

(a) Acquisition of subsidiaries

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

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

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

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

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

37. ACQUISITION OF SUBSIDIARIES (continued)

(a) Acquisition of subsidiaries (continued)

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

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

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

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

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

37. ACQUISITION OF SUBSIDIARIES (continued)

(a) Acquisition of subsidiaries (continued)

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

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

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

37. ACQUISITION OF SUBSIDIARIES (continued)

(a) Acquisition of subsidiaries (continued)

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

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

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

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

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

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

37. ACQUISITION OF SUBSIDIARIES (continued)

(b) Acquisition of assets and liabilities

(i) RACCA Capital Inc. and its subsidiary

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

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

38. MAJOR NON-CASH TRANSACTIONS

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

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

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

39. CONTINGENT LIABILITIES

Company and subsidiaries

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

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

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

40. OPERATING LEASE COMMITMENTS

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

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

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

41. SHARE OPTION SCHEMES

(A) Share option scheme of the Company

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

(i) The purpose was to provide incentives to:

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

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

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

41. SHARE OPTION SCHEMES (continued)

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

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

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

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

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

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

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

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

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

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41. SHARE OPTION SCHEMES (continued)

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

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

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

Notes:

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

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

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

41. SHARE OPTION SCHEMES (continued)

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

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

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

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

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

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

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

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

41. SHARE OPTION SCHEMES (continued)

(B) Share option schemes of CFSG

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

(i) The purpose was to provide incentives to:

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

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

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

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

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

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

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

41. SHARE OPTION SCHEMES (continued)

(B) Share option schemes of CFSG (continued)

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

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

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

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

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

41. SHARE OPTION SCHEMES (continued)

(B) Share option schemes of CFSG (continued)

Notes:

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

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

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

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

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

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

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

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

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

41. SHARE OPTION SCHEMES (continued)

(B) Share option schemes of CFSG (continued)

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

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

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

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

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

42. RETIREMENT BENEFITS SCHEMES

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

42. RETIREMENT BENEFITS SCHEMES (continued)

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

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

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

43. COMMITMENTS

Capital commitments

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

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

Notes:

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

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

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

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

45. CAPITAL RISK MANAGEMENT

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

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

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

46. POST BALANCE SHEET EVENTS

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

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

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

47. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

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

Name	Place of incorporation	Nominal value of issued and fully paid ordinary share capital/ registered capital	Proportion of voting power held by the Company	Proportion of nominal value of issued share capital held by the Company %	Principal activities
Linkup Assets Management Limited	BVI	US$1	51.03	45.27	Investment holding and trading
CASH Frederick Taylor Limited ("CASH Frederick Taylor")	Hong Kong	HK$1,000,000	35.72**	31.69	Financial advisory consultancy
富格曼科技股份有限公司 (translated as Fugleman Entertainment Company)	Taiwan	NTD40,820,000	51	51	Online game operator
摩力游(上海)信息科技有限公司# (translated as MOLI China Information Technology Limited)	PRC	US$3,000,000	100	100	Online game developer
上海摩力游數字娛樂有限公司## (translated as Shanghai Moliyo Digital Entertainment Limited)	PRC	RMB1,000,000	100	100	Online game operator
3C Digital Limited	Hong Kong	HK$100	60	60	Retailing of digital products and electrical appliances
3C Electrical Appliances Limited	Hong Kong	HK$1	60	60	Retailing of electrical appliances
E-Tailer Holding Limited	BVI	US$1	100	100	Trading of securities
Lifeztore (HK) Limited	Hong Kong	HK$1	100	100	Retailing of furniture and household goods

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

Name	Place of incorporation	Nominal value of issued and fully paid ordinary share capital/ registered capital	Proportion of voting power held by the Company	Proportion of nominal value of issued share capital held by the Company %	Principal activities
Pricerite Stores Limited	Hong Kong	HK$200,000,000	100	100	Retailing of furniture and household goods
Pricerite.com.hk Limited	Hong Kong	HK$2	100	100	Retailing of furniture and household goods through corporate sales
Richwell Target Limited	Hong Kong	HK$2	100	100	Property holding
生活經艷(上海)商貿有限公司# (translated as LifeZtore (Shanghai) Limited)	PRC	HK$5,000,000	100	100	Retailing of furniture and household goods

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

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

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

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

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

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				
	2007	2006	2005	2004	2003
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
				(restated)	(restated)
				(Note (ii))	(Notes (i) and (ii))
RESULTS					
Revenue	**1,665,452**	816,622	588,145	1,124,389	1,033,831
Profit (Loss) before taxation	**169,723**	59,300	(30,058)	(161,638)	(51,885)
Taxation (charge) credit	**(30,079)**	(5,939)	2,999	(356)	(134)
Profit (Loss) for the year	**139,644**	53,361	(27,059)	(161,994)	(52,019)
Attributable to:					
Equity holders of the Company	**51,902**	32,057	(37,022)	(143,954)	(52,539)
Minority interests	**87,742**	21,304	9,963	(18,040)	520
	139,644	53,361	(27,059)	(161,994)	(52,019)

Five-Year Financial Summary

	As at 31 December				
	2007	2006	2005	2004	2003
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
				(restated)	(restated)
				(Note (ii))	(Notes (i) and (ii))
ASSETS AND LIABILITIES					
Property and equipment	**109,252**	98,750	12,802	100,497	126,903
Prepaid lease payments (non-current)	**15,963**	16,378	–	48,244	6,865
Investment property	**5,000**	5,000	–	–	–
Investment securities	**–**	–	–	10,800	15,500
Goodwill	**233,115**	212,027	17,426	57,199	70,808
Interest in associates	**65,778**	–	103,870	–	–
Intangible assets	**68,255**	68,712	11,261	9,092	10,922
Other non-current assets	**36,260**	51,864	68,324	32,680	21,504
Current assets	**2,641,543**	1,856,640	1,051,541	1,276,366	1,364,649
Total assets	**3,175,166**	2,309,371	1,265,224	1,534,878	1,617,151
Current liabilities	**2,025,791**	1,700,728	821,420	1,065,490	1,134,550
Long term borrowings	**1,249**	32,277	79,564	81,286	19,626
Other non-current liabilities	**7,919**	9,035	159	–	–
Total liabilities	**2,034,959**	1,742,040	901,143	1,146,776	1,154,176
Net assets	**1,140,207**	567,331	364,081	388,102	462,975
Equity attributable to equity holders of the Company	**648,001**	304,955	183,344	220,565	340,001
Equity component of convertible loan notes and share option reserve of a listed subsidiary	**88**	2,496	1,464	1,451	1,764
Minority interests	**492,118**	259,880	179,273	166,086	121,210
	1,140,207	567,331	364,081	388,102	462,975

Notes:

(i) By 31 December 2003, loss on trading of securities, options and futures were classified as one of the items in revenue. The Directors consider that it is the common practice of the industry to show the results on trading of securities, options, futures and leveraged foreign exchange contracts as other operating income or expense in the income statement in order to be more informative to the readers. Accordingly, the revenue of these prior years have been adjusted to reflect the reclassification.

(ii) 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 have 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 Securities"	Celestial Securities Limited, a company incorporated with limited liability in Hong Kong and is a wholly-owned subsidiary of CFSG, and 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), the subsidiary of the Company, a company incorporated in Bermuda with limited liability and whose shares are listed on the Main Board with effect from 3 March 2008. 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
"CG Code"	the Code on Corporate Governance Practices as contained in the Listing Rules

Definitions

"CG Period"	the period covering the financial period ended 31 December 2007 and up to the date of this annual report to which the CG Report is inscribed
"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
"CIGL"	Celestial Investment Group Limited, a company incorporated in the British Virgin Islands with limited liability and 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, Mr Law Ping Wah Bernard and Mr Wong Kin Yick Kenneth (the executive directors 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 and E-Tailer Holding Limited (wholly-owned subsidiaries of the Company)
"COO"	the chief operating officer of the Company
"CRMG"	CASH Retail Management Group Limited, a company incorporated in the British Virgin Islands with limited liability, and is a wholly-owned subsidiary of the Company, and the holding company of the CRMG Group
"CRMG Group"	CRMG and its subsidiaries, which engage in retail management business
"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"	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

Definitions

"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
"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 Group"	Netfield and its subsidiaries, which operate and develop online games in the PRC and Taiwan
"NED(s)"	the non-executive Director(s) of the Company
"Netfield"	Netfield Technology Limited, a company incorporated in the British Virgin Islands with limited liability and is a subsidiary of the Company
"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
"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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