Celestial Asia Securities Holdings Limited

(Stock Code: 1049)

2009 Annual Report

Contents


CASH

CORPORATE PROFILE

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

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

FINANCIAL SERVICES

CASH Financial Services Group ("CFSG"; stock code: 510), a leading financial services group in China, 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.

CFSG builds lasting businesses as a leading player in the investment and financial services sectors. Our comprehensive range of financial services includes international trading services for Securities (HK, US and China B-shares), commodities and forex, futures and options, mutual funds, bonds, equity linked instruments (ELI) and principle guaranteed notes (PGN), insurance, market research and analysis, wealth management and advisory services, asset management, investment banking and institutional sales.

As a leading technology-focused financial services provider, CFSG is committed to operating a state-of-the-art platform to meet the investment needs of clients in today's boundary-less world. In 1998, CFSG was the first in Hong Kong to develop


electronic trading via the Internet. More recently, we have developed the world's first 3D AI Broker and the edge-cutting CASH SNS. 3D AI Broker is a real-time, humanoid system that substantially enhances interactive online communication. CASH SNS is the most comprehensive financial portal that contains financial market information, financial education, entertainment games, interactive sharing, etc. It is a breakthrough from the original one-way information provision.

CFSG is committing to be a leading financial services group in China with a global perspective. Leveraging our advanced electronic trading platform, CFSG has developed an extensive distribution network to reach our institutional, corporate and individual clients across China. Along with our headquarters in Hong Kong, we have established a Mainland head office in Shanghai, with branch offices strategically located in the north (Beijing), south-west (Chongqing), south (Shenzhen) and south-east (Xiamen).

For further information, please visit www.cashon-line.com.

RETAIL MANAGEMENT

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

Pricerite is the largest home furnishing specialist in Hong Kong. With our comprehensive network of outlets, 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.

To facilitate Pricerite's business development, we have recently launched our new corporate identity in 2010. We have also introduced a series of new products and services to tailor for customers' needs.

We attain leadership by innovation — innovation in our product mix, merchandising, store layout and entire market strategy in home improvement product retailing. We deliver through a balanced fusion of technology and people. We utilise technology to enhance product delivery, operating efficiency and ultimately our logistical strength.

Pricerite is known for its relentless effort in enhancing customer satisfaction, which is acknowledged by obtaining various accreditations, such as the Premier Service Brand from the Hong Kong Brand Development Council, the PRC Consumers' Favourite Brands Campaign 2008 from the China Enterprise Reputation & Credibility Association (Overseas) Ltd, and the Distinguished Salespersons Awards from The Hong Kong Management Association.

For further information, please visit www.pricerite.com.hk.

ONLINE GAME

Moli Group is a fully-fledged service provider of online entertainment, with superior research and development capabilities, a proprietary international publishing network and operation platforms in China. Founded in 2005, Moli, headquartered in Shanghai, has a mission of providing users with a diversified portfolio of the best online entertainment and services, through self-developed online games and licensing online games from overseas. Moli is dedicated to becoming a China's most influential online gaming developer, operator and publisher.

Moli has a strong R&D team, with over 100 professionals. We will keep on recruiting human talent to join the Group and will further strengthen our R&D capability, in order to prepare for the continuous products development in future. At the same time, with the strategic alliances with globally renowned partners, Moli is committed to developing overseas business, and strengthening innovation and exploitation capabilities, so as to step to the international market gradually.

For further information, please visit www.moliyo.com.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive:

KWAN Pak Hoo Bankee	(Chairman & CEO)
LAW Ping Wah Bernard	(CFO)
NG Kung Chit Raymond	(COO)

Independent Non-executive:

LEUNG Ka Kui Johnny
WONG Chuk Yan
CHAN Hak Sin

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

COMPANY SECRETARY

LUKE Wing Sheung Suzanne, FCIS

AUTHORISED REPRESENTATIVES

KWAN Pak Hoo Bankee

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

PRINCIPAL BANKERS

Wing Hang Bank, Limited
Nanyang Commercial Bank, Limited
Standard Chartered Bank (Hong Kong) Limited
Oversea-Chinese Banking Corporation Limited
Industrial and Commercial Bank of China (Asia) Limited
The Bank of East Asia, Limited
DBS Bank (Hong Kong) Limited
KBC Bank N.V.
Bank of China (Hong Kong) Limited
The Hong Kong and Shanghai Banking Corporation Limited

AUDITORS

Grant Thornton
Certified Public Accountants

SOLICITORS

Sidley Austin

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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

REGISTRARS AND TRANSFER OFFICE IN HONG KONG

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

WEBSITE

www.cash.com.hk

STOCK CODE ON MAIN BOARD : 1049

CONTACTS

Telephone : (852) 2287 8888
Facsimile : (852) 2287 8000

CHAIRMAN'S LETTER

Dear Fellow Shareholders,

The past year has been a challenging one for most economies and businesses. The global financial crisis that began in 2008 continued to affect Hong Kong during 2009, resulting in a 2.7% drop in real GDP. As the Group's businesses span some of Hong Kong's economic pillars, namely financial services and retail management, it was inevitable that our business results would be impacted, especially in the first half of the year. However, thanks to our early moves to prepare for the market downturn, we managed to record a net profit of HK$18.9 million for the year.

In the first half of the year, many economies were in recession and uncertainty clouded the outlook for most companies. Against this unpredictable backdrop, we pursued a "Back to Basic" strategy. The strategy, first adopted at the end of 2008, involved halting major expansion plans and containing our operating expenses to preserve our capital strength for the long-term sustainability of the whole Group. And thanks to the unquestioned understanding, immense dedication and continuous support of our staff, we were able to weather the most difficult operating environment of the century.

Benefiting from the Central Government's RMB4 trillion economic stimulus initiatives and a low interest rate environment, the Hong Kong economy became firmer from May 2009, with abundant liquidity pouring in and asset prices rocketing up, even though economic fundamentals remained weak. Seeing some windows of opportunity to expand our market share, we cautiously revived our long-term growth strategy by opening stores, developing new products, and strengthening our teams by recruiting more talents.

During the year, CFSG, as a leading tech-focused financial services house, put more resources into revitalising its cashon-line website, utilising cutting-edge web 2.0 technology. At the end of the year, we launched further initiatives to develop the world's most comprehensive financial social networking portal, www.cashsns.com, to capture opportunities arising from the change in post-financial crisis investment behaviour. Market doldrums notwithstanding, we maintained our commitment to developing the Mainland market. In early 2010, we opened our fifth Mainland office in Xiamen in order to work more closely with our high-net-worth clients and business partners. As a result, our financial services business has been greatly strengthened in terms of our operating platform, service offerings and Mainland network in preparation for the market upswing.

The property market took off, reaching near-1997 levels at the end of the year. During the early days of the financial crisis, we initiated certain precautionary measures to consolidate our market-leading position. Therefore, Pricerite has been well positioned to take advantage of the recent boom. During the year, we also revamped our brand image to reflect our internal values and efforts to deliver customer service of the highest quality.

Taking advantage of the slow market in 2009, we re-engineered various aspects of Moli Group, greatly fortifying operating fundamentals and game development capabilities. As a result, we recorded a substantial reduction in Moli's operating loss.

Looking ahead, we are cautiously optimistic about both the Hong Kong economy and our prospects in 2010. While there have been early signs of stabilisation in western economies, with China and other emerging markets taking the lead in recording stronger economic growth, Hong Kong still faces a number of uncertainties and potential threats, including economic policy changes by various governments, rising interest rates, inflation, and health issues such as human swine flu and avian flu. We will prudently use our competitive strengths – including our human talent, brand equity, advanced technologies, healthy financials, and strong network – to carefully resume our expansion, especially our growth in Mainland China. Despite differences in the mainland regulatory framework, business culture and operating environment, we have been endeavouring to take bold steps to develop the China market. After finalisation of our feasibility studies and focus groups, we will execute our China plan in due course.

Despite the subdued market conditions, we remain committed to staff development and customer service. We have continued to build a solid foundation for the Group in this regard as we believe these measures lay vital groundwork that can help us to leap forward when the market revives. I am also pleased to report that nurturing our "People" culture helped us through the economic difficulties as nearly all staff members stood by the Group during the financial turmoil.

In addition, our ceaseless efforts to develop our human capital have recently earned us the prestigious Manpower Developer 1st accolade in the Manpower Developer Award Scheme, organised by the Employee Retraining Board (ERB). CFSG and Pricerite staff members received Distinguished Salesperson Awards for the fifth consecutive year, while for four consecutive years several Pricerite frontline professionals have gained Customer Relationship Excellence Awards from the Asia Pacific Customer Service Consortium. Meanwhile, CFSG received *East Week* magazine's Hong Kong Service Award 2009.

I would like to thank all staff, not only for winning these great awards for the Group, but for their drive and ongoing efforts to propel the Group forward. We fully recognise that staff members are our most important asset and we will continue to advance our "people-oriented" approach which we see as essential to our success and future development. I would also like to thank the Board of Directors for its leadership, professionalism and contributions to the Group.

Yours sincerely,

Bankee Kwan

Bankee P KWAN
Chairman & CEO

FINANCIAL REVIEW

Financial Performance

The Group recorded revenue of HK$1,129.1 million for the year ended 31 December 2009 as compared to HK$1,312.7 million for the previous year. The significant decrease in revenue was mainly due to a drop in financial services income recorded by the Group's financial services division (CFSG) in the current year under review. Like most of the local and worldwide financial services houses and retailers which had been worst hit by the financial crisis in half a century, the Group had encountered the toughest times during the first half of the current year. In the wake of the unprecedented financial crisis and economic downturn, the Group had swiftly come up with its strategic management decisions and pursued all necessary stringent measures and actions to weather these difficult moments in early 2009. Upon the implementation of the fiscal stimulus measures and loose monetary policies by various governments, various positive signs in the market had shown that the worst of this global financial crisis had been over and the economy had started to bottom out in the second half of the year. With the belief that the global economy and financial market had been back on track, the Board cautiously resumed the Group's growth strategies for its businesses in Hong Kong and on the mainland. The Group posted a net profit of HK$18.9 million for the year ended 31 December 2009, after taking into account (1) an operating loss of HK$61.6 million recorded for the year; and (2) a gain of HK$80.5 million arising from a group restructuring in which the Group sold its entire equity interests in the Retail Group to CFSG during the year. The significant drop in the revenue earned by the Group's financial services business mainly accounted for the net operating loss for the current year.

Financial Services – CFSG

The Group recorded revenue of HK$246.6 million for its financial services business for the year ended 31 December 2009 as compared to the revenue of HK$317.1 million for the previous year. The significant decrease was attributable to the reduction in the commission income generated from the Group's brokerage and wealth management businesses and interest income from its margin financing services, reflecting the harsh operating environment being faced by its financial services business, particularly in the first quarter of the year when the already bearish investment sentiment brought about by the financial crisis had been further clouded by the banks' concerted actions to tighten, if not suspend, all sorts of credit lines in both local and global markets. This was the result of the fears that more financial and commercial giants had severe financial difficulties and would suffer the same fate of Lehman Brothers as the financial tsunami spread from the US to the rest of the world. Even though the investment sentiment in the local stock market had gradually improved since the second quarter of 2009 with the Hang Sang Index closing up 7,485 points to 21,872 at the end of the current year, however most of the local investors had been extremely cautious about their investments in the stock market after having suffered substantial financial losses in the worst financial crisis in half a century. Whilst the jittery local investors had yet to fully recover their confidence in the stock investments, the Group's brokerage and wealth management businesses had been affected by the poor sentiment in the first quarter of 2009 but shown improvements in turnover from second to third quarters following the sharp rebound in the stock market during the April to September period when the optimistic sentiment began to take hold in the city after the governments all over the world began to pursue the quantitative easing monetary policies and economical stimulus measures to restore the financial orders and to pull their countries out of recession. The Group's brokerage incomes were affected by the sluggish sentiment at the end of the last quarter when the trading volume in the stock market started to drop substantially after reaching its recent peaks in the third quarter of the year as many retail investors considered the valuation of the market being high after huge gains in the previous quarter or were affected by the diverse results for subscribing IPO shares in the last quarter of 2009 and saw the prices of several of these new shares fall below their respective IPO prices soon after their new listings on the stock market. These factors largely accounted for the less satisfactory results for its financial services business for the year ended 31 December 2009.

Retail Management – CRMG

In the first half of the current year, CRMG's retail business had been hit hard by the weak consumer spending during a global downturn that had seen people suffer pay cuts and lay-offs. At the height of the financial crisis with the domestic economy going into a recession which would be much worse than that caused by the Asian financial crisis, the Board had decisively consolidated its retail outlets by closing down 5 underperforming shops in the first quarter of the year. The closure of the 5 shops together with the poor consumer sentiment across the city amid the economic downturn had resulted in a significant drop in the turnover of CRMG in the first half of the year. As Hong Kong's economy had gradually returned to stability in the middle of the second quarter of the year, CRMG had since then seen the sales begin to pick up and 3 new stores were opened in the second half of the year in order to recoup some loss in sales due to the closure of the 5 shops in early days of 2009 when the Group had encountered the most difficult business environments in recent years. To reinforce our consumers' confidence in its retail business and to further strengthen its position as leading retailer of high quality furniture and household products, CRMG had pursued a differentiation strategy by rendering more valued added services to its clients while keeping its commitment to continued provision of products of high quality at reasonable prices. CRMG recorded a mild drop in revenue to HK$850.6 million (2008: HK$879.0 million) but had still been able to achieve breakeven results for the year ended 31 December 2009.

Online Game Business – Moli Group

For the year ended 31 December 2009, Moli Group's revenue fell by 72.6% year-on-year to HK$31.9 million. In view of last year's unsatisfactory performance for the online game business, a thorough organizational and operational reengineering in Moil Group had been undertaken during the first half of the year, which had caused to postpone the commercial launch of a major game, namely "Radiant Arcana" until late 2009. The development of two other major games had even been suspended during the year and had been resumed only recently after the successful launch of "Radiant Arcana" near the end of 2009. This, in turn, had accounted for the substantial drop in revenue for the year under review. With the stringent cost controls implemented alongside the reengineering during the year, Moli Group had recorded a reduction in the operating loss to HK$28.3 million from a loss of HK$191.7 million for the last corresponding year. With the reengineering having been completed in 2009, Moli Group will continue to launch new games, either developed in-house or licensed from local or overseas developers, on a regular basis on various styles of storylines and designs to expand and diversify its game portfolio. Moli Group will take strict measures to combat the operations of illegal private servers to secure the stability of Moli Group's normal operations.

Liquidity and Financial Resources

The Group's total equity amounted to HK$647.4 million on 31 December 2009 as compared to HK$628.7 million at the end of the previous year. The change was the combined result of the increase in retained earnings due to the reported profit for the year and the issue of 25 million new shares to new investors in August 2009, raising net proceeds of approximately HK$49.8 million.

As at 31 December 2009, the Group had total interest bearing borrowings of approximately HK$601.7 million, as compared to HK$511.8 million at the end of the previous year. The increase in the borrowings was mainly due to a rise in demand of margin financing from the broking clients near the end of the current year.

Among the above borrowings, HK$154.1 million were collateralised by its margin clients' securities pledged to the Group. Other borrowings totally of HK$291.5 million were secured by the leasehold and investment properties, securities and pledged deposits respectively. The remaining borrowings were unsecured.

As at 31 December 2009, our cash and bank balances including the trust and segregated accounts totalled HK$1,131.8 million as compared to HK$971.3 million at the end of the previous year. The increase in the cash balances was mainly due to the increase in deposits by our broking clients whose confidence in the stock market had been recovered near the end of the current year. The liquidity ratio on 31 December 2009 remained healthy at 1.0 time, as compared to 1.1 times on 31 December 2008.

The gearing ratio, which represents the ratio of interest bearing borrowings of the Group divided by the total equity, was 0.93 on 31 December 2009 as compared to 0.81 on 31 December 2008, which was kept at a conservatively low level. On the other hand, we have no material contingent liabilities at the year-end.

Foreign Exchange Risks

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

Material Acquisitions and Disposals

In February 2009, the acquisition of an investment holding company, which owns three properties in Hong Kong and the PRC, was completed. A convertible note in the principal amount of HK$43,243,000 was issued by the Company to the controlling shareholder as consideration for the acquisition. Also, the Group entered into an agreement to acquire the remaining 30% equity interest in a non-wholly-owned subsidiary from minority shareholders at a consideration of HK$1,400,000 in cash. Completion took place on 20 February 2009.

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

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

In the second half of the year, the Company completed the disposal of 100% equity interests in the Retail Group to CFSG at the aggregate consideration of HK$310,340,000, which was settled as to HK$60 million by cash deposit and the remaining balance by the issue of convertible notes in the principal amount of HK$250,340,000 by CFSG. The convertible notes had been fully repaid by CFSG during the year.

Save as aforesaid, the Group did not make any material acquisitions or disposals during the year ended 31 December 2009.

Capital Commitment

As at 31 December 2009, the Group did not have any material outstanding capital commitment.

Material Investments

As at 31 December 2009, the Group was holding a portfolio of listed investments and unlisted investment funds with market values of approximately HK$45.2 million and net gain on listed investments and unlisted investment funds totally of HK$13.8 million was recorded for the year.

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


CASHI

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY AND ECONOMIC REVIEW

The repercussions of the financial crisis that started in 2008 continued to prevail through 2009, resulting in a contraction in Hong Kong GDP by 2.7% in real terms as compared with 2008. Total exports of goods and services recorded decreases of 12.6% and 0.7% in real terms respectively from 2008.

Despite difficult operating environment, with total retail sales decreased by 0.8% in volume and average daily turnover value on the Stock Exchange decreased about 14%, our businesses had seen stabilisation and gradual improvements in 2009, especially in the second half of the year. Thanks to our early moves to tackle challenges brought about by the financial crisis, as well as grasping opportunities followed by the improving economic conditions.

Benson Chi-ming CHAN
CFSG
CEO

BUSINESS REVIEW AND OUTLOOK

FINANCIAL SERVICES — CFSG

Securities Broking

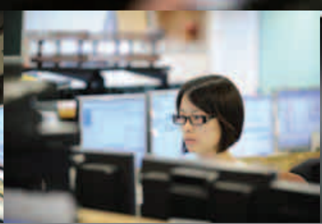
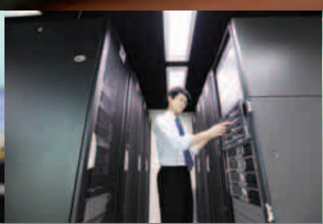
The wary investors were extremely cautious about investment especially in the first quarter of 2009, after having suffered in the unprecedented financial crisis. Thanks to our diversified income stream, lean cost base, and an efficient and reliable operating structure, CFSG proved to be one of the most resilient financial services companies in Hong Kong.

In preparation for a slowdown in securities trading activities, in early 2009, CFSG stroke a more balanced business mix to smooth out the impact of the reduced market turnover. To further grasp opportunities presented by recovery from the financial crisis, CFSG strengthened its sales forces and service offerings, enhanced the securities dealing system, and revamped the internet trading platform.

Wealth Management

The business unit successfully transformed itself from a financial planning focused entity into a comprehensive wealth management service provider by re-engineering its operations in late 2008 and re-branding to CASH Wealth Management Limited in June to reflect the new positioning. The objective was to smooth out revenue volatility by increasing income diversity and cohering resources from the Group. With an aim to equip the frontline sales force with multiple tools that cater to clients' every investment needs, the business has enhanced its service platform to include MPF, General Insurance, assets management and securities broking. The repositioning makes it ready to become a fully-fledged financial service company to provide total

PROFESSIONAL HUMAN TALENTS


wealth management solutions. The new model, with added service scope, has also helped attract new talents from both within and outside the industry with added service scope. The mix of new talents also sparked new ideas and working chemistry within the team.

Business wise, the unit continued to recover from the financial tsunami in the second half of the year with a significant increase in revenue. Turnover was picking up as a result of the sizing up of teams, increase in marketing activities, and return of investors' confidence.

Asset Management

During the year, CFSG's strategy to diversify revenue sources successfully weathered it through the unprecedented financial turmoil since 2008, especially when the poor investment sentiment prevailed in early 2009. Asset under CFSG's management was doubled while general market gained only by 52%. To seize opportunities arisen, CASH Asset Management further introduced the Thematic Investment Plan Service (TIPS) in early 2010 to attract more interest groups to investment.

Investment Banking

During 2009, the investment banking group maintained its strategy to focus on financial advisory and corporate transactions and took a proactive approach to placing and fund raising for existing and new clients. The strategy was effective in generating steady income. In light of the steaming IPOs and the secondary market activities locally, the corporate finance business will continue to seek fund raising and IPO opportunities in addition to financial advisory services for M&As and corporate transactions.

China Development

Despite the economic downturn, CFSG has been unwavering in developing the Mainland market. In early 2010, the Group opened a new office in Xiamen in addition to the existing offices in Beijing, Shanghai, Shenzhen and Chongqing. The move complemented its China strategy to have a more comprehensive geographical coverage in China. During the year, CFSG's operations in China were successfully qualified for the agency license to promote insurance and investment products in Shanghai. The qualification further enhanced its competitiveness in China's investment and wealth management market.

New Business

To diversify its business and broaden the sources of revenues, so as to mitigate volatility of the financial market and to increase shareholder returns, in the second half of 2009, CFSG completed its acquisition of Pricerite Stores Limited, the leading home furnishing specialist in Hong Kong. Moreover, CFSG has started several new businesses during the year, such as the immigration advisory, launch of the world's most comprehensive financial social networking portal, CASH SNS, to grasp various market opportunities arose from the change in investment behaviour.

We are cautiously optimistic towards the outlook of 2010, which is a year CFSG focuses on enhancing profit and hastening growth. With PRC market as our future expansion focus, we aim to equip a platform with multi-faceted and diversified capabilities in preparation for the eventual opening up of the Mainland financial market. In the meantime, CFSG will continue to work with our Mainland partners for further business opportunities.

RETAIL MANAGEMENT – PRICERITE

Pricerite, along with most Hong Kong retailers, experienced a turbulent year in 2009. The global financial crisis hit the economy at the end of 2008, impacting on our retail business during the first quarter of 2009, especially Chinese New Year, the peak sales season for the year. Sales performance was characterised by a fundamental change in consumer spending patterns that adversely affected store traffic and sales, particularly durable and big-ticket items such as large furniture series.

At the end of 2008, we initiated precautionary measures to adapt our cost structure and retail strategies to the change in the economic conditions following the global financial crisis, including consolidation of our retail network, improvement in operating efficiencies and reallocation of product mix. These measures were successful in bringing the business round, achieving a healthy inventory and financial position, and securing our market leading position.

(left) James Siu-pong LEUNG, Pricerite, Deputy CEO
(right) Derek Hin-sing NG, Pricerite, CEO

Faced with a change in customer buying preferences, we focused product development on easy-to-assemble small furniture items and functional necessities, such as modular storage systems and storage cabinets. By expanding the product range of such categories, we offered affordable choices to customers and helped them to better utilise their space, offsetting the effect of a sales drop in large furniture items.

Business started to stabilise and pick up in the second quarter with the economy showing signs of bottoming out and a strong rebound in the local property market. To seize this market opportunity, we expanded our furniture selection and launched a wider series of products focusing on newness, simplicity and exceptional value. At the same time, our unwavering commitment to value and outstanding services continued to gain recognition from customers as evidenced by the continuous growth in Pricerite membership. Numbers exceeded 200,000 by the end of the year.

As both the local economic conditions and our business showed increasingly positive signs of recovery, we resumed our growth strategy in the second half of the year. We accelerated our market expansion plan by opening three new stores in prime locations and launching a comprehensive branding campaign to promote our new brand image, products, personalised service and cosier shopping environment.

In 2010, we will put greater emphasis on communicating Pricerite's core values of outstanding quality, exceptional service, comfortable shopping environment and social responsibility. As such, we have revamped our corporate logo to better reflect our operating philosophies, such as service from the heart, customers always come first, and our "Green" commitment.

EXPERIENCED TEAM OF PROFESSIONALS

ONLINE GAME – MOLI GROUP

During the year, the Group re-engineered Moli's management structure, product pipeline, operational cost structure and business focus, dedicating more resources to proprietary game development projects.

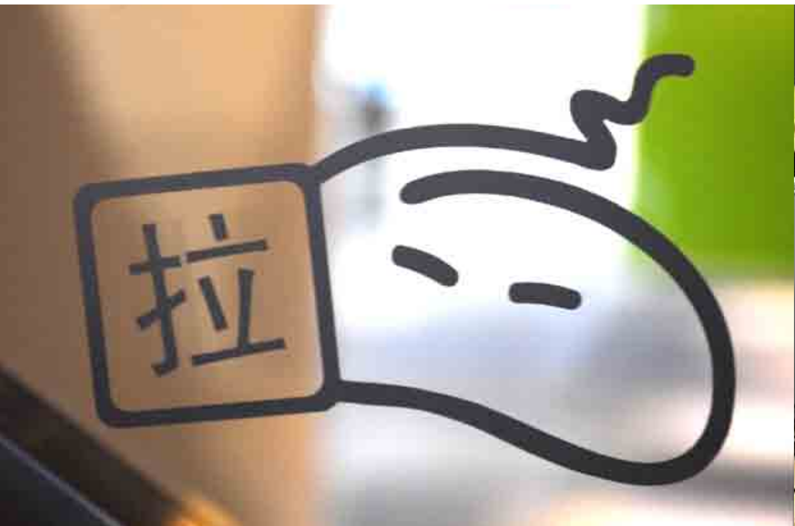
The Group arranged several user pilot tests for the updated patch of "Radiant Arcana Online" — "Runes of Magic". The game was commercially launched by the year end.

To comply with regulatory requirements in Mainland China, several "lottery" and "treasure box" monetisation features in our games were cancelled. To mitigate the adverse impact of the loss of revenue, we timely launched several operational and promotional measures. With the implementation of cost-rationalisation measures during the year, Moli's cost base has been substantially trimmed down, increasing operational efficiency.

We released the Indonesian version of "King of Pirate Online". In addition, targeting players and operational requirements in different geographical segments, we launched several expansion packs and patch updates for Hong Kong, Taiwan and other Southeast Asia operations. All these measures enjoyed a positive reception from our global partners and players.

The Group expects the growth momentum of the PRC online gaming industry to continue in the years ahead. Given the positive reaction of players towards local gaming content and the regulatory metrics, the Group's product strategy in 2010 will focus on proprietary gaming development and licensed games developed by local teams. We plan to launch two to three online games in a variety of styles in the coming year. We will also continue to explore opportunities for local partnerships to extend our player base.

To realise sustainable growth for the Group, we remain dedicated to improving our capabilities and effectiveness in maintaining our technical platform. We will also strive to promote our operational capabilities and extend our promotional and sales network. We believe such an approach will lay a solid foundation for further development of game pipelines and content updates for existing games. In addition, we will continue to work closely with law enforcement units to combat pirate servers and hacking and adopt strict defensive measures



to mitigate internet security risks in order to provide an enjoyable online gaming experience for our players.

We will dedicate more resources to long-term online gaming development projects and recruit more high-calibre game developers and designers. Leveraging the competitive edge offered by our proprietary game development engine, we will build and develop further high-quality online game titles. We believe this strategy will be effective in expanding our game pipeline and extending the life cycle of existing games.

In relation to overseas business development, we will actively drive licensing operations of "King of Pirate Online" via synchronisation of game patches in different regions and release of expansion packs. We will continue to strengthen our efforts in research and development, especially content management and operational support, in order to fulfil the requirements of players in different regions. Given the forthcoming release of our proprietary online games and the exciting growth of the global online gaming market, we will also continue to expand our overseas licensing network and global player base by publishing more game titles in more regions.

EMPLOYEE INFORMATION

At 31 December 2009, the Group had 1,494 employees, of which 1,166 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$270.1 million.

Benefits

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

Training

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

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

DIRECTORS AND SENIOR MANAGEMENT

Ben Man-pan CHENG
CFSG
Executive Director

Benson Chi-ming CHAN
CFSG
Executive Director and
Chief Executive Officer

Raymond Pak-lau YUEN
CFSG
Executive Director and
Chief Operating Officer

Bankee Pak-hoo KWAN
Chairman & CEO

Raymond Kung-chit NG
COO

Bernard Ping-wah LAW
CFO

James Siu-pong LEUNG
Pricerite
Deputy Chief Executive Officer

Derek Hin-sing NG
Pricerite
Chief Executive Officer

EXECUTIVE DIRECTORS

Bankee Pak-hoo KWAN
Chairman & CEO, MBA, BBA, FFA, MHKSI, CPM(HK), MHKIM,
aged 50, joined the Board on 9 March 1998. He is responsible for the overall business strategy of the Group. Mr Kwan has extensive experience in corporate management, strategic planning, marketing management, financial advisory and banking. He graduated from the Murdoch University of Perth, Australia in 1998 with a Master's degree in Business Administration, and from the Chinese University of Hong Kong in 1984 with a Bachelor's degree in Business Administration. Mr Kwan is a fellow of the Institute of Financial Accountants of the United Kingdom since 1999 and a member of the Hong Kong Securities Institute since 1999. Mr Kwan is also a Certified Professional Marketer (Hong Kong) of Hong Kong Institute of Marketing and a member of Hong Kong Institute of Marketing.

Mr Kwan is a firm believer in youth education and development. He is a John Harvard fellow of the 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 advisory professor and an honorary member of the Board of Trustees of Nanjing University. Mr Kwan is also an honorary advisor of several higher education institutions, including the Graduate School of Business, Hong Kong Polytechnic University; the LiPACE of The Open University of Hong Kong; and the Academy of Oriental Studies of Peking University. Furthermore, Mr Kwan is appointed as an honorary advisor of the Fong Yun Wah Foundation and the China Charity Federation.

In addition to education, Mr Kwan is also active in serving to requite the community. He is a member of the Chinese People's Political Consultative Conference, Shanghai Committee. Mr Kwan has also been a member of the Central Policy Unit of the Government of the HKSAR. After being the chairman of the Hong Kong Retail Management Association ("Association") for two consecutive terms, Mr Kwan continues to serve the Association as their honorary advisor. Currently, he is also a general committee member of the Hong Kong Brand Development Council; a convenor of the Retail Trade Training Board of Vocational Training Council; and an honorary advisor of the CEPA Business Opportunities Development Alliance. Mr Kwan is a member of the China Trade Advisory Committee of Hong Kong Trade Development Council, the Corporate Advisory Council of Hong Kong Securities Institute, the Hong Kong Quality Assurance Agency Governing Council, the SME Development Fund Vetting Committee of the Trade and Industry Department, the Consumer Council and the Consultation Panel of the West Kowloon Cultural District Authority. In December 2009, Mr Kwan was named "Entrepreneur of the Year 2009" in the Asia Pacific Entrepreneurship Awards organised by Enterprise Asia, which recognised his outstanding entrepreneurial success and significant contributions to economic life and society.

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.

Bernard Ping-wah LAW
CFO, MBA, FCCA, FCPA, MHKSI,
aged 51, joined the Board on 9 March 1998. He is in charge of the Group's financial and accounting management. Mr Law has extensive experience in financial management and accountancy. Mr Law graduated from the University of Warwick, United Kingdom in 1997 with a Master's degree of Business Administration. Mr Law has been a fellow of The Association of Chartered Certified Accountants since 1994, a fellow member of the Hong Kong Institute of Certified Public Accountants since 1998 and a member of Hong Kong Securities Institute since 1999. Mr Law is also an executive director and chief financial officer of CFSG.

Raymond Kung-chit NG
COO, M Mgmt, B Comm,
aged 41, joined the Board on 11 December 2009. He is in charge of the Group's day-to-day operation. He has extensive management experience in corporate administration and operation. Mr Ng graduated from Macquarie University, Australia in 2004 with a Master's degree in Management and from the University of Toronto, Canada in 1992 with a Bachelor's degree in Commerce.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Johnny Ka-kui LEUNG
INED, LL.B,
aged 52, joined the Board on 25 October 2000. Mr Leung has extensive experience in the legal field and is the managing partner of a legal firm in Hong Kong. Mr Leung graduated from the University of London in 1984 with a Bachelor of Laws. Mr Leung is the chairman of the Audit Committee and the Remuneration Committee.

Chuk-yan WONG
INED, MSc (Business Administration), BBA, CFA, CGA,
aged 48, joined the Board on 3 June 1998. Mr Wong has extensive investment management experience in the global financial markets and is a portfolio manager of a large renowned investment counsel in Toronto, Canada and is responsible for the company's equity investments in the Asia Pacific region. Mr Wong graduated from the University of British Columbia, Canada in 1989 with a Master of Science degree in Business Administration and from the Chinese University of Hong Kong in 1984 with a Bachelor's degree of Business Administration. Mr Wong is also a Chartered Financial Analyst (CFA) charterholder since 1993 and a Certified General Accountant of Canada since 1996. Mr Wong is also a member of the Audit Committee and the Remuneration Committee.

Hak-sin CHAN
INED, PhD, MBA, BBA,
aged 48, joined the Board on 25 October 2000. Dr Chan has extensive experience in the academia in the US as professor, researcher and consultant in the fields of corporate finance and international marketing and is a faculty member of the Department of Marketing at The Chinese University of Hong Kong. Dr Chan graduated from the University of Wisconsin-Madison, US with a Doctor of Philosophy degree in Business in 2000 and a Master's degree in Business Administration in 1986 and from the Chinese University of Hong Kong with a Bachelor's degree in Business Administration in 1984. Dr Chan is also a member of the Audit Committee.

SENIOR MANAGEMENT

Benson Chi-ming CHAN

Executive Director and Chief Executive Officer of CFSG,

aged 43, is a holder of Master Degree of Business Administration from The Hong Kong University of Science and Technology and a holder of Bachelor of Arts (Hons.) Degree in Accountancy from The Hong Kong Polytechnic University. He is a fellow member of The Association of Chartered Certified Accountants, a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants and a member of the Hong Kong Securities Institute. Mr Chan joined the Group in June 1998 and has extensive experience in the field of auditing, accounting, investment banking and corporate finance. Mr Chan is in charge of the CFSG Group's business development, business management and operation of corporate finance business, including investment banking advisory. Mr Chan is also the managing director and head of investment banking group of the CFSG Group, and a responsible officer of Celestial Capital.

Ben Man-pan CHENG

Executive Director of CFSG,

aged 40, graduated from The City University of Hong Kong in 1992 with a Bachelor's degree in Accountancy. He has been admitted as a fellow member of The Association of Chartered Certified Accountants since 2001 and a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants since 1995. Mr Cheng joined the Group in March 1998 and has extensive experience in auditing, accounting, financial controlling and project management. Mr Cheng is the managing director of the retail business group of CFSG's financial services. He is a responsible officer of Celestial Securities and Celestial Commodities.

Raymond Pak-lau YUEN

Executive Director and Chief Operating Officer of CFSG,

aged 46, graduated from The City University of Hong Kong with a Bachelor of Arts in Accountancy. He is a fellow member of The Association of Chartered Certified Accountants, a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants and an associate of The Institute of Chartered Accountants in England and Wales. Mr Yuen joined the Group in November 2000 and has extensive experience in accounting, auditing, financial management and operations control. Mr Yuen is in charge of monitoring the CFSG Group's day-to-day operation.

Bob Yau-ching CHAN

Director, Investment,

aged 47, received a Doctorate Degree of Philosophy in Business from Purdue University, US and a Master Degree of Business Administration from the University of Wisconsin-Madison, US, and is a Chartered Financial Analyst. Dr Chan joined the Group in September 2000 and has extensive experience in corporate development, financial management, strategic analysis and portfolio management. He is responsible for overseeing the Group's investment activities. Dr Chan is also the chief economist of CFSG for providing global macroeconomic viewpoints to clients of CFSG.

Derek Hin-sing NG
Chief Executive Officer, Pricerite,
aged 41, received a Master Degree of Business Administration from Southern Illinois University Carbondale in USA and a Bachelor Degree of Business Administration from Ottawa University in USA, and is a CERTIFIED FINANCIAL PLANNER[CM] professional. Mr Ng joined the Group in January 1997 and has extensive experience in the field of corporate development and retail business. He is in charge of the overall strategic development and operation of the Group's retail business.

James Siu-pong LEUNG
Deputy Chief Executive Officer, Pricerite,
aged 47, received a Master Degree of Business Administration from Heriot-Watt University in UK and a Bachelor Degree of Social Sciences from The University of Hong Kong. Mr Leung joined the Group in October 2001 and has extensive experience in the field of retail management business. He is in charge of the retail operation management of the Group's retail business.

Truman Choi-man TANG
General manager of Operation & Product research, Moli Group,
aged 42, received a Degree of Bachelor of Science in Mathematics from Jinan University in China. Mr Tang joined the Group in June 2009 and has extensive experience in the field of project management in computer game. He is in charge of the overall product development and operation of the Group's online game business.

Hon-wo SHUM
Legal Counsel,
aged 37, is a qualified solicitor of the HKSAR. He is a Master Degree holder in Laws from City University of Hong Kong, Master Degree holder in Laws from Renmin University of China and Bachelor Degree holder in Laws from University of Hong Kong. Mr Shum joined the Group in August 2005 and has extensive experience in legal field. He is the Group's legal counsel and is responsible for all legal issues of the Group.

Suzanne Wing-sheung LUKE
Company Secretary,
aged 41, is a fellow of the Institute of Chartered Secretaries and Administrators. Ms Luke joined the Group in May 2000 and has extensive listed company secretarial experience. In addition to taking the role as company secretary of the Company, she is also the company secretary of CFSG.

Corporate Governance Report

This CG Report presents the corporate governance matters during the year ended 31 December 2009 required to be disclosed under the Listing Rules.

ADOPTION OF PRINCIPLES IN THE CG CODE

The Board has adopted the Principles which aligns with the requirements set out in the CG Code. During the year under review, 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	Mr Kwan Pak Hoo Bankee, Chairman of the Board, also assumes the role of CEO of the Company with effect from 8 May 2009. The dual role of Mr Kwan provides a strong and consistent leadership to the Board and is critical for efficient business planning and decisions of the Group. The balance of power and authorities is ensured by the operation of the senior management and the Board, which comprise experienced and high caliber individuals.

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

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 year under review.

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 year under review, the Board had held the following number of physical meetings of the Directors:

- 8 meetings of the full Board

- 14 meetings of the EDs

Out of the 8 full Board meetings, 5 of them were held to discuss and/or approve the annual/quarterly financial performance/results of the Group, while 3 meetings to discuss and approve corporate transactions and change of auditors of the Company which arose during the year under review. The ED meetings were held to report, discuss and/or resolve for the ordinary business and operation matters. During the year under review, the composition of the Board, and the respective attendances of the Directors at the above Directors' meetings are presented as follows:

Director	Board capacity	Appointment/ Resignation during the year under review	Attendance Full Board meetings	ED meetings
Mr Kwan Pak Hoo Bankee	ED, Chairman & CEO		14/14	14/14
Mr Law Ping Wah Bernard	ED & CFO		14/14	14/14
Mr Ng Kung Chit Raymond	ED & COO	was appointed on 11 December 2009	0/0	1/1
Mr Lin Che Chu George	ED	resigned on 17 September 2009	3/4	7/9
Mr Leung Ka Kui Johnny	INED		8/8	N/A
Mr Wong Chuk Yan	INED		8/8	N/A
Dr Chan Hak Sin	INED		8/8	N/A

During the year under review, none of the Directors above had 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 year under review, the Company had maintained a Remuneration Committee. The role and function of the Remuneration Committee includes:

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

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

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

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

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

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

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

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

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

Member	Board capacity	Attendance
Mr Leung Ka Kui Johnny	INED	1/1
Mr Wong Chuk Yan	INED	1/1
Mr Kwan Pak Hoo Bankee	Chairman of the Board	1/1

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 year under review included:

- endorsement to the remuneration policy and structure for the Directors and senior management;

- review and approval of the specific remuneration package of each Director and senior management including benefits in kind, pension rights and compensation payments.

REMUNERATION POLICY FOR DIRECTORS

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

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

The remuneration of EDs generally consists of:

- fixed monthly salary/allowance — which is set in accordance with the Director's duties, responsibilities, skills, experiences and market influences;

- pension — which is based on the local Mandatory Provident Fund Contribution Scheme;

- short term variable incentive — which may include discretionary cash bonus depending on the achievement of short-term corporate objectives and/or personal targets;

- long term variable incentive — which may include share options designed to encourage long-term commitment.

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

Directors' Remuneration

The remuneration paid to and/or entitled by each of the Directors for the year 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 year under review are set out in the section headed "Directors' Interests in Securities" of the Directors' Report of this annual report.

NOMINATION OF DIRECTORS

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

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

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

During the year under review, 2 meetings were held by the EDs in resolving the changes of Directors. The attendances of the EDs were as follows:

Director	Attendance
Mr Kwan Pak Hoo Bankee	2/2
Mr Law Ping Wah Bernard	2/2
Mr Ng Kung Chit Raymond (was appointed on 11 December 2009)	0/0
Mr Lin Che Chu George (resigned on 17 September 2009)	0/0

AUDIT COMMITTEE

Throughout the year under review, the Company had maintained an Audit Committee. The major role and function of the Audit Committee include:

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

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

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

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

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

The chairman of the Audit Committee has been Mr Leung Ka Kui Johnny during the year under review.

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

AUDITORS' REMUNERATION

The analysis of the auditors' remuneration for the year under review is presented as follows:

	Fee amount HK$
Audit services	2,251,000
Non-audit services	859,000
Total	3,110,000

The audit services include the audit for the annual accounts of the Group for the year ended 31 December 2009 and reviewing the continuing connected transactions of the Group required under the Listing Rules. The non-audit services included the reporting accountant required under the Listing Rules for corporate transactions of the Group which took place during the year under review and provision of tax-related services for the Group during the year 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 year 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 year under review, the Directors had arranged to conduct a review over the effectiveness of the internal control system of the Group including functions of financial, operation, compliance and risk management, and also over the adequacy of resources, qualifications and experience of employees who are responsible for the accounting and financial reporting functions of the Group, and their training programmes and budget. These reviews showed a satisfactory control system. The review had been reported to the Audit Committee. The Directors had also initiated necessary improvement and reinforcement to the internal control system during the year under review.

On behalf of the Board
Bankee P Kwan
Chairman & CEO

Hong Kong, 15 April 2010

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 year under review, the Audit Committee comprised all the INEDs of the Company at all times.

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

- reviewed and commented on the financial reports for the six months ended 30 June 2009 and for the year ended 31 December 2009, and reviewed and commented on the business operation and development of the Group for the quarters ended 31 March 2009 and 30 September 2009;

- endorsed the policy on the engagement of external auditors for non-audit services;

- met with the auditors 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 auditors;

- considered and approved the remuneration and the terms of engagement of the auditors for both audit service and non-audit services for the year under review;

- reviewed the Company's financial controls, internal control and risk management systems;

- reviewed the Company's statement on internal control systems including adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget;

- considered the change of auditors and recommended to the Board for the appointment of Grant Thornton as the new auditors of the Group; and

- reviewed the "Continuing Connected Transactions" set forth on pages 43 to 44 of the report.

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

Hong Kong, 15 April 2010

Directors' Report

The Directors are pleased to present their report and the audited consolidated financial statements of the Group for the year ended 31 December 2009.

PRINCIPAL ACTIVITIES

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

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2009 are set out in the consolidated statement of comprehensive income on page 55 of this annual report.

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

FIVE-YEAR FINANCIAL SUMMARY

A summary of the audited results and the assets and liabilities of the Group for the last five financial years ended 31 December 2009 is set out on page 141 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of movements during the year in the property, plant 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 45 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 37 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 2009, the reserves of the Company available for distribution to Shareholders were approximately HK$210,601,000, comprising contributed surplus of HK$199,719,000 and retained profit of HK$10,882,000, and the Company's share premium available for distribution in the form of fully paid bonus shares was HK$362,207,000.

PRE-EMPTIVE RIGHTS

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

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

(1) Connected transactions

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

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

(b) Acquisition of equity interest in a non-wholly-owned subsidiary from connected persons

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

(2) Continuing connected transactions

Financial assistance

(a) Previous Margin Financing Arrangement

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

The Previous Margin Financing Arrangement had been expired on 31 December 2009. The facilities granted to certain Previous Connected Clients were renewed by the Margin Financing Arrangement as disclosed in paragraph 2(b) below. Details of the maximum amounts of the margin financing facilities granted to the Previous Connected Clients during the year under review are set out in note 26 to the consolidated financial statements. The commission and interest income received from the Previous Connected Clients during the year under review are disclosed in notes 44(a) to (f) to the consolidated financial statements.

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

Based on the work performed, the auditors of the Company have also confirmed that the Previous Margin Financing Arrangement (a) has received the approval of the Board; (b) has been entered into in accordance with the pricing policies of the Company with reference to similar transactions with independent third parties; (c) has been entered into in accordance with the terms of the relevant agreements governing such transactions; and (d) has not exceeded the relevant cap amount for the financial year ended 31 December 2009 as set out in the circular of the Company dated 1 March 2007.

(b) *Margin Financing Arrangement*

As disclosed in the Company's announcement dated 25 November 2009, CFSG proposed the Margin Financing Arrangement with each of the Connected Clients as a renewal of the Previous Margin Financing Arrangement to certain Previous Connected Clients and to grant new facilities to other new Connected Clients. Under the Margin Financing Arrangement, CFSG would extend margin financing facilities to the Connected Clients, at an annual cap of up to HK$30 million (which represents the maximum outstanding balance, including accrued outstanding interests, of the margin financing facility) to each of the Connected Clients for each of the three financial years ending on 31 December 2012 and are on terms and rates which are in line with the rates offered by CFSG to other independent margin clients. The margin financing facilities are repayable on demand and secured by listed securities held by the respective Connected Clients.

The Connected Clients (save as Libra Capital Management (HK) Limited (formerly E-Tailer Holding Limited) and Cashflow Credit Limited) are all substantial Shareholders and/or directors of the Group and/or their respective associates, and hence connected persons of the Company within the meaning of the Listing Rules. The granting of margin financing facilities by CFSG, a subsidiary of the Company, under the Margin Financing Arrangement would constitute continuing connected transactions relating to financial assistance for the Company under the Listing Rules. The Margin Financing Arrangement was approved by the independent Shareholders at a special general meeting held on 31 December 2009. Details of the Margin Financing Arrangement were disclosed in the Company's circular dated 15 December 2009.

RELATED PARTIES TRANSACTIONS

Save as the connected transactions and continuing connected transactions as disclosed in the above section, the Group also entered into certain transactions as disclosed in note 44 which were regarded as related party transactions under the applicable accounting standards. Such related party transactions constituted de minis connected transactions of the Company, but were exempted from the reporting, announcement and independent shareholders' approval requirements. The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules in relation to the related party transactions of the Group during the year.

RAISING OF FUNDS AND USE OF PROCEEDS

Pursuant to a placing and top up subscription agreement dated 5 August 2009 entered into among the Company, Cash Guardian and Celestial Securities (the placing agent), a total of 25,000,000 Shares were issued at HK$2.00 per Share on 17 August 2009. The closing price of each Share on 5 August 2009 (the last trading day prior to the fixing of the terms of the placing and top up subscription agreement) was HK$2.15 per Share. The gross and net proceeds of the issue were HK$50.0 million and HK$49.4 million respectively, representing a net price of HK$1.975 per Share. The fund was applied for general working capital purposes. Details of the transactions were disclosed in the Company's announcement dated 5 August 2009.

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.

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

Directors' Report

DIRECTORS

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

Executive Directors:

Kwan Pak Hoo Bankee	
Law Ping Wah Bernard	
Ng Kung Chit Raymond	(was appointed on 11 December 2009)
Lin Che Chu George	(resigned on 17 September 2009)

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 Ng Kung Chit Raymond, being newly appointed ED, shall retire at the annual general meeting of the Company in accordance with the bye-laws of the Company; and

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

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' INTERESTS IN CONTRACTS

Save as the convertible note agreement dated 11 November 2008, the sale and purchase agreement dated 11 November 2008 and the Previous Margin Financing Arrangement and the Margin Financing Arrangement as disclosed in sub-headings (1)(a), (2)(a) and 2(b) under the heading "Connected transactions and continuing connected transactions" in this section above, no Director was materially interested, either directly or indirectly, in any contract of significance of the Group subsisting during or at the end of the financial year under review.

RETIREMENT BENEFITS SCHEMES

Details of the Group's retirement benefits schemes are set out in note 3.19 to the consolidated financial statements.

DIRECTORS' INTERESTS IN SECURITIES

As at 31 December 2009, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or (b) were recorded in the register required to be kept under section 352 of the SFO, or (c) were otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

A. The Company

1. Long positions in the Shares

Name	Capacity	Number of Shares: Personal	Family interest	Other interest	Shareholding
					(%)
Kwan Pak Hoo Bankee	Founder of a discretionary trust	—	—	66,398,512*	32.31
Law Ping Wah Bernard	Beneficial owner	6,784,060	—	—	3.30
Ng Kung Chit Raymond	Beneficial owner and family interest	48,300	28,800	—	0.04
		6,832,360	28,800	66,398,512	35.65

* 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

(a) Options under share option scheme

Name	Date of grant	Option period	Exercise price per Share (HK$)	Notes	Number of options: outstanding as at 1 January 2009	granted on 13 March 2009 (Notes (2) & (3))	lapsed during the year (Note (4))	reallocated upon change of directorate (Note (6))	outstanding as at 31 December 2009	Percentage to issued shares as at 31 December 2009 (%)
Kwan Pak Hoo Bankee	6/6/2007	6/6/2007–31/5/2009	2.450	(1)	500,000	—	(500,000)	—	—	—
	13/3/2009	13/3/2009–31/3/2011	1.130	(1)	—	1,800,000	—	—	1,800,000	0.88
Law Ping Wah Bernard	6/6/2007	6/6/2007–31/5/2009	2.450		500,000	—	(500,000)	—	—	—
	13/3/2009	13/3/2009–31/3/2011	1.130		—	1,800,000	—	—	1,800,000	0.88
Ng Kung Chit Raymond	13/3/2009	13/3/2009–31/3/2011	1.130	(6)	N/A	N/A	N/A	1,000,000	1,000,000	0.49
Lin Che Chu George	6/6/2007	6/6/2007–31/5/2009	2.450	(5)	500,000	—	(500,000)	—	—	—
	13/3/2009	13/3/2009–31/3/2011	1.130	(5)	—	1,800,000	(1,800,000)	—	—	—
					1,500,000	5,400,000	(3,300,000)	1,000,000	4,600,000	2.25

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 13 March 2009 was HK$1.130.

(3) The fair value of the options granted by the Company to the directors during the year totalled approximately HK$176,000. The assumptions in arriving the fair value of the options are disclosed in note 43(A) to the consolidated financial statements.

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

(5) Mr Lin Che Chu George resigned as Director of the Company on 17 September 2009.

(6) Mr Ng Kung Chit Raymond was appointed as Director of the Company on 11 December 2009.

(7) No option was exercised or cancelled during the year.

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

(b) Convertible note

Name	Date of convertible note	Conversion period	Conversion price per share	Number of underlying shares	Percentage to issued shares as at 31 December 2009
			(HK$)		(%)
Kwan Pak Hoo Bankee	17/2/2009	17/8/2009–31/12/2011	1.00	43,243,000	21.04

Note: The convertible note in the outstanding amount of HK$43,243,000 was held by Cash Guardian. Mr Kwan Pak Hoo Bankee was deemed to be interested in all these shares as a result of his interests in Cash Guardian as disclosed in the heading of "Substantial Shareholders" in this section below.

B. Associated corporations (within the meaning of SFO)

CFSG

(i) Long positions in the ordinary shares of HK$0.10 each

Name	Capacity	Number of shares			Shareholding
		Personal	Family interest	Other interest	
					(%)
Kwan Pak Hoo Bankee	Beneficial owner and founder of a discretionary trust	8,168,000	—	315,121,198*	52.39
Law Ping Wah Bernard	Beneficial owner	13,771,120	—	—	2.23
Ng Kung Chit Raymond	Beneficial owner and family interest	3,014,000	18,000	—	0.49
		24,953,120	18,000	315,121,198	55.11

* The shares were held as to 298,156,558 shares by CIGL, a wholly-owned subsidiary of Praise Joy Limited (which was 100% beneficially owned by the Company), and as to 16,964,640 shares by Cash Guardian. Pursuant to the SFO, the Company was owned as to approximately 32.31% by Cash Guardian (which was 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. Mr Kwan Pak Hoo Bankee was deemed to be interested in all these shares as a result of his interests in the Company through Cash Guardian as disclosed in the "Substantial Shareholders" below.

(ii) Long positions in the underlying shares — options under share option scheme

Name	Date of grant	Option period	Exercise price per share (HK$)	Notes	Number of options: outstanding as at 1 January 2009	granted on 15 June 2009	lapsed during the year (Note (4))	outstanding as at 31 December 2009	Percentage to issued shares as at 31 December 2009 (%)
Kwan Pak Hoo Bankee	15/06/2009	15/06/2009–30/06/2013	0.734	(1) & (2)	—	5,000,000	—	5,000,000	0.81
Law Ping Wah Bernard	15/06/2009	15/06/2009–30/06/2013	0.734	(2)	—	5,000,000	—	5,000,000	0.81
Lin Che Chu George	15/06/2009	15/06/2009–30/06/2013	0.734	(2) & (3)	—	5,000,000	(5,000,000)	—	—
					—	15,000,000	(5,000,000)	10,000,000	1.62

Notes:

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

(2) The options were vested in 2 tranches as to (i) 50% exercisable from the commencement of the expiry of 6 months from the date of grant (ie 15 December 2009) up to 30 June 2013; and (ii) 50% exercisable from the commencement of the expiry of 1 year from the date of grant (ie 15 June 2010) up to 30 June 2013.

(3) Mr Lin Che Chu George resigned as Director of the Company during the year.

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

Save as disclosed above, as at 31 December 2009, none of the Directors, chief executives or their associates had any interests and short positions in the Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or (b) were recorded in the register required to be kept under section 352 of the SFO, or (c) were otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTION SCHEMES

(A) The Company

The Share Option Scheme was adopted pursuant to an ordinary resolution passed at the special general meeting of the Company held on 19 February 2002. Particulars of the terms of the Share Option Scheme are set out in note 43(A) to the consolidated financial statements.

The following table discloses details of the Share Option Scheme held by the Directors and the employees of the Group and movements in such holdings during the year ended 31 December 2009:

					Number of options				
Name of scheme	**Date of grant**	**Option period**	**Exercise price per share** (HK$)	Notes	**outstanding as at 1 January 2009**	**granted during the year** (Notes (2) & (4))	**lapsed during the year** (Note (3))	**reallocated upon change of directorate**	**outstanding as at 31 December 2009**
Directors									
Share Option Scheme	6/6/2007	6/6/2007–31/5/2009	2.450	(1)	1,500,000	—	(1,500,000)	—	—
	13/3/2009	13/3/2009–31/3/2011	1.130	(1)	—	5,400,000	(1,800,000)	1,000,000	4,600,000
					1,500,000	5,400,000	(3,300,000)	1,000,000	4,600,000
Employees									
Share Option Scheme	30/5/2007	30/5/2007–31/5/2009	2.400		1,540,000	—	(1,540,000)	—	—
	6/6/2007	6/6/2007–31/5/2009	2.450		6,960,000	—	(6,960,000)	—	—
	13/3/2009	13/3/2009–31/3/2011	1.130		—	11,900,000	—	(1,000,000)	10,900,000
					8,500,000	11,900,000	(8,500,000)	(1,000,000)	10,900,000
					10,000,000	17,300,000	(11,800,000)	—	15,500,000

Notes:

(1) Details of the options granted to the Directors are set out in the section headed "Directors' interests in securities" above.

(2) The closing price of the share immediately before the date of grant of options on 13 March 2009 was HK$1.130.

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

(4) The estimated fair values of the share options granted on 13 March 2009 are approximately HK$565,000. The assumptions in arriving the fair value of the options are disclosed in note 43(A) to the consolidated financial statements.

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

(B) The subsidiaries

(i) CFSG

CFSG has two share option schemes, namely CFSG New Option Scheme adopted on 22 February 2008 (which took effect on 3 March 2008) and the CFSG Option Scheme adopted on 19 February 2002 (which was terminated on 3 March 2008) respectively. Particulars of the terms of the CFSG New Option Scheme and the CFSG Option Scheme are set out in note 43(B) to the consolidated financial statements.

The following table discloses details of CFSG's share options granted under CFSG's share option schemes held by the Directors and the employees of the Group and movements in such holdings during the year ended 31 December 2009:

Name of scheme	Date of grant	Option period	Exercise price per share (HK$)	Notes	Number of options: outstanding as at 1 January 2009	adjusted on 19 March 2009 (Note (5))	granted during the year (Notes (6) & (7))	lapsed during the year (Note (8))	cancelled during the year	outstanding as at 31 December 2009
Directors										
CFSG New Option Scheme	15/6/2009	15/6/2009–30/6/2013	0.734	(1)	—	—	15,000,000	(5,000,000)	—	10,000,000
Employees and consultants										
CFSG Option Scheme	7/7/2006	7/7/2006–31/7/2010	1.180	(2) & (5)	113,000	11,000	—	—	—	124,000
CFSG New Option Scheme	15/6/2009	15/6/2009–30/6/2013	0.734	(1)	—	—	15,000,000	—	—	15,000,000
	15/6/2009	15/6/2009–30/6/2013	0.734	(3)	—	—	9,000,000	—	—	9,000,000
	22/6/2009	22/6/2009–30/6/2013	0.720	(4)	—	—	20,000,000	—	(5,000,000)	15,000,000
					113,000	11,000	44,000,000	—	(5,000,000)	39,124,000
					113,000	11,000	59,000,000	(5,000,000)	(5,000,000)	49,124,000

Notes:

(1) The options were vested in 2 tranches as to (i) 50% exercisable from the commencement of the expiry of 6 months from the date of grant (ie 15 December 2009) up to 30 June 2013; and (ii) 50% exercisable from the commencement of the expiry of 1 year from the date of grant (ie 15 June 2010) up to 30 June 2013.

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

(3) The options were vested in 3 tranches as to (i) 30% exercisable from the commencement of the expiry of 1 year from the date of grant (ie 15 June 2010) up to 30 June 2013; (ii) 30% exercisable from the commencement of the expiry of 2 years from the date of grant (ie 15 June 2011) up to 30 June 2013; and (iii) 40% exercisable from the commencement of the expiry of 3 years from the date of grant (ie 15 June 2012) up to 30 June 2013.

(4) The exercise of options were subject to delivery of services to members of the Group as determined at the sole discretion of the board of directors of CFSG.

(5) The number and the exercise price of CFSG's share options which remained outstanding have been adjusted from 113,000 shares and HK$1.310 per share to 124,000 shares and HK$1.180 per share respectively with effect from 19 March 2009, due to the rights issue of CFSG.

(6) The closing price of CFSG's share immediately before the date of grant of options on 15 June 2009 and 22 June 2009 was HK$0.700 and HK$0.690 respectively.

(7) The estimated fair values of CFSG's share options granted on 15 June 2009 and 22 June 2009 are approximately HK$12,375,000 and HK$6,240,000 respectively. The assumptions in arriving the fair value of CFSG's options are disclosed in note 43(B) to the consolidated financial statements.

(8) The lapsed options were due to cessation of directorship or employment of a participant with the Group.

(9) No option was exercised during the year.

(ii) Netfield (Bermuda)

Particulars of the terms of the share option scheme of Netfield (Bermuda) are set out in note 43(C) to the consolidated financial statements. No option has been granted under the share option scheme of Netfield (Bermuda) since the adoption of the scheme.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2009, so far as is known to the Directors and chief executives of the Company, the persons/companies, other than a Director or chief executive of the Company, who had interests or short positions in the Shares and underlying shares of the Company 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	66,398,512	32.31
Cash Guardian (Note)	Interest in a controlled corporation	66,398,512	32.31

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

Save as disclosed above, as at 31 December 2009, so far as is known to the Directors and chief executives of the Company, no other parties (other than a Director or chief executive of the Company) who had interests or short positions in the Shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

During the year ended 31 December 2009, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company listed securities.

SUFFICIENCY OF PUBLIC FLOAT

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

DONATIONS

During the year, the Group made charitable donations amounted to approximately HK$5,300,000.

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.

AUDITORS

During the year, Deloitte Touche Tohmatsu resigned as auditors of the Company and Grant Thornton was appointed by the Board as auditors of the Company to fill the casual vacancy. There have been no other changes of auditors in the preceding three years.

The consolidated financial statements of the Company for the year was audited by Grant Thornton. A resolution will be submitted to the forthcoming annual general meeting of the Company to re-appoint Grant Thornton as auditors of the Company.

On behalf of the Board
Bankee P Kwan
Chairman & CEO

Hong Kong, 15 April 2010

Independent Auditors' Report

Grant Thornton
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Member of Grant Thornton International Ltd

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 55 to 139, which comprise the consolidated statement of financial position as at 31 December 2009, and the consolidated statement of comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these 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 control relevant to the preparation and the true and fair presentation of 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.

Auditors' responsibility

Our responsibility is to express an opinion on these 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and true and fair presentation of the 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 entity's internal control. 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 financial statements.

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

Independent Auditors' Report

Grant Thornton
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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 2009 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.

Grant Thornton
Certified Public Accountants
6th Floor, Nexxus Building
41 Connaught Road Central

Hong Kong
15 April 2010

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
Revenue	5	**1,129,142**	1,312,746
Other operating income		**25,977**	10,645
Cost of sales for retailing business		**(503,046)**	(498,173)
Cost of sales and services for online game business		**(10,607)**	(59,077)
Salaries, allowances, commission and other related benefits	7	**(267,331)**	(319,664)
Other operating, administrative and selling expenses		**(401,684)**	(476,913)
Depreciation of property, plant and equipment		**(50,102)**	(46,607)
Finance costs	8	**(35,698)**	(30,453)
Net fair value gain/(loss) on financial assets at fair value through profit or loss	9	**13,783**	(239,721)
Fair value gain on derivative financial instruments		**3,067**	235
Fair value gain on investment properties	17	**52,455**	—
Fair value gain on embedded derivative of convertible notes	35	**5,921**	—
Bad debt recovered		**—**	1,802
Reversal of bad and doubtful debts		**—**	176
Loss on disposal of property, plant and equipment		**(26)**	(4,241)
Loss on disposal of subsidiaries	39	**—**	(3,292)
Gain on dilution of shareholding in subsidiaries	19	**80,536**	41,655
Share of profit of associates	20	**5,247**	39,096
Impairment loss recognised on goodwill	19	**(2,718)**	(84,687)
Impairment loss recognised on intangible assets		**—**	(5,420)
Impairment loss recognised on accounts and other receivables and prepayments		**(6,805)**	(22,319)
Impairment loss recognised in respect of property, plant and equipment		**—**	(2,869)
Profit/(Loss) before income tax	11	**38,111**	(387,081)
Income tax expense	12	**(19,174)**	(9,425)
Profit/(Loss) for the year		**18,937**	(396,506)
Other comprehensive income			
Exchange difference on translation of foreign operations		**151**	183
Share of translation reserve of associates		**—**	6,809
Other comprehensive income for the year, including reclassification adjustments and net of tax		**151**	6,992
Total comprehensive income for the year		**19,088**	(389,514)

Consolidated Statement of Comprehensive Income (continued)

For the year ended 31 December 2009

	Note	2009 HK$'000	2008 HK$'000
Profit/(Loss) for the year attributable to:			
Owners of the Company		**35,997**	(358,113)
Minority interests		**(17,060)**	(38,393)
		18,937	(396,506)
Total comprehensive income attributable to:			
Owners of the Company		**36,148**	(353,505)
Minority interests		**(17,060)**	(36,009)
		19,088	(389,514)
Earnings/(Loss) per share for profit/(loss) attributable to the owners of the Company during the year			
— Basic	13	**HK$0.19**	(HK$1.98)
— Diluted		**HK$0.18**	N/A

Consolidated Statement of Financial Position

As at 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	15	**179,018**	172,019
Prepaid lease payments	16	**15,133**	15,548
Investment properties	17	**163,712**	—
Available-for-sale investments	18	**—**	—
Goodwill	19	**146,071**	192,547
Interests in associates	20	**116,931**	111,684
Loan to an associate	20	**10,296**	10,296
Intangible assets	21	**50,790**	55,929
Other assets	23	**11,040**	9,447
Other deposits		**21,555**	—
Deposits paid for purchase of investment properties		**—**	63,271
Loans receivables	24	**5,392**	671
		719,938	631,412
Current assets			
Inventories	25	**43,454**	39,263
Account receivables	26	**507,163**	305,923
Loans receivables	24	**15,711**	13,677
Prepayments, deposits and other receivables	26	**45,720**	75,775
Tax recoverable		**9,381**	1,230
Amounts due from associates	27	**—**	260
Financial assets at fair value through profit or loss	28	**45,232**	79,155
Embedded derivative of convertible notes	35	**15,667**	—
Bank deposits subject to conditions	29	**87,739**	101,719
Bank balances — trust and segregated accounts	29	**765,112**	542,079
Bank balances (general accounts) and cash	29	**278,987**	327,480
		1,814,166	1,486,561
Current liabilities			
Account payables	30	**1,159,544**	823,593
Deferred revenue		**923**	5,981
Accrued liabilities and other payables		**73,564**	85,714
Obligations under finance leases — portion due within one year	31	**135**	127
Borrowings — amounts due within one year	32	**484,228**	383,071
Derivative financial instruments	33	**—**	3,067
Loans from a minority shareholder	34	**27,437**	27,437
Taxation payables		**6,365**	24,072
		1,752,196	1,353,062
Net current assets		**61,970**	133,499
Total assets less current liabilities		**781,908**	764,911

Consolidated Statement of Financial Position (continued)

As at 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
Non-current liabilities			
Convertible notes	35	**28,172**	—
Obligations under finance leases — portion due after one year	31	**180**	315
Borrowings — amounts due after one year	32	**89,026**	128,271
Deferred tax liabilities	36	**17,134**	7,606
		134,512	136,192
Net assets		**647,396**	628,719
EQUITY			
Share capital	37	**20,551**	18,051
Reserves		**348,080**	240,344
Equity attributable to the Company's owners		**368,631**	258,395
Minority interests		**278,765**	370,324
Total equity		**647,396**	628,719

Kwan Pak Hoo Bankee
Director

Law Ping Wah Bernard
Director

Consolidated Statement of Cash Flows

For the year ended 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
Cash flows from operating activities			
Profit/(Loss) before income tax		**38,111**	(387,081)
Adjustments for :			
Reversal of bad and doubtful debts		**—**	(176)
Amortisation of intangible assets	11	**4,129**	6,906
Amortisation of prepaid lease payments	11	**415**	415
Depreciation of property, plant and equipment	11	**50,102**	46,607
Share-based compensation	7	**8,131**	—
Allowance/(Reversal) of inventory obsolescence and write-off of inventories	11	**235**	(3,171)
Dividends from investments held for trading	11	**(1,742)**	(5,890)
Gain on dilution of shareholding in subsidiaries	19	**(80,536)**	(41,655)
Fair value gain on investment properties	17	**(52,455)**	(823)
Fair value gain on embedded derivative of convertible notes	35	**(5,921)**	—
Impairment loss recognised in respect of property, plant and equipment	15	**—**	2,869
Revaluation deficit on buildings	11	**1,200**	1,388
Gain on disposal of available-for-sale investments	11	**(12,976)**	—
Interest expense	8	**35,698**	30,453
Loss on disposal of property, plant and equipment	11	**26**	4,241
Gain on disposal of other intangible assets	11	**(393)**	—
Fair value gain on derivative financial instruments	33	**(3,067)**	(235)
Share of profit of associates	20	**(5,247)**	(39,096)
Loss on disposal of subsidiaries	39	**—**	3,292
Impairment loss recognised on goodwill	19	**2,718**	84,687
Impairment loss recognised on intangible assets	21	**—**	5,420
Impairment loss recognised on accounts and other receivables and prepayments		**6,805**	22,319
Operating loss before working capital changes		**(14,767)**	(269,530)
(Increase)/Decrease in inventories		**(4,426)**	5,832
(Increase)/Decrease in account receivables		**(201,240)**	623,479
(Increase)/Decrease in loans receivables		**(6,755)**	14,359
Decrease in prepayments, deposits and other receivables		**1,734**	130,388
Decrease in amounts due from associates		**260**	—
Decrease/(Increase) in financial assets at fair value through profit or loss and derivative financial instruments		**33,923**	(28,282)
(Increase)/Decrease in bank balances — trust and segregated accounts		**(223,033)**	386,448
Increase/(Decrease) in account payables		**335,951**	(681,689)
(Decrease)/Increase in deferred revenue		**(5,058)**	1,737
Decrease in accrued liabilities and other payables		**(12,731)**	(30,168)
Cash (used in)/generated from operations		**(96,142)**	152,574
Income taxes paid		**(35,532)**	(10,005)
Dividends received		**1,742**	5,890
Net cash (used in)/generated from operating activities		**(129,932)**	148,459

Consolidated Statement of Cash Flows (continued)

For the year ended 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
Cash flows from investing activities			
Disposal of subsidiaries	39	—	(867)
Acquisition of additional interest in subsidiaries		(1,400)	(69,723)
Acquisition of subsidiaries, net of cash and cash equivalents acquired	38	11	—
(Decrease)/Increase in bank deposits subject to conditions		13,980	(11,536)
Proceeds from disposal of property, plant and equipment		217	1,280
Proceeds from disposals of available-for-sale financial assets		12,976	—
Proceeds from disposals of other intangible assets		1,703	—
Proceeds from disposal of investment property		51,000	5,823
Purchase of property, plant and equipment		(58,544)	(126,983)
Purchase of other intangible assets		(300)	—
Deposits paid for purchases of property, plant and equipment		—	(47,135)
Statutory and other deposits paid		(1,593)	(311)
Net cash generated from/(used in) investing activities		18,050	(249,452)
Cash flows from financing activities			
(Repayment of)/Proceeds from borrowings		(59,043)	172,126
Increase in bank overdrafts		56,457	12,415
Capital contribution from minority interests		500	—
Repayments of obligations under finance leases		(127)	(630)
Proceeds on issue of shares		50,000	—
Proceeds on issue of shares to minority interests		47,040	47,368
Dividends paid to minority shareholders by CASH Financial Services Group Limited ("CFSG")		—	(54,950)
Dividends paid by the Company		—	(36,101)
Interest paid on obligations under finance lease		(23)	(74)
Payment of repurchase of shares by CFSG		—	(10,904)
Share issue expenses		(180)	—
Share issue expenses paid by CFSG		—	(40)
Interest paid on convertible note		(754)	—
Interest paid on bank and other loans		(30,138)	(30,379)
Net cash generated from financing activities		63,732	98,831
Net decrease in cash and cash equivalents		(48,150)	(2,162)
Cash and cash equivalents at beginning of year		327,480	329,501
Effect of foreign exchange rate changes		(343)	141
Cash and cash equivalents at end of year		278,987	327,480
Being:			
Bank balances (general accounts) and cash		278,987	327,480

Consolidated Statement of Changes in Equity

For the year ended 31 December 2009

		Equity attributable to the Company's owners												
	Notes	Share capital HK$'000	Share premium HK$'000 (Note (a))	Contributed surplus HK$'000 (Notes (b) & (c))	General reserve HK$'000	Other reserve HK$'000 (Note (d))	Translation reserve HK$'000	Share option reserve HK$'000	Revaluation reserve HK$'000 (Note (h))	Retained earnings/ (Accumulated losses) HK$'000	Total HK$'000	Share option reserve of a listed subsidiary HK$'000	Minority interests HK$'000	Total HK$'000
At 1 January 2008		90,253	417,255	16,724	1,160	12,314	(188)	1,074	15,564	93,845	648,001	88	492,118	1,140,207
2008 dividend paid by subsidiary		—	—	—	—	—	—	—	—	—	—	—	(54,950)	(54,950)
Acquisition of additional interest in a subsidiary		—	—	—	—	—	—	—	—	—	—	—	(31,436)	(31,436)
Issue of new shares by a subsidiary		—	—	—	—	—	—	—	—	—	—	—	601	601
2008 dividend paid		—	—	—	—	—	—	—	—	(36,101)	(36,101)	—	—	(36,101)
Transactions with owners		—	—	—	—	—	—	—	—	(36,101)	(36,101)	—	(85,785)	(121,886)
Loss for the year		—	—	—	—	—	—	—	—	(358,113)	(358,113)	—	(38,393)	(396,506)
Other comprehensive income														
Exchange difference arising from translation of foreign operations		—	—	—	—	—	183	—	—	—	183	—	—	183
Share of translation reserve of associate		—	—	—	—	—	4,425	—	—	—	4,425	—	2,384	6,809
Total comprehensive income for the year		—	—	—	—	—	4,608	—	—	(358,113)	(353,505)	—	(36,009)	(389,514)
Reduction of shares due to share consideration and reduction	(e)	(72,202)	—	72,202	—	—	—	—	—	—	—	—	—	—
Transfer upon lapsed of share options		—	—	—	—	—	—	(422)	—	422	—	—	—	—
Amount transferred to accumulated losses as a result of expiration of a subsidiary's share options		—	—	—	—	—	—	—	—	—	—	(88)	—	(88)
Amount transfer from share premium to contributed surplus	(f)	—	(100,000)	100,000	—	—	—	—	—	—	—	—	—	—
Amount transferred to set off accumulated losses	(g)	—	—	(50,000)	—	—	—	—	—	50,000	—	—	—	—
At 31 December 2008		18,051	317,255	138,926	1,160	12,314	4,420	652	15,564	(249,947)	258,395	—	370,324	628,719

Consolidated Statement of Changes in Equity (continued)

For the year ended 31 December 2009

	Equity attributable to the Company's owners												
	Share capital HK$'000	**Share premium** HK$'000 (Note (a))	**Contributed surplus** HK$'000 (Notes (b) & (c))	**General reserve** HK$'000	**Other reserve** HK$'000 (Note (d))	**Translation reserve** HK$'000	**Convertible notes equity reserve** HK$'000	**Share option reserve** HK$'000	**Revaluation reserve** HK$'000 (Note (h))	**Accumulated losses** HK$'000	**Total** HK$'000	**Minority interests** HK$'000	**Total** HK$'000
At 1 January 2009	18,051	317,255	138,926	1,160	12,314	4,420	—	652	15,564	(249,947)	258,395	370,324	628,719
Issue of convertible notes	—	—	—	—	—	—	20,286	—	—	—	20,286	—	20,286
Share-based compensation	—	—	—	—	—	—	—	4,221	—	—	4,221	3,910	8,131
Acquisition of minority interests	—	—	—	—	—	—	—	—	—	—	—	(953)	(953)
Capital contribution from minority interests	—	—	—	—	—	—	—	—	—	—	—	500	500
Issue of new shares	2,500	47,500	—	—	—	—	—	—	—	—	50,000	—	50,000
Amount arising from dilution of shareholding in subsidiaries	—	—	—	—	—	—	—	—	—	—	—	(124,741)	(124,741)
Transaction costs attributable to the issue of new shares	—	(180)	—	—	—	—	—	—	—	—	(180)	—	(180)
Issue of new shares by a subsidiary	—	—	—	—	—	—	—	—	—	—	—	47,040	47,040
Transactions with owners	2,500	47,320	—	—	—	—	20,286	4,221	—	—	74,327	(74,244)	83
Profit for the year	—	—	—	—	—	—	—	—	—	35,997	35,997	(17,060)	18,937
Other comprehensive income													
Exchange difference arising from translation of foreign operations	—	—	—	—	—	151	—	—	—	—	151	—	151
Total comprehensive income for the year	—	—	—	—	—	151	—	—	—	35,997	36,148	(17,060)	19,088
Amount transferred to accumulated losses as a result of expiration of share options	—	—	—	—	—	—	—	(950)	—	711	(239)	(255)	(494)
At 31 December 2009	**20,551**	**364,575**	**138,926**	**1,160**	**12,314**	**4,571**	**20,286**	**3,923**	**15,564**	**(213,239)**	**368,631**	**278,765**	**647,396**

Notes:

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

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

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

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

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

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

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

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

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

1. GENERAL INFORMATION

Celestial Asia Securities Holdings Limited ("Company") is a limited liability company incorporated and domiciled in Bermuda. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and, its principal place of business is 28/F Manhattan Place, 23 Wang Tai Road, Kowloon Bay, Hong Kong. The Company's shares are listed on The Stock Exchange of Hong Kong Limited ("Stock Exchange").

The Company is an investment holding company. The principal activities and other particulars of the principal subsidiaries are set out in note 45 to the consolidated financial statements. The Company and its subsidiaries are referred to as the "Group" hereafter.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is also the functional currency of the Company and are rounded in thousand unless otherwise stated.

The consolidated financial statements on pages 55 to 139 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations ("Int") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The financial statements also include the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules").

The consolidated financial statements for the year ended 31 December 2009 were approved for issue by the board of directors on 15 April 2010.

2. ADOPTION OF NEW AND AMENDED HKFRSs

In the current year, the Group has applied, for the first time, the following new standards, amendments and interpretations ("new HKFRSs") issued by the HKICPA, which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 January 2009.

HKAS 1 (Revised 2007)	Presentation of Financial Statements
HKAS 23 (Revised 2007)	Borrowing Costs
HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKAS 32 & HKAS 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 2 (Amendments)	Share-based Payment — Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Financial Instruments: Disclosure — Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC) — Int 9 & HKAS 39 (Amendments)	Reassessment of Embedded Derivatives and Financial Instruments: Recognition and Measurement — Embedded Derivatives
HK(IFRIC) — Int 13	Customer Loyalty Programmes
HK(IFRIC) — Int 15	Agreements for the Construction of Real Estate
HK(IFRIC) — Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC) — Int 18	Transfer of Assets from Customers
Various	Annual Improvements to HKFRSs 2008

Other than as noted below, the adoption of the new HKFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented.

2. ADOPTION OF NEW AND AMENDED HKFRSs (continued)

HKAS 1 (Revised 2007) Presentation of Financial Statements

The adoption of HKAS 1 (Revised 2007) makes certain changes in the format and titles of primary financial statements and to the presentation of some items within these statements. It also gives rise to additional disclosures. The measurement and recognition of the Group assets, liabilities, income and expenses are unchanged. However, some items that were recognised directly in equity are now recognised in other comprehensive income. HKAS 1 affects the presentation of owner changes in equity and introduces a "Statements of comprehensive income". Comparatives have been restated to conform with the revised standard. The Group has applied changes to its accounting policies on presentation of financial statements and segment reporting retrospectively. However, the changes to the comparatives have not affected the consolidated statement of financial position at 1 January 2008 and accordingly the third statement of financial position as at 1 January 2008 is not presented.

HKFRS 7 (Amendments) Financial Instruments: Disclosure — Improving Disclosures About Financial Instruments

The amendments require additional disclosures for financial instruments which are measured at fair value in the statement of financial position. These fair value measurements are categorised into a three-level fair value hierachy, which reflects the extent of observable market data used in making the measurements. In addition, the maturity analysis for derivative financial liabilities is disclosed separately and should show remaining contractual maturities for those derivatives where this information is essential for an understanding of the timing of the cash flows. The Group has taken advantage of the transitional provisions in the amendments and has not provided comparative information in respect of the new requirements.

HKFRS 8 Operating Segments

The adoption of HKFRS 8 has not affected the identified and reportable operating segments for the Group. However, reported segment information is now based on internal management reporting information that is regularly reviewed by the chief operating decision maker. In the previous annual financial statements, segments were identified by reference to the dominant source and nature of the Group's risks and returns. Comparatives have been restated on a basis consistent with the new standard.

At the date of authorisation of these financial statements, certain new and amended HKFRSs have been published but are not yet effective, and have not been adopted early by the Group.

The directors anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning after the effective date of the pronouncement. Information on new and amended HKFRSs that are expected to have impact on the Group's accounting policies is provided below. Certain other new and amended HKFRSs have been issued but are not expected to have a material impact of the Group's financial statements.

HKFRS 3 Business Combinations (Revised 2008)

The standard is applicable in reporting periods beginning on or after 1 July 2009 and will be applied prospectively. The new standard still requires the use of the purchase method (now renamed the acquisition method) but introduces material changes to the recognition and measurement of consideration transferred and the acquiree's identifiable assets and liabilities, and the measurement of non-controlling interests (previously known as minority interest) in the acquiree. The new standard is expected to have a significant effect on business combinations occurring in reporting periods beginning on or after 1 July 2009.

2. ADOPTION OF NEW AND AMENDED HKFRSs (continued)

HKFRS 9 Financial Instruments

The standard is effective for accounting periods beginning on or after 1 January 2013 and addresses the classification and measurement of financial assets. The new standard reduces the number of measurement categories of financial assets and all financial assets will be measured at either amortised cost or fair value based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. Fair value gains and losses will be recognised in profit or loss except for those on certain equity investments which will be presented in other comprehensive income. The directors are currently assessing the possible impact of the new standard on the Group's results and financial position in the first year of application.

HKAS 27 Consolidated and Separate Financial Statements (Revised 2008)

The revised standard is effective for accounting periods beginning on or after 1 July 2009 and introduces changes to the accounting requirements for the loss of control of a subsidiary and for changes in the Group's interest in subsidiaries. Total comprehensive income must be attributed to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. The directors do not expect the standard to have a material effect on the Group's financial statements.

Annual Improvements 2009

The HKICPA has issued Improvements to Hong Kong Financial Reporting Standards 2009. Most of the amendments become effective for annual periods beginning on or after 1 January 2010. The Group expects the amendment to HKAS 17 Leases to be relevant to the Group's accounting policies. Prior to the amendment, HKAS 17 generally required a lease of land to be classified as an operating lease. The amendment requires a lease of land to be classified as an operating or finance lease in accordance with the general principles in HKAS 17. The Group will need to reassess the classification of its unexpired leases of land at 1 January 2010 on the basis of information existing at the inception of those leases in accordance with the transitional provisions for the amendment. The amendment will apply retrospectively except where the necessary information is not available. In that situation, the leases will be assessed on the date when the amendment is adopted. The directors are currently assessing the possible impact of the amendment on the Group's results and financial position in the first year of application.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation

The significant accounting policies that have been used in the preparation of these financial statements are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated.

The financial statements have been prepared on the historical cost basis except for certain properties and financial instruments. The measurement bases are fully described in the accounting policies below.

It should be noted that accounting estimates and assumptions are used in preparation of the financial statements. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The area involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries (see 3.3 below) made up to 31 December each year.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Intra-group transactions, balances and unrealised gains and losses on transactions between group companies are eliminated in preparing the consolidated financial statements. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from the Group's perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Minority interest represents the portion of the profit or loss and net assets of a subsidiary attributable to equity interests that are not owned by the Group and are not the Group's financial liabilities.

Minority interests are presented in the consolidated statement of financial position within equity, separately from the equity attributable to the owners of the Company. Profit or loss attributable to the minority interests are presented separately in the consolidated statement of comprehensive income as an allocation of the Group's results. Where losses applicable to the minority exceeds the minority interests in the subsidiary's equity, the excess and further losses applicable to the minority are allocated against the minority interest to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses. Otherwise, the losses are charged against the Group's interests. If the subsidiary subsequently reports profits, such profits are allocated to the minority interest only after the minority's share of losses previously absorbed by the Group has been recovered.

3.3 Subsidiaries

Subsidiaries are entities (including special purpose entities) over which the Group has the power to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

In consolidated financial statements, acquisition of subsidiaries (other than those under common control) is accounted for by applying the purchase method. This involves the estimation of fair value of all identifiable assets and liabilities, including contingent liabilities of the subsidiary, at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition. On initial recognition, the assets and liabilities of the subsidiary are included in the consolidated statement of financial position at their fair values, which are also used as the bases for subsequent measurement in accordance with the Group's accounting policies.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.4 Associates

Associates are those entities over which the Group is able to exert significant influence, generally accompanying a shareholding of between 20% and 50% of voting rights but which are neither subsidiaries nor investment in a joint venture.

In the consolidated financial statements, an investment in an associate is initially recognised at cost and subsequently accounted for using the equity method. Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed far impairment as part of the investment. The cost of 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, plus any costs directly attributable to the investment. Any excess of the Group's share of 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 in the determination of the Group's share of the associate's profit or loss in the period in which the investment is acquired.

Under the equity method, the Group's interest in the associate is carried at cost and adjusted for the post-acquisition changes in the Group's share of the associate or associate's net assets less any identified impairment loss, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Profit or loss for the period includes the Group's share of the post-acquisition, post-tax results of the associate or associate for the year, including any impairment loss on the investment in associate recognised for the year.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Where unrealised losses on assets sales between the Group and its associates are reversed on equity accounting, the underlying asset is also tested for impairment from the Group's perspective. Where the associate uses accounting policies other than those of the Group for like transactions and events in similar circumstances, adjustments are made, where necessary, to conform the associate's accounting policies to those of the Group when the associate's financial statements are used by the Group in applying the equity method.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate. For this purpose, the Group's interest in the associate is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate.

After the application of equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associates. At each reporting date, the Group determines whether there is any objective evidence that the investment in associate is impaired. If such indications are identified, the Group calculates the amount of impairment as being the difference between the recoverable amount (higher of value in use and fair value less costs to sell) of the associate and its carrying amount. In determining the value in use of the investment, the Group estimates its share of the present value of the estimated future cash flows expected to be generated by the associate, including cash flows arising from the operations of the associate and the proceeds on ultimate disposal of the investment.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5 Foreign currency translation

The financial statements are presented in Hong Kong Dollars ("HK$"), which is also the functional currency of the Company.

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At the reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the reporting date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the reporting date retranslation of monetary assets and liabilities are recognised in profit or loss.

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 and are reported as part of the fair value gain or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

In the consolidated financial statements, all individual financial statements of foreign operations, originally presented in a currency different from the Group's presentation currency, have been converted into HK$. Assets and liabilities have been translated into HK$ at the closing rates at the reporting date. Income and expenses have been converted into HK$ at the exchange rates ruling at the transaction dates, or at the average rates over the reporting period provided that the exchange rates do not fluctuate significantly. Any differences arising from this procedure have been recognised in other comprehensive income and accumulated separately in the translation reserve in equity. Goodwill and fair value adjustments arising on the acquisition of a foreign operation on or after 1 January 2005 have been treated as assets and liabilities of the foreign operation and translated into HK$ at the closing rates. Goodwill arising on the acquisitions of foreign operations before 1 January 2005 is translated at the foreign exchange rate that applied at the date of the acquisition of the foreign operation.

When a foreign operation is sold, such exchange differences are reclassified from equity to profit or loss as part of the gain or loss on sale.

3.6 Revenue recognition

Revenue comprises the fair value for the consideration received or receivable for the sale of goods and fees derived from provision of services, net of discounts and sales related taxes. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised as follow:

Sales of goods are recognised upon transfer of the significant risks and rewards of ownership to the customers. This is usually taken as the time when the goods are delivered and the customer has accepted the goods.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.6 Revenue recognition (continued)

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

— The net increase or decrease in fair value of trading investments is recognised directly in profit or loss;

— Commission income for broking business is recorded as income on a trade date basis;

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

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

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

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

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

— Sales of online game auxiliary products are recognised when products are delivered and title has passed; and

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

Other interest income is recognised on a time-proportion basis using the effective interest method.

Dividend income is recognised when the right to receive payment is established.

3.7 Borrowing costs

Borrowing costs incurred for the acquisition, construction or production of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. A qualifying asset is an asset which necessarily takes a substantial period of time to get ready for its intended use or sale. Other borrowing costs are expensed when incurred.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.8 Goodwill

Set out below are the accounting policies on goodwill arising on acquisition of a subsidiary. Accounting for goodwill arising on acquisition of investment in an associate is set out in note 3.4.

Goodwill represents the excess of the cost of a business combination over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. The cost of the business combination 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, plus any costs directly attributable to the business combination.

Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment (see note 3.12).

Any excess of the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of a business combination is recognised immediately in profit or loss.

On subsequent disposal of a subsidiary, the attributable amount of goodwill capitalised is included in the determination of the amount of gain or loss on disposal. Goodwill relating to business combinations or investments in associates or jointly controlled entities prior to 1 January 2001 continues to be held in contributed surplus and will be transferred to the retained profits at the time when the business, associate to which the goodwill relates is disposed of or when a cash-generating unit to which goodwill relates becomes impaired.

3.9 Intangible assets (other than goodwill) and research and development activities

Intangible assets acquired separately

Intangible assets acquired separately are recognised initially at cost. After initial recognition, intangible assets with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on straight-line basis over their estimated useful lives.

Intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses. Intangible assets are tested for impairment as described below in note 3.12. Amortisation commences when the intangible assets are available for use.

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.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.9 Intangible assets (other than goodwill) and research and development activities (continued)

Research and development expenditures

Costs associated with research activities are expensed in profit or loss as they occur. Costs that are directly attributable to the development activities are recognised as intangible assets provided they meet the following recognition requirements:

(i) demonstration of technical feasibility of the prospective product for internal use or sale;

(ii) there is intention to complete the intangible asset and use or sell it;

(iii) the Group's ability to use or sell the intangible asset is demonstrated;

(iv) the intangible asset will generate probable economic benefits through internal use or sale;

(v) sufficient technical, financial and other resources are available for completion; and

(vi) the expenditure attributable to the intangible asset can be reliably measured.

Direct costs include employee costs incurred on development along with an appropriate portion of relevant overheads. The costs of internally generated developments are recognised as intangible assets. They are subject to the same subsequent measurement method as externally acquired intangible assets.

All other development costs are expensed as incurred.

3.10 Property, plant and equipment

Buildings are stated at revalued amounts, being fair value at the date of revaluation less subsequent accumulated depreciation and any subsequent impairment losses. Fair value is determined in appraisals by external professional valuers with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment are stated at acquisition cost less accumulated depreciation and accumulated impairment losses.

Any surplus arising on revaluation of buildings is recognised in other comprehensive income and is accumulated in the revaluation reserve in equity, unless the carrying amount of that asset has previously suffered a revaluation decrease. To the extent that any decrease has previously been recognised in profit or loss, a revaluation increase is credited to profit or loss with the remaining part of the increase dealt with in other comprehensive income. A decrease in net carrying amount of buildings arising on revaluations is recognised in other comprehensive income to the extent of the revaluation surplus in the revaluation reserve relating to the same asset and the remaining decrease recognised in profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.10 Property, plant and equipment (continued)

Depreciation on other assets is provided to write off the cost or revalued amounts over their estimated useful lives, using the straight-line method, at the following rates per annum:

Buildings	20 years
Leasehold improvements	5 years or over the lease terms, whichever is shorter
Furniture, fixtures and equipment	5 to 7 years
Motor vehicles	3 to 5 years

The assets' residual values, depreciation methods and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

The gain or loss arising on retirement or disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss. Any revaluation surplus remaining in equity is transferred to accumulated losses on the disposal of buildings.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other costs, such as repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

3.11 Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest to earn rental income and/or capital appreciation. These include land held for a currently undetermined future use.

When the Group holds a property interest under an operating lease to earn rental income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by property basis. Any such property interest which has been classified as an investment property is accounted for as if it were held under a finance lease.

On initial recognition, investment property is measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment property is stated at fair value. Fair value is determined by external professional valuers, with sufficient experience with respect to both the location and the nature of the investment property. The carrying amounts recognised in the reporting date reflect the prevailing market conditions at the reporting date.

Gains or losses arising from either changes in the fair value or the sale of an investment property is included in profit or loss for the period in which they arise.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.12 Impairment of non-financial assets

Goodwill arising on an acquisition of subsidiary, intangible assets, property, plant and equipment, prepaid lease payments and interest in associates are subject to impairment testing.

Goodwill and other intangible assets with an indefinite useful life or those not yet available for use are tested for impairment at least annually, irrespective of whether there is any indication that they are impaired. All other assets are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount, unless the relevant asset is carried at a revalued amount under the Groups accounting policy, in which case the impairment loss is treated as a revaluation decrease according to that policy (refer to note 3.10 for details). Recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill in particular is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which the goodwill is monitored for internal management purpose.

Impairment losses recognised for cash-generating units, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit, except that the carrying value of an asset will not be reduced below its individual fair value less cost to sell, or value in use, if determinable.

An impairment loss on goodwill is not reversed in subsequent periods including impairment losses recognised in an interim period. In respect of other assets, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Impairment losses recognised in an interim period in respect of goodwill are not reversed in a subsequent period. This is the case even if no loss, or a small loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.13 Leases

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

Assets acquired under finance leases

Where the Group acquires the use of the assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are included in fixed assets and the corresponding liabilities, net of finance charges, are recorded as obligation under finance leases.

Subsequent accounting for assets held under finance lease agreements corresponds to those applied to comparable acquired assets. The corresponding finance lease liability is reduced by lease payments less finance charges.

Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

Operating lease charges as the lessee

Where the Group has the right to use of assets held under operating leases, payments made under the leases are charged to profit or loss on a straight-line basis over the lease terms except where an alternative basis is more representative of the pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rental are charged to profit or loss in the accounting period in which they are incurred.

Assets leased out under operating leases as the lessor

Assets leased out under operating leases are measured and presented according to the nature of the assets. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the rental income.

Rental income receivable from operating leases is recognised in profit or loss on a straight-line basis over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.13 Leases (continued)

Leasehold land and land use rights

Upfront payments made to acquire land held under an operating lease are stated at costs less accumulated amortisation and any accumulated impairment losses. The determination if an arrangement is or contains a lease and the lease is an operating lease is detailed above. Amortisation is calculated on a straight line basis over the term of the lease/right of use except where an alternative basis is more representative of the time pattern of benefits to be derived by the Group from use of the land.

3.14 Financial assets

The Group's accounting policies for financial assets other than investments in associates are set out below.

Financial assets are classified into the following categories:

— financial assets at fair value through profit or loss

— loans and receivables

— available-for-sale financial assets

Management determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and where allowed and appropriate, re-evaluates this designation at every reporting date.

All financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the instrument. Regular way purchases of financial assets are recognised on trade date. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Derecognition of financial assets occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred.

At each reporting date, financial assets are reviewed to assess whether there is objective evidence of impairment. If any such evidence exists, impairment loss is determined and recognised based on the classification of the financial asset.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss.

Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term, or it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent pattern of short-term profit-taking. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments or financial guarantee contracts.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.14 Financial assets (continued)

Financial assets at fair value through profit or loss (continued)

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial asset at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Financial assets may be designated at initial recognition as at fair value through profit or loss if the following criteria are met:

— the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognising gains or losses on them on a different basis; or

— the assets are part of a group of financial assets which are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management strategy and information about the group of financial assets is provided internally on that basis to the key management personnel; or

— the financial asset contains an embedded derivative that would need to be separately recorded.

Subsequent to initial recognition, the financial assets included in this category are measured at fair value with changes in fair value recognised in profit or loss. Fair value is determined by reference to active market transactions or using a valuation technique where no active market exists. Fair value gain or loss does not include any dividend or interest earned on these financial assets. Dividend and interest income is recognised in accordance with the Group's policies in note 3.6 to these financial statements.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are subsequently measured at amortised cost using the effective interest method, less any impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction cost.

Available-for-sale financial assets

Non-derivative financial assets that do not qualify for inclusion in any of the other categories of financial assets are classified as available-for-sales financial assets.

All financial assets within this category are subsequently measured at fair value. Gain or loss arising from a change in the fair value excluding any dividend and interest income is recognised directly in other comprehensive income and accumulated separately in the available-for-sale financial assets revaluation reserve in equity, except for impairment losses (see the policy below) and foreign exchange gains and losses on monetary assets, until the financial asset is derecognised, at which time the cumulative gain or loss is reclassified from equity to profit or loss. Interest calculated using the effective interest method is recognised in profit or loss.

The fair value of available-for-sale monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the reporting date. The change in fair value attributable to translation differences that result from a change in amortised cost of the asset is recognised in profit or loss and other changes are recognised in other comprehensive income.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.14 Financial assets (continued)

Available-for-sale financial assets (continued)

For available-for-sale investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at each reporting date subsequent to initial recognition.

Impairment of financial assets

At each reporting date, financial assets other than at fair value through profit or loss are reviewed to determine whether there is any objective evidence of impairment.

Objective evidence of impairment of individual financial assets includes observable data that comes to the attention of the Group about one or more of the following loss events:

— significant financial difficulty of the debtor;

— a breach of contract, such as a default or delinquency in interest or principal payments;

— it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

— a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

Loss events in respect of a group of financial assets include observable data indicating that there is a measurable decrease in the estimated future cash flows from the group of financial assets. Such observable data includes but not limited to adverse changes in the payment status of debtors in the Group and, national or local economic conditions that correlate with defaults on the assets in the Group.

If any such evidence exists, the impairment loss is measured and recognised as follows:

(i) Financial assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The amount of the loss is recognised in profit or loss of the period in which the impairment occurs.

If, in subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that it does not result in a carrying amount of the financial asset exceeding what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of reversal is recognised in profit or loss of the period in which the reversal occurs.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.14 Financial assets (continued)

Impairment of financial assets (continued)

(ii) Available-for-sale financial assets

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in other comprehensive income and accumulated in equity and there is objective evidence that the asset is impaired, an amount is removed from equity and recognised in profit or loss as impairment loss. That amount is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and its fair value, less any impairment loss on that asset previously recognised in profit or loss.

Reversals for investment in equity instruments classified as available-for-sale and stated at fair value are not recognised in profit or loss. The subsequent increase in fair value is recognised in other comprehensive income. Impairment losses in respect of debt securities are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised. Reversal of impairment losses in such circumstances are recognised in profit or loss.

(iii) Financial assets carried at cost

The amount of impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

Financial assets other than financial assets at fair value through profit or loss and trade receivables that are stated at amortised cost, impairment losses are written off against the corresponding assets directly. Where the recovery of trade receivables is considered doubtful but not remote, the impairment losses for doubtful receivables are recorded using an allowance account. When the Group is satisfied that recovery of trade receivables is remote, the amount considered irrecoverable is written off against trade receivables directly and any amounts held in the allowance account in respect of that receivable are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

Impairment losses recognised in interim period in respect of available for sale equity securities and unquoted equity securities carried at cost are not reversed in a subsequent period. Consequently, if the fair value of an available for sale equity security increases in the remainder of an annual period, or in a subsequent period, the increase is recognised in other comprehensive income.

3.15 Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is determined using the weighted average basis. Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and applicable selling expenses.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.16 Accounting for income taxes

Income tax comprises current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, tax authorities relating to the current or prior reporting period, that are unpaid at the reporting date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of tax expense in profit or loss.

Deferred tax is calculated using the liability method on temporary differences at the reporting date between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

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

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at the reporting date.

Changes in deferred tax assets or liabilities are recognised in profit or loss or in other comprehensive income or directly in equity if they relate to items that are charged or credited to other comprehensive income or directly to equity.

Current tax assets and current tax liabilities are presented in net if, and only if,

(a) the Group has the legally enforceable right to set off the recognised amounts; and;

(b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The Group presents deferred tax assets and deferred tax liabilities in net if, and only if,

(a) the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and

(b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

    (i) the same taxable entity; or

    (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.17 Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand, demand deposits with banks and short term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

3.18 Share capital

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued.

Any transaction costs associated with the issuing of shares are deducted from share premium (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction.

3.19 Retirement benefit costs and short term employee benefits

Retirement benefits scheme

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 profit or loss as they become payable in accordance with the rules of the MPF Schemes. The assets of the MPF Scheme are held separately from those of the Group in an independently administrated fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries which operate in the People's Republic of China ("PRC") are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of its payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

Short term employee benefits

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date.

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.20 Share-based compensation

All share-based payment arrangements granted after 7 November 2002 and had not vested on 1 January 2005 are recognised in the financial statements. The Group operates equity-settled share-based compensation plans for remuneration of its employees.

All employee services received in exchange for the grant of any share-based compensation are measured at their fair values. These are indirectly determined by reference to the share options awarded. Their value is appraised at the grant date and excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets).

All share-based compensation is ultimately recognised as an expense in profit or loss unless it qualifies for recognition as asset, with a corresponding increase in equity (share option reserve). If vesting periods or other vesting conditions apply, the expense is recognised over the vesting period, based on the best available estimate of the number of share options expected to vest. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised, if there is any indication that the number of share options expected to vest differs from previous estimates. No adjustment to expense recognised in prior periods is made if fewer share options ultimately are exercised than originally vested.

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 or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to accumulated losses.

3.21 Financial liabilities

The Group's financial liabilities include borrowings, trade and other payables, obligations under finance leases, derivative financial instruments, convertible notes and loan from a minority shareholder.

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. All interest related charges are recognised as an expense in finance costs in profit or loss.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognised in profit or loss.

Finance leases liabilities

Finance leases liabilities are measured at initial value less the capital element of lease repayments (see note 3.13).

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.21 Financial liabilities (continued)

Derivative financial instruments

Derivative financial instruments, in individual contracts or separated from hybrid financial instruments, are initially recognised at fair value on the date the derivative contract is entered into and subsequently remeasured at fair value. Derivatives that are not designated as hedging instruments are accounted for as financial assets or financial liabilities at fair value through profit or loss. Gains or losses arising from changes in fair value are taken directly to profit or loss for the year.

Convertible notes

Convertible notes that can be converted to equity share capital at the option of the holder, where the number of shares that would be issued on conversion and the value of the consideration that would be received at that time do not vary, are accounted for as compound financial instruments which contain both a liability component and an equity component.

Convertible notes issued by the Company that contain both financial liability and equity components are classified separately into respective liability and equity components on initial recognition. On initial recognition, the fair value of the liability component is determined using the prevailing market interest rate for similar non-convertible debts. The difference between the proceeds of the issue of the convertible notes and the fair value assigned to the liability component, representing the call option for conversion of the convertible notes into equity, is included in equity as convertible notes equity reserve.

The liability component is subsequently carried at amortised cost using the effective interest method. The equity component will remain in equity until conversion or redemption of the convertible notes.

When the convertible notes are converted, the equity component of convertible notes and the carrying value of the liability component at the time of conversion, is transferred to share capital and share premium as consideration for the shares issued. If the convertible notes are redeemed, the equity component of convertible notes is released directly to accumulated losses.

Trade and other payables

Trade and other payables are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method.

3.22 Provisions and contingent liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.22 Provisions and contingent liabilities (continued)

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as contingent liability, unless the probability of outflow of economic benefit is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

3.23 Financial guarantees issued

A financial guarantee contract is a contract that requires the issuer (or guarantor) to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised if and when it becomes probable that the holder of the guarantee will call upon the Group under the guarantee and the amount of that claim on the Group is expected to exceed the current carrying amount i.e. the amount initially recognised less accumulated amortisation, where appropriate.

3.24 Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive directors are determined following the Group's major product and service lines.

The Group has identified the following reportable segments:

— Financial services — broking, financing, corporate finance services and securities trading

— Retailing — sales of furniture and household goods and electrical appliances

— Online game services — provision of online game services, sales of online game auxilliary products and licensing services

Each of these operating segments is managed separately as each of the product and service lines requires difference resources as well as marketing approaches. All inter-segment transfers are carried out at arms length prices.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.24 Segment reporting (continued)

The measurement policies the Group uses for reporting segment results under HKFRS 8 are the same as those used in its financial statements prepared under HKFRSs, except that gain on dilution of shareholding in subsidiaries, expenses related to share-based payments, change in fair value of investment properties, share of results of associates accounted for using the equity method, change in fair value of embedded derivative of the convertible notes, change in fair value of financial assets at fair value through profit or loss, change in fair value of derivative financial instruments, income tax, imputed interest expenses arising from convertible notes, corporate income and expenses which are not directly attributable to the business activities of any operating segment, are not included in arriving at the operating results of the operating segment.

Segment assets include all assets but investment properties, interests in associates, embedded derivative of convertible notes and financial assets at fair value through profit or loss. In addition, corporate assets, which are not directly attributable to the business activities of any operating segment are not allocated to a segment, which primarily applies to the Group's headquarter.

Segment liabilities exclude convertible notes, deferred tax liabilities attributable to investment properties and corporate liabilities which are not directly attributable to the business activities of any operating segment and primarily applies to the Group's headquarter.

No asymmetrical allocations have been applied to reportable segments.

3.25 Related parties

For the purposes of these financial statements, a party is considered to be related to the Group if:

(i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;

(ii) the Group and the party are subject to common control;

(iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;

(iv) the party is a member of key management personnel of the Group, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

(v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

(vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Estimated fair value of investment properties

Investment properties of the Group are stated at fair value in accordance with the accounting policy stated in note 3.11. The fair values of investment properties, set out in note 17 to the financial statements, are determined by an independent professional valuer, B. I. Appraisals Limited ("BI Appraisals"). Such valuations are made based on certain assumptions, which are subject to uncertainties and might materially differ from the actual results. In making the judgement, reasonable consideration has been given to the underlying assumptions that are mainly based on market conditions existing at the reporting date. These estimates are regularly compared to actual market data and actual transactions in the market.

Provision for inventories

In determining the amount of allowance required for obsolete and slow-moving inventories, the Group would evaluate the aging analysis of inventories and compare the carrying values of inventories to their estimated net realisable value. A considerable amount of judgement is required in determining such allowance. If conditions which have impact on the net realisable value of inventories deteriorate, additional allowances may be required.

Allowance for bad and doubtful debts

The policy for allowance for bad and doubtful debts of the Group is based on the evaluation of collectability and aging analysis of accounts and on management's judgment. A considerable amount of judgment is required in assessing the ultimate realisation of these receivables based on, among other factors, the current creditworthiness, the collateral security and the past collection history of each client. If the financial conditions of debtors and their ability to make payments worsen, additional allowance may be required.

Income tax

No deferred tax asset was recognised in the Group's consolidated statement of financial position in relation to the remaining estimated unused tax losses of approximately HK$482,786,000 (2008: HK$443,524,000). 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 profit or loss for the period in which such a recognition takes place.

Estimated impairment of goodwill and intangible assets

The Group test annually whether goodwill and intangible assets have suffered any impairment in accordance with the accounting policy stated in note 3.12. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations which require 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.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

Valuation of share option granted

The fair value of share options granted was calculated using the Black-Scholes model based on the Group management's significant inputs into the pricing model such as the expected life of share options granted, based on exercise restrictions and behavioural consideration, the volatility of share price, weighted average share prices, and exercise price of the share options granted. Changes in these inputs may materially affect the fair value estimates.

Valuation of convertible notes

The directors use their judgement in selecting an appropriate valuation technique for the Group's convertible notes which are not quoted in the active market. Valuation techniques commonly used by market practitioners are applied. The fair value of convertible notes is estimated by independent professional valuer based on actual transactions of the financial instruments in the market or transactions of similar financial instruments which generally represent the best estimate of the market value. The fair value of convertible notes varies with different variables of certain subjective assumptions. Any change in these variables so adopted may materially affect the estimation of the fair value of convertible notes.

5. REVENUE

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

	2009	2008
	HK$'000	HK$'000
Fees and commission income	**223,486**	278,464
Interest income from margin financing and money lending operations	**23,139**	38,605
Online game subscription income	**29,473**	82,893
Sales of online game auxiliary products	**102**	27,020
Licensing income	**2,363**	6,724
Sales of furniture and household goods and electrical appliances, net of discounts and returns	**850,579**	879,040
	1,129,142	1,312,746

6. SEGMENT INFORMATION

The executive directors of the Company have identified the Group's three services lines as operating segments.

These operating segments are monitored and strategic decisions are made on the basis of adjusted segment operating results.

	2009			
	Financial services HK$'000	**Online game service** HK$'000	**Retailing** HK$'000	**Total** HK$'000
Reportable segment revenue				
From external customers	**246,625**	**31,938**	**850,579**	**1,129,142**
Reportable segment profit/(loss)	**6,049**	**(28,274)**	**2,575**	**(19,650)**

Other information for the year ended 31 December 2009

	2009			
	Financial services HK$'000	**Online game service** HK$'000	**Retailing** HK$'000	**Total** HK$'000
Amortisation of prepaid lease payments	**—**	**—**	**(415)**	**(415)**
Amortisation of intangible assets	**—**	**(4,129)**	**—**	**(4,129)**
Allowance for inventory obsolescence and written-off of inventory	**—**	**—**	**235**	**235**
Bad debt on account receivables and loans receivables recovered	**(136)**	**—**	**—**	**(136)**
Depreciation of property, plant and equipment	**(9,412)**	**(6,143)**	**(14,661)**	**(30,216)**
Impairment loss recognised on goodwill	**(2,718)**	**—**	**—**	**(2,718)**
Impairment loss on account and other receivables and prepayments	**(176)**	**(6,525)**	**(104)**	**(6,805)**
Revaluation deficit of buildings	**—**	**—**	**(1,200)**	**(1,200)**
(Loss)/Gain on disposal of property, plant and equipment	**(555)**	**(205)**	**734**	**(26)**
Finance costs	**(7,398)**	**—**	**(4,139)**	**(11,537)**
Interest income	**23,139**	**—**	**—**	**23,139**
Reportable segment assets	**1,563,258**	**109,404**	**397,628**	**2,070,290**
Additions to non-current segment assets	**9,594**	**19**	**22,644**	**32,257**
Reportable segment liabilities	**1,283,587**	**7,623**	**290,968**	**1,582,178**

6. SEGMENT INFORMATION (continued)

	2008 Financial services HK$'000	2008 Online game service HK$'000	2008 Retailing HK$'000	2008 Total HK$'000
Reportable segment revenue				
From external customers	317,069	116,637	879,040	1,312,746
Reportable segment loss	(48,601)	(191,697)	(4,483)	(244,781)

Other information for the year ended 31 December 2008

	2008 Financial services HK$'000	2008 Online game service HK$'000	2008 Retailing HK$'000	2008 Total HK$'000
Amortisation of prepaid lease payments	—	—	(415)	(415)
Amortisation of intangible assets	—	(6,906)	—	(6,906)
(Allowance for)/Reversal of bad and doubtful debt	(900)	—	1,076	176
Reversal of allowance for inventories obsolescene	—	—	3,171	3,171
Impairment loss recognised on account and other receivables	—	(22,319)	—	(22,319)
Impairment loss recognised on intangible assets	—	(5,420)	—	(5,420)
Impairment loss recognised on goodwill	—	(84,687)	—	(84,687)
Depreciation of property, plant and equipment	(15,655)	(8,648)	(19,887)	(44,190)
Revaluation deficit of buildings	—	—	(1,388)	(1,388)
Gain/(Loss) on disposal of property, plant and equipment	35	—	(4,276)	(4,241)
Impairment loss recognised in respect of property, plant and equipment	—	—	(2,869)	(2,869)
Loss on disposal of subsidiaries	—	(3,292)	—	(3,292)
Finance costs	(5,904)	(749)	(3,481)	(10,134)
Interest income	38,605	—	—	38,605
Reportable segment assets	1,377,691	136,125	316,175	1,829,991
Additions to non-current segment assets	98,799	8,823	18,074	125,696
Reportable segment liabilities	998,689	30,654	242,330	1,271,673

6. SEGMENT INFORMATION (continued)

The totals presented for the Group's operating segments reconcile to the Group's key financial figures as presented in the financial statements as follows :

	2009 HK$'000	2008 HK$'000
Reportable segment revenues	**1,129,142**	1,312,746
Other revenue	**—**	—
Group revenues	**1,129,142**	1,312,746
Reportable segment loss	**(19,650)**	(244,781)
Fair value gain on investment properties	**52,455**	—
Gain on dilution of shareholding in subsidiaries	**80,536**	41,655
Net fair value gain/(loss) on financial assets at fair value through profit or loss	**13,783**	(172,117)
Change in fair value of derivative financial instruments	**3,067**	8,734
Change in fair value of embedded derivative of convertible notes	**5,921**	—
Interest charges on convertible notes	**(5,537)**	—
Share of result of associates	**5,247**	39,096
Share-based compensation	**(8,131)**	—
Unallocated corporate income	**—**	1,802
Unallocated corporate expenses	**(89,580)**	(61,470)
Profit/(Loss) before income tax	**38,111**	(387,081)

	2009 HK$'000	2008 HK$'000
Reportable segment assets	**2,070,290**	1,829,991
Investment properties	**163,712**	—
Interests in associates	**116,931**	111,684
Embedded derivative of convertible notes	**15,667**	—
Financial assets at fair value through profit or loss	**45,232**	79,155
Unallocated corporate assets	**122,272**	97,143
Group assets	**2,534,104**	2,117,973
Reportable segment liabilities	**1,582,178**	1,271,673
Deferred tax liabilities	**10,143**	—
Convertible notes	**28,172**	—
Other corporate liabilities	**266,215**	217,581
Group liabilities	**1,886,708**	1,489,254

Geographical segments

The Company is an investment holding company incorporated in Bermuda where the Group does not have any activities, the Group has the majority of its operations and workforce in Hong Kong, and therefore, Hong Kong is considered as the Group's country of domicile for the purpose of the disclosures as required by HKFRS 8 "Operating Segments".

6. SEGMENT INFORMATION (continued)

Geographical segments (continued)

The Group's segment revenue from external customers cannot be allocated based on geographic location of its customers. The following table provides an analysis of the Group's revenue by geographical market based on location of operations. The Group's revenue from external customers and its non-current assets, which is based on the location of the assets are divided into the following geographical areas:

	Revenue from external customers		**Non-current assets**	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong (Place of domicile)	**1,105,512**	1,201,650	**280,041**	396,317
Mainland China	**23,630**	79,786	**402,654**	224,128
Taiwan	**—**	31,310	**—**	—
Total	**1,129,142**	1,312,746	**682,695**	620,445

7. SALARIES, ALLOWANCES, COMMISSION AND OTHER RELATED BENEFITS

	2009	2008
	HK$'000	HK$'000
Salaries, allowances and commission represent the amounts paid and payable to the directors of the Company and employees and accounts executives and comprises of:		
Salaries, allowances and commission	**250,146**	305,980
Share-based compensation	**8,131**	—
Contributions to retirement benefits schemes	**9,054**	13,684
	267,331	319,664

8. FINANCE COSTS

	2009	2008
	HK$'000	HK$'000
Interest charges on:		
Bank loans, overdrafts and other borrowings		
— wholly repayable within five years	**28,295**	29,748
— repayable more than five years	**1,843**	631
Convertible notes wholly repayable within five years	**5,537**	—
Finance leases	**23**	74
	35,698	30,453

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

	2009	2008
	HK$'000	HK$'000
Held-for-trading investments		
— Equity securities listed in Hong Kong	**13,783**	(232,826)
— Investment funds	**—**	(922)
Designation at fair value through profit or loss		
— Equity-linked structured deposits (note 33)	**—**	(5,973)
	13,783	(239,721)

10. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS

Directors' remuneration

The remuneration paid or payable to each of the seven (2008: seven) directors was as follows:

	Kwan Pak Hoo Bankee HK$'000	Lin Che Chu George HK$'000 (note (a))	Law Ping Wah Bernard HK$'000	Ng Kung Chit Raymond HK$'000 (note (b))	Leung Ka Kui Johnny HK$'000	Chan Hak Sin HK$'000	Wong Chuk Yan HK$'000	Total HK$'000
2009								
Fees:								
Executive directors	—	—	—	—	—	—	—	—
Independent non-executive directors	—	—	—	—	100	100	—	200
Other remuneration paid to executive directors:								
Salaries, allowances and benefits in kind	3,660	400	970	34	—	—	—	5,064
Employee share option benefits	1,285	59	1,285	—	—	—	—	2,629
Contributions to retirement benefit scheme	63	—	49	2	—	—	—	114
	5,008	459	2,304	36	100	100	—	8,007

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

There were no arrangements under a director waived or agreed to waive any remuneration during the years ended 31 December 2009 and 2008.

During the years ended 31 December 2009 and 2008, 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.

10. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS (continued)

Directors' remuneration (continued)

The value of share options granted to directors is measured according to the Group's accounting policy for the share-based compensation set out in note 3.20.

Notes:

(a) Liu Che Chu George resigned as an executive director of the Company on 17 September 2009.

(b) Ng Kung Chit Raymond was appointed as an executive director of the Company on 11 December 2009.

Senior management's emoluments

Five highest paid individuals

Of the five individuals with the highest emoluments in the Group, one (2008: four) were directors of the Company whose emoluments are included in the disclosures above. The emoluments of the remaining four (2008: one) individuals were as follows:

	2009 **HK$'000**	2008 HK$'000
Salaries, allowances and benefits in kind	**4,994**	1,920
Contributions to retirement benefits scheme	**250**	99
Performance related incentive payments	**1,687**	400
Share-based compensation	**1,553**	—
	8,484	2,419

The number of non-directors, highest paid individuals whose emoluments fell within the following band:

	Number of Employees	
	2009	2008
HK$1,000,001 to HK$1,500,000	**1**	—
HK$2,000,001 to HK$2,500,000	**2**	1
HK$2,500,001 to HK$3,000,000	**1**	—

During the years ended 31 December 2009 and 2008, no emoluments was paid by the Group to the five highest individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

11. PROFIT/(LOSS) BEFORE INCOME TAX

	2009 HK$'000	2008 HK$'000
Profit/(Loss) before income tax has been arrived at after charging/(crediting):		
Auditors' remuneration	**3,110**	3,300
Amortisation of intangible assets	**4,129**	6,906
Amortisation of prepaid lease payments	**415**	415
Cost of inventories recognised as expenses	**508,138**	498,173
Depreciation of property, plant and equipment		
— Owned assets	**49,993**	46,562
— Leased assets	**109**	45
	50,102	46,607
Revaluation deficit on buildings	**1,200**	1,388
Loss on disposal of property, plant and equipment	**26**	4,241
Allowance/(Reversal) of inventory obsolescence and write-off of inventories (note (a))	**235**	(3,171)
Operating lease rentals in respect of land and buildings:		
Minimum Lease payments	**174,484**	170,022
Contingent rents (note (b))	**3,984**	5,429
	178,468	175,451
Net foreign exchange (gain)/loss	**(1,107)**	250
Gain on disposal of available-for-sale financial assets	**(12,976)**	—
Gain on disposal of intangible assets	**(393)**	—
Dividends from investments held for trading	**(1,742)**	(5,890)

Notes:

(a) During the years ended 31 December 2008, certain obsolete inventories which allowance was made in previous years were sold. Thus, this resulted in a reversal of allowance for inventories.

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

12. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2008: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the applicable rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	2009 HK$'000	2008 HK$'000
Current tax:		
— Hong Kong	**8,552**	9,055
— PRC	**—**	845
	8,552	9,900
Under/(Over) provision in prior years	**1,094**	(202)
	9,646	9,698
Deferred taxation charge/(credit)	**9,528**	(273)
	19,174	9,425

12. INCOME TAX EXPENSE (continued)

Reconciliation between income tax expense and accounting profit/(loss) at applicable tax rates:

	2009 HK$'000	2008 HK$'000
Profit/(Loss) before income tax	**38,111**	(387,081)
Tax on profit/(loss) before income tax, calculated at income tax rate of 16.5% (2008: 16.5%)	**6,288**	(63,868)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(1,976)**	1,408
Tax effect of share of results of associates	**(865)**	(6,451)
Tax effect of non-deductible expenses	**21,201**	17,028
Tax effect of non-taxable revenue	**(19,483)**	(12,447)
Tax effect of estimated tax losses and deductible temporary difference not recognised	**14,692**	80,593
Tax effect of utilisation of estimated tax losses and deductible temporary difference previously not recognised	**(1,777)**	(6,636)
Under/(Over) provision in respect of prior years	**1,094**	(202)
Income tax expense	**19,174**	9,425

13. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share is based on the profit/(loss) attributable to the owners of the Company of HK$35,997,000 (2008: a loss of HK$358,113,000) and the weighted average number of ordinary shares of 190,710,627 (2008: 180,505,148) in issue during the year.

The calculation of diluted earnings per share is based on the adjusted profit attributable to owners of the Company of HK$41,534,000 (2008: Nil) and the weighted average number of ordinary shares of 236,963,197 outstanding during the year, after adjusting for the effects of all dilutive potential ordinary shares.

The adjusted profit attributable to owners of the Company is calculated based on the profit attributable to owners of the Company for the year ended 31 December 2009 of HK$35,997,000 (2008: Nil) as used in the calculation of basic earnings per share plus interest payable of HK$5,537,000 (2008: Nil) on the convertible notes.

The weighted average number of ordinary shares used in the calculation of diluted earnings per share is calculated based on the weighted average of 190,710,627 (2008: Nil) ordinary shares in issue during the year as used in the calculation of basic earnings per share plus the weighted average of 43,243,000 and 3,009,570 (2008: Nil and Nil) ordinary shares deemed to be issued at no consideration as if all the Company's convertible notes had been converted and share options had been exercised respectively.

For the year ended 31 December 2008, no diluted loss per share was presented as the exercise of share options was anti-dilutive.

14. DIVIDENDS

Dividends payable to the owners of the Company attributable to the previous financial year, approved and paid during the year.

	2009 **HK$'000**	2008 HK$'000
Dividend recognised as distribution during the year:		
2007 Final dividend paid — HK$0.04 per share	—	36,101

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	**Leasehold improvements** HK$'000	**Furniture, fixtures and equipment** HK$'000	**Motor Vehicles** HK$'000	**Total** HK$'000
Cost or valuation					
At 1 January 2008	28,900	97,641	124,304	4,180	255,025
Additions	1,688	63,848	59,882	2,110	127,528
Disposals	—	(28,164)	(19,722)	(657)	(48,543)
Eliminated on disposal of subsidiaries	—	—	(15,724)	(170)	(15,894)
Exchange differences	—	535	2,318	49	2,902
Deficit on revaluation	(2,788)	—	—	—	(2,788)
At 31 December 2008 and 1 January 2009	27,800	133,860	151,058	5,512	318,230
Additions	—	41,738	16,806	—	58,544
Disposals	—	(11,804)	(15,458)	(396)	(27,658)
Deficit on revaluation	(2,600)	—	—	—	(2,600)
At 31 December 2009	25,200	163,794	152,406	5,116	346,516
Accumulated depreciation					
At 1 January 2008	—	74,856	67,910	3,007	145,773
Provided for the year	1,400	20,688	23,673	846	46,607
Eliminated on disposals	—	(23,015)	(19,350)	(657)	(43,022)
Eliminated on disposals of subsidiaries	—	—	(5,049)	(62)	(5,111)
Impairment loss recognised	—	140	2,729	—	2,869
Exchange differences	—	138	354	3	495
Eliminated on revaluation	(1,400)	—	—	—	(1,400)
At 31 December 2008 and 1 January 2009	—	72,807	70,267	3,137	146,211
Provided for the year	1,400	25,357	23,075	270	50,102
Eliminated on disposals	—	(11,484)	(15,534)	(397)	(27,415)
Eliminated on revaluation	(1,400)	—	—	—	(1,400)
At 31 December 2009	—	86,680	77,808	3,010	167,498
Net book values					
At 31 December 2009	25,200	77,114	74,598	2,106	179,018
At 31 December 2008	27,800	61,053	80,791	2,375	172,019

15. PROPERTY, PLANT AND EQUIPMENT (continued)

The analysis of the cost or valuation at 31 December 2009 of the above assets is as follows:

	Buildings HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Motor Vehicles HK$'000	Total HK$'000
At cost	**—**	**77,114**	**74,598**	**2,106**	**153,818**
At valuation	**25,200**	**—**	**—**	**—**	**25,200**
At 31 December 2009	**25,200**	**77,114**	**74,598**	**2,106**	**179,018**

The analysis of the cost or valuation at 31 December 2008 of the above assets was as follows:

	Buildings HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Motor Vehicles HK$'000	Total HK$'000
At cost	—	61,053	80,791	2,375	144,219
At valuation	27,800	—	—	—	27,800
At 31 December 2008	27,800	61,053	80,791	2,375	172,019

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

The buildings of the Group were valued on 31 December 2009 by Knight Frank Petty Limited, a firm of independent professional property valuers, on a market value basis which were estimated based on recent market transactions for similar properties in the same location and condition. Knight Frank Petty Limited is not connected with the Group. The revaluation deficit on buildings of HK$1,200,000 (2008: HK$1,388,000) has been charged to profit or loss.

If the buildings had not been revalued, they would have been included in these consolidated financial statements at historical cost less accumulated depreciation of HK$26,100,000 (2008: HK$27,500,000).

Motor vehicles of carrying amount of HK$298,000 (2008: HK$407,000) was held under finance leases.

During the year ended 31 December 2008, the directors of the Company reassessed the recoverable amount of the property and equipment of certain shops which had incurred continuous losses and recognised an impairment loss of approximately HK$2,869,000.

At 31 December 2009, the Group's buildings were pledged to secure the general banking facilities granted to the Group (note 32).

16. PREPAID LEASE PAYMENTS

The Group's interests in leasehold land represent prepaid operating lease payments and the movements in their net carrying amounts are analysed as follows:

	2009 HK$'000	2008 HK$'000
Opening net carrying amount	**15,963**	16,378
Amortisation charge for the year	**(415)**	(415)
Closing net carrying amount	**15,548**	15,963
In Hong Kong under medium-term lease	**15,548**	15,963
Analysed for reporting purposes as:		
Current assets (including in prepayments, deposits and other receivables)	**415**	415
Non-current assets	**15,133**	15,548
	15,548	15,963

At 31 December 2009, the Group's prepaid lease payments of HK$15,548,000 (2008: Nil) were pledged to secure the general banking facilities granted to the Group (note 32).

17. INVESTMENT PROPERTIES

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

Changes to the carrying amounts in the consolidated statement of financial position are summarised as follows:

	2009 HK$'000	2008 HK$'000
Carrying amounts as 1 January	**—**	5,000
Acquisition of subsidiaries (note 38)	**85,186**	—
Additions	**77,071**	—
Change in fair value of investment properties	**52,455**	823
Disposal	**(51,000)**	(5,823)
Carrying amounts at 31 December	**163,712**	—

The fair value of the Group's investment properties at 31 December 2009 was arrived at on the basis of a valuation carried out at that date by BI Appraisals, independent qualified professional valuer not connected with the Group. BI Appraisals 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, was arrived at by reference to market evidence of transaction prices for similar properties.

17. INVESTMENT PROPERTIES (continued)

The Group's interests in investment properties at their carrying amounts are analysed as follows:

	2009 **HK$'000**	2008 HK$'000
In Hong Kong held on:		
Long-term lease more than 50 years	**55,900**	—
Outside Hong Kong:		
Medium-term lease from 10 to 50 years	**43,952**	—
Long-term lease more than 50 years	**63,860**	—
	163,712	—

As at 31 December 2009, the Group's investment properties with carrying amount of HK$163,712,000 (2008: Nil) were pledged to secure general banking facilities granted to the Group (note 32).

18. AVAILABLE-FOR-SALE INVESTMENTS

	2009 **HK$'000**	2008 HK$'000
Unlisted investments:		
Unlisted shares, at cost	**10,800**	10,800
Less: Impairment loss recognised	**(10,800)**	(10,800)
	—	—

The above unlisted investments represent investments in unlisted equity securities issued by private entities incorporated in Taiwan and the British Virgin Islands ("BVI"). They are stated at cost less provision for impairment at each reporting 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.

There was no movement in impairment losses in respect of the available-for-sale financial assets during the years ended 31 December 2009 and 2008.

19. GOODWILL

The main changes in the carrying amount of goodwill result from the deemed disposal of certain subsidiaries as well as the impairment of previously recognised goodwill. The net carrying amount of goodwill can be analysed as follows:

	2009	2008
	HK$'000	HK$'000
At 1 January		
Gross carrying amount	**277,234**	233,115
Accumulated impairment	**(84,687)**	—
Net carrying amount	**192,547**	233,115
Net carrying amount at 1 January	**192,547**	233,115
Acquisition of additional interest in subsidiaries	**447**	48,663
Deemed disposal of Netfield (BVI) (note(i))	**—**	(4,544)
Deemed disposal of partial interest in the Retail Group (note(ii))	**(44,205)**	—
Impairment losses	**(2,718)**	(84,687)
Net carrying amount at 31 December	**146,071**	192,547
At 31 December		
Gross carrying amount	**233,476**	277,234
Accumulated impairment	**(87,405)**	(84,687)
Net carrying amount at 31 December	**146,071**	192,547

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

Notes:

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

(ii) On 6 July 2009, CASH Group Limited ("CGL"), a wholly-owned subsidiary of the Company, entered an agreement with CFSG in relation to the disposal of 100% equity interests in CASH Retail Management (HK) Limited and its subsidiaries (collectively known as "Retail Group") and the loan due from the Retail Group to CFSG at an aggregate consideration of approximately HK$310 million. As a result, the Group's effective interest in the Retail Group was then decreased from 100% to 48.32%. As a result, a gain on dilution of shareholding in subsidiaries of approximately HK$80,536,000 was recognised in profit or loss.

20. INTERESTS IN ASSOCIATES AND LOAN TO AN ASSOCIATE

	2009 HK$'000	2008 HK$'000
Cost of investments in associates:		
Unlisted shares	**67,833**	67,833
Share of post-acquisition reserve	**8,125**	8,125
Share of post-acquisition profit	**40,973**	35,726
	116,931	111,684
Loan to an associate (note)	**10,296**	10,296

Note: Pursuant to the shareholders agreement entered into between a subsidiary, Marvel Champ Investments Limited, and other shareholders of the associate on 27 June 2007, the loan to the associate is unsecured, non-interest bearing and has no fixed repayment terms. The directors of the Company will not demand repayment of such loan in next twelve months from 31 December 2009.

Particulars of the associates as at 31 December 2009 are as follows:

Name of entity	Form of business structure	Country of incorporation/ date of incorporation	Principal place of operation	Class of share held	Proportion of nominal value of issued capital held by the Group indirectly %	Proportion of voting power held %	Principal activity
China Able Limited	Incorporated	BVI 23 May 2007	PRC	Ordinary	33.33	33.33	Investment holding
Shanghai Property (No. 1) Holdings 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

All associates have a reporting date of 31 December.

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

	2009 HK$'000	2008 HK$'000
Total assets	**712,129**	704,248
Total liabilities	**(361,336)**	(369,197)
Net assets	**350,793**	335,051
Group's share of net assets of associates	**116,931**	111,684
Revenue	**44,616**	22,231
Profit for the year	**15,742**	117,288
Group's share of profit of associates for the year	**5,247**	39,096

21. INTANGIBLE ASSETS

	Trading rights HK$'000 (note (a))	Club membership HK$'000 (note (b))	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 2008, 31 December 2008 and 1 January 2009	9,092	1,970	16,390	5,593	5,460	38,000	76,505
Additions	300	—	—	—	—	—	300
Disposal	—	(1,310)	—	—	—	—	(1,310)
At 31 December 2009	9,392	660	16,390	5,593	5,460	38,000	75,495
Amortisation and impairment							
At 1 January 2008	—	—	8,196	54	—	—	8,250
Charge for the year	—	—	4,098	2,808	—	—	6,906
Impairment loss recognised	—	—	—	2,690	2,730	—	5,420
At 31 December 2008 and 1 January 2009	—	—	12,294	5,552	2,730	—	20,576
Charge for the year	—	—	4,096	33	—	—	4,129
At 31 December 2009	—	—	16,390	5,585	2,730	—	24,705
Net book values							
At 31 December 2009	9,392	660	—	8	2,730	38,000	50,790
At 31 December 2008	9,092	1,970	4,096	41	2,730	38,000	55,929

Notes:

(a) Intangible assets with cost of HK$9,092,000 (2008: 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. Intangible assets amounting to HK$300,000 (2008: Nil) represent trading right that confer the eligibility of the Group to trade on the Hong Kong Mercantile Exchange Limited. Particulars regarding impairment testing on the trading rights are disclosed in note 22.

(b) At 31 December 2009, intangible assets amounting to HK$660,000 (2008: HK$1,970,000) represent club memberships. For the purpose of impairment testing on club memberships, the recoverable amount has been determined based on fair value less costs to sell. The fair value less costs to sell is the second-hand market price less cost of disposal. During the year ended 31 December 2009, management of the Group determines that there was no impairment of the club memberships since the recoverable amount of the club memberships exceeds its carrying amount.

(c) At 31 December 2008, intangible assets of online game related intellectual property with carrying amounts of HK$4,096,000 represented online game development costs and licensing fee, website development costs and software technology copyrights arising from acquisition of online game business in the PRC. These intangible assets have finite useful lives. Such intangible assets are amortised on a straight-line basis over four years. Particulars regarding impairment testing on online game related intellectual property are disclosed in note 22.

21. INTANGIBLE ASSETS (continued)

Notes: (continued)

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

(e) At 31 December 2009, intangible assets with carrying amounts of HK$2,730,000 (2008: HK$2,730,000) represent domain name. It represents the legal and beneficial ownership of domain name "www.shanghai.com" and has indefinite useful life.

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

For the purpose of impairment testing on domain name, the recoverable amount has been determined based on fair value less costs to sell. The fair value less costs to sell is arrived at by market approach, which is to determine the desirability of the domain name through recent sales or offering of similar domain name currently on the market in order to arrive at an indication of the most probable selling price for the domain name. The fair value less costs to sell at 31 December 2009 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 was no impairment loss on domain name of on domain name was recognised during the year ended 31 December 2009 since the recoverable amounts of domain name exceed the carrying amounts.

During the year ended 31 December 2008, based on the valuation report, an impairment loss of HK$2,730,000 on domain name was recognised since the carrying amounts of domain name exceed the recoverable amounts.

(f) At 31 December 2009, intangible assets of trademarks amounting to HK$38,000,000 (2008: HK$38,000,000) represent the perpetual right for the use of the brand name "Pricerite" which takes the form of sign, symbol, name, logo design or any combination thereof arising from acquisition of retail business. These trademarks are considered by management of the Group as having an indefinite useful life. Particulars regarding impairment testing on trademarks are disclosed in note 22.

22. IMPAIRMENT TESTINGS ON GOODWILL AND INTANGIBLE ASSETS

For the purposes of impairment testing, goodwill, trading rights, trademarks and online game related intellectual property set out in notes 19 and 21 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 2009 allocated to these units are as follows:

	Goodwill		Trading rights		Trademarks		Online game Related Intellectual property	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Financial services	**21,396**	23,667	**9,392**	9,092	**—**	—	**—**	—
Online game services	**83,361**	83,361	**—**	—	**—**	—	**—**	4,096
Retailing business	**41,314**	85,519	**—**	—	**38,000**	38,000	**—**	—
	146,071	192,547	**9,392**	9,092	**38,000**	38,000	**—**	4,096

Management of the Group consider cashflow projections which were prepared based on financial budgets covering respective period of goodwill, trading rights, trademarks and online game related intellectual property to determine whether there was any impairment of its CGUs containing goodwill, trading rights, trademarks and online game related intellectual property as at 31 December 2009.

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 five-year period and discount rate of 8% (2008: 8%). A key assumption for the value in use calculation is the estimation of cash inflows/outflows, which are determined based on past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of the assumptions would not cause the aggregate carrying amount of the above CGUs to exceed the aggregate recoverable amount of the above CGUs.

The recoverable amount of the CGU of online game services has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a five-year period and discount rate of 12% (2008: 12%).

The cash flows beyond the 5-year period are extrapolated for another 2-years using a steady percentage growth rate of 20%. The aforesaid growth rate used for the CGU of the online game is determined by reference to the average growth rate for the corresponding industry to which the CGU belongs. 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 based on past performance and its expectation for market development. Management believes that any reasonably possible change in any of the assumptions would not cause the aggregate carrying amount of the above CGUs to exceed the aggregate recoverable amount of the above CGUs.

The recoverable amounts of the CGUs of retailing business have been determined based on fair value less costs to sell. That calculation uses cash flow projections based on financial budgets approved by management covering a five-year period having an average 19% growth rate and discount rate of 16%. The growth rate is based on the relevant industry growth forecasts and average long-term growth rate for the relevant industry in Hong Kong and the PRC. A key assumption for the fair value less costs to sell calculation is the budgeted growth rate, which is determined based on past performance and management's expectations for the market development in Hong Kong and the PRC. No impairment on goodwill and trademarks was noted. Management believes that any reasonably possible change in any of the assumptions would not cause the aggregate carrying amount of the above CGUs to exceed the aggregate recoverable amount of the above CGUs.

23. OTHER ASSETS

	2009 HK$'000	2008 HK$'000
Statutory and other deposits	**11,040**	9,447

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

24. LOANS RECEIVABLES

	2009 HK$'000	2008 HK$'000
Fixed-rate loans receivables	**—**	527
Variable-rate loans receivables	**24,700**	17,554
	24,700	18,081
Less: Allowance for bad and doubtful debts	**(3,597)**	(3,733)
	21,103	14,348
Carrying amount analysed for reporting purposes:		
Non-current assets	**5,392**	671
Current assets	**15,711**	13,677
	21,103	14,348

Except for the loans receivables with the carrying amount of HK$3,368,000 (2008: HK$3,368,000) which was non-interest bearing, interest rates underlying the variable-rate loan receivables are Hong Kong Prime Rate plus a spread for both years. During the year ended 31 December 2008, interest rates underlying the fixed-rate loans receivable were 2% per annum.

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 is as follows:

	2009 HK$'000	2008 HK$'000
Balance at the beginning of the year	**3,733**	5,717
Charge for the year	**—**	900
Amounts recovered during the year	**(136)**	(2,884)
	3,597	3,733

At each of the reporting date, the Group's loans receivables were individually determined to be impaired. The Group encountered difficulties in collection of certain loans receivables and appropriate provision for impairment has been made against these loans receivable. The individually impaired receivables are recognised based on the credit history of the borrowers, such as financial difficulties or default in payments, and current market conditions. Consequently, specific impairment provision was recognised. Included in the above provision for impairment is a provision for individually impaired short term loans receivables of HK$3,597,000 (2008: HK$3,733,000) with a gross carrying amount of HK$6,965,000 (2008: HK$7,554,000). The individually impaired short term loans receivables relate to customers that were in default or delinquency in repayments.

24. LOANS RECEIVABLES (continued)

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

The loans receivables with a carrying amount of HK$17,735,000 (2008: HK$10,527,000) are neither past due nor impaired at the reporting date for which the Group believes that the amounts are recoverable.

At 31 December 2009, loans receivables with an aggregate carrying value of approximately HK$3,368,000 are secured by pledged marketable securities at fair values of HK$4,888,000.

At 31 December 2008, loans receivables with an aggregate carrying value of approximately HK$13,821,000 were secured by pledged marketable securities at fair values of HK$3,357,000 and convertible instrument with nominal value of HK$13,000,000.

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

	2009 **HK$'000**	2008 HK$'000
Within one year	**—**	48
More than one year but not exceeding two years	**—**	48
More than two years but not exceeding five years	**—**	144
More than five years	**—**	287
	—	527

During the year ended 31 December 2008, the effective interest rate (which was equal to contractual interest rate) on the Group's fixed rate loans receivables was 2% per annum.

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

	2009 **HK$'000**	2008 HK$'000
Within one year	**15,711**	13,629
In more than one year but not exceeding two years	**4,998**	192
More than two years but not exceeding five years	**144**	—
More than five years	**250**	—
	21,103	13,821

The effective interest rates (which are equal to contractual interest rate) on the Group's variable rate loan receivables are Hong Kong Prime Rate plus a spread.

24. LOANS RECEIVABLES (continued)

Included in loans receivables are loans to directors. Loans to directors, disclosed pursuant to Section 161B of the Hong Kong Companies Ordinance, are as follows:

	Balance at 1 January 2009 HK$'000	Balance at 31 December 2009 HK$'000	Maximum amount outstanding during the year HK$'000	Securities held HK$'000
Directors of both the Company and CFSG				
Mr Law Ping Wah Bernard	—	900	956	N/A
Director of the Company				
Mr Lin Che Chu George (note)	—	945	945	N/A
Mr Ng Kung Chit Raymond	—	940	968	N/A
Directors of CFSG				
Mr Cheng Man Pan Ben	—	900	956	N/A
Mr Yuen Pak Lau Raymond		900	956	N/A
Mr Chan Chi Ming Benson	—	900	956	N/A
	—	5,485		

The loans granted to directors bear interest at the Hong Kong dollar prime rate plus 3% per annum and are repayable with twenty-four months.

Note: During the year ended 31 December 2009, Mr Lin Che Chu George resigned as an executive director of the Company.

25. INVENTORIES

	2009 HK$'000	2008 HK$'000
Finished goods held for sale	43,454	39,113
Consumables for online game auxiliary products	—	150
	43,454	39,263

26. ACCOUNT RECEIVABLES

	2009 HK$'000	2008 HK$'000
Account receivables arising from the business of dealing in securities and equity options:		
Clearing houses, brokers and dealers	**27,842**	72,199
Cash clients	**68,060**	36,425
Margin clients	**272,209**	97,185
Account receivables arising from the business of dealing in futures and options:		
Clients	**180**	65
Clearing houses, brokers and dealers	**134,570**	94,719
Commission receivables from brokerage of mutual funds and insurance-linked investment plans and products	**1,794**	2,349
Account receivables arising from the business of provision corporate finance services	**650**	1,100
Account receivables arising from the business of provision of online game services	**1,858**	1,881
	507,163	305,923

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

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

	2009 HK$'000	2008 HK$'000
0–30 days	**2,483**	3,382
31–60 days	**910**	499
61–90 days	**141**	523
Over 90 days	**768**	926
	4,302	5,330

Loans to margin clients are secured by clients' pledged securities at fair values of HK$990,538,000 (2008: HK$442,488,000) which can be sold at the Group's discretion to settle any margin call requirements imposed by their respective securities transactions. The Group is able to use client's pledged securities up to the amount of 140% of the loans to margin clients as collateral of the Group's borrowings (with client's consent). The loans are repayable on demand and bear interest at commercial rates. No aged analysis is disclosed as in the opinion of directors of the Company, the aged analysis does not give additional value in view of the nature of business of share margin financing.

Account receivables are netted off by allowance for bad and doubtful debts of HK$7,524,000 (2008: HK$7,524,000).

26. ACCOUNT RECEIVABLES (continued)

The Group has a 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 is as follows:

	2009 HK$'000	2008 HK$'000
Balance at the beginning of the year	**7,524**	9,330
Amounts written off during the year	**—**	(7,934)
Charge for the year	**—**	6,720
Amounts recovered during the year	**—**	(592)
Balance at the end of the year	**7,524**	7,524

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 account receivables where no impairment has been identified individually. Objective evidence of collective impairment include the Group's past experience of collecting payments and observable changes in national or local economic conditions that correlate with default on receivables.

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

Included in the Group's account receivables are debtors, with a carrying amount of HK$10,869,000 (2008: HK$8,624,000) which are past due at the reporting date for which the Group has not provided as there has not been a significant change in credit quality. The Group believes that the amounts are still recoverable given the substantial subsequent settlement after the reporting date.

During the year ended 31 December 2009, account receivables and other receivables with carrying amounts of HK$6,720,000 and HK$20,572,000 (2008: HK$6,720,000 and HK$15,599,000) respectively are individually impaired which have either been placed under liquidation or in severe financial difficulties. The Group does not hold any collateral over these balances.

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

	2009 HK$'000	2008 HK$'000
0–30 days	**8,041**	6,549
31–60 days	**2,240**	826
61–90 days	**41**	323
Over 90 days	**547**	926
	10,869	8,624

The account receivables with a carrying amount of HK$496,294,000 (2008: HK$297,299,000) are neither past due nor impaired at the reporting date for which the Group believes that the amounts are recoverable.

26. ACCOUNT RECEIVABLES (continued)

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

	Balance at 1 January HK$'000	Balance at 31 December HK$'000	Maximum amount outstanding during the year HK$'000	Market value of pledged securities at 31 December HK$'000
Directors of the Company				
Mr Wong Kin Yick Kenneth (note (1)) and associates				
2008	1,678	222	16,031	1,096
2009	N/A	N/A	N/A	N/A
Mr Law Ping Wah Bernard and associates				
2008	—	—	15,401	6,049
2009	—	—	25,068	13,737
Mr Lin Che Chu George (note (2)) and associates				
2008	—	—	—	6,372
2009	—	—	—	—
Directors of CFSG				
Mr Cheng Man Pan Ben and associates				
2008	—	29	16,412	433
2009	29	61	21,785	4,137
Mr Yuen Pak La Raymond and associates				
2008	—	—	996	748
2009	—	—	—	4,297
Mr Chan Chi Ming Benson and associates				
2008	—	—	—	6,372
2009	—	—	—	—
Substantial shareholders of the Company				
Cash Guardian Limited				
2008	—	—	—	8,895
2009	—	—	—	1,902
Mr Kwan Pak hoo Bankee and associates				
2008	—	—	1,792	1,363
2009	—	—	27,389	3,475
Abdulrahman Saad Al-Rashid & Sons Company ("ARTAR") and associates				
2008 (note (3))	—	—	—	5,387
2009	—	—	—	45,872

26. ACCOUNT RECEIVABLES (continued)

Notes:

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

(2) During the year 31 December 2009, Mr Lin Che Chu George resigned as an executive director of the Company.

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

(4) 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. AMOUNTS DUE FROM ASSOCIATES

The amounts due are unsecured, interest-free and repayable on demand.

28. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2009 **HK$'000**	2008 HK$'000
Equity securities listed in Hong Kong (note (a))	**36,733**	78,419
Unlisted securities in Hong Kong, at fair value (note (b))	**8,499**	—
Investment funds (note (c))	**—**	736
	45,232	79,155

Notes:

(a) The amounts represent the investments in Hong Kong which are held for trading. Fair values for these investments have been measured as described in note 46.

(b) The amounts represent the unlisted equity investments in Hong Kong which are held for trading. Fair values for this investment have been measured as described in note 46.

(c) The fair value of the investment funds was determined based on the price quoted in an active market.

These financial assets are presented within the section on operating activities as part of the changes in working capital in the consolidated statement of cash flows.

29. BANK DEPOSITS SUBJECT TO CONDITIONS AND BANK BALANCES

Bank deposits under conditions

	2009 **HK$'000**	2008 HK$'000
Other bank deposits (note (a))	**17,143**	17,142
Pledged bank deposits (notes (b), (c), (d) and (e))	**70,596**	84,577
	87,739	101,719

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

Notes:

(a) Pursuant to a letter of undertaking given by the Group to a bank, the Group covenants to maintain deposits of not less than HK$15,000,000 (2008: 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$60,898,000 (2008: HK$77,283,000) are pledged to secure the short-term general banking facilities granted by banks.

(c) The Group's bank deposits of HK$600,000 (2008: Nil) were pledged to facilitate a bank guarantee in favour of a third party for granting advance commission to the Group for the business of brokerage of mutual funds and insurance-linked investment products.

(d) The Group's bank deposits of HK$9,098,000 (2008: HK$7,071,000) were pledged to secure a standby letter of credit facility granted by a bank. The bank deposits will be released on clearance of the facility.

(e) For the year ended 31 December 2008, the Group's bank deposits of HK$223,000 were pledged to facilitate a bank guarantee for rental deposit. The bank deposits would be released when the bank guarantee was expired.

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

	2009 HK$'000	2008 HK$'000
Account payables arising from the business of dealing is securities and equity options:		
Clearing house	**30,076**	—
Cash clients	**548,749**	400,345
Margin clients	**210,329**	120,928
Account payables to clients arising from the business of dealing in futures and options	**228,823**	167,545
Account payables to clients arising from the business of dealing in leveraged foreign exchange contracts	**863**	357
Account payables arising from the online game services	**320**	2,334
Trade creditors arising from retailing business	**140,384**	132,084
	1,159,544	823,593

The settlement terms of account payables arising from the business of dealing in securities are two days after trade date. Trade payables to the margin and cash clients arising from the business of dealing in securities are repayable on demand subsequent to settlement date. No aged analysis is disclosed as in the opinion of directors, the aged analysis does not give additional value in view of the nature of business of share margin financing.

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

The account payables amounting to HK$765,112,000 (2008: HK$542,079,000) was payable to clients and other institutions in respect of the trust and segregated bank balances received and held for clients and other institution in the course of the conduct of regulated activities. However, the Group does not have a currently enforceable right to offset these payables with the deposits placed.

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 reporting date:

	2009 HK$'000	2008 HK$'000
0–30 days	**70,548**	54,166
31–60 days	**38,562**	34,877
61–90 days	**10,983**	17,537
Over 90 days	**20,291**	25,504
	140,384	132,084

31. OBLIGATIONS UNDER FINANCE LEASES

The analysis of the obligation under finance leases is as follows:

	Minimum lease payments		Present value of minimum lease payment	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amount payable under finance leases				
Due within one year	**150**	150	**135**	127
Due in the second to fifth years	**188**	338	**180**	315
	338	488	**315**	442
Less: Future finance charges	**(23)**	(46)	**—**	—
Present value of lease obligations	**315**	442	**315**	442
Less: Portion due within one year included under current liabilities			**(135)**	(127)
Non-current portion included under non-current liabilities			**180**	315

The Group has entered into finance leases for a motor vehicle with a lease terms of four years. Interest rate under the leases is fixed at 6% (2008: 6%) per annum. These leases do not have options to renew or any contingent rental provisions.

Obligations under finance lease are effectively secured by the underlying assets as the rights to the leased assets would be reverted to the lessor in the event of default by repayment by the Group.

32. BORROWINGS

	2009	2008
	HK$'000	HK$'000
Secured bank borrowings:		
Bank overdrafts	**71,480**	15,023
Bank loans	**288,481**	225,803
Trust receipt loans	**97,575**	79,066
	457,536	319,892
Secured other borrowings	**100,011**	100,012
Unsecured other borrowings	**15,707**	91,438
	573,254	511,342

32. BORROWINGS (continued)

The maturity profile of the above borrowings is as follows:

	2009 HK$'000	2008 HK$'000
Repayable on demand or within one year	**484,228**	383,071
Repayable in the second years	**13,822**	92,716
Repayable in the third to five years, inclusive	**17,832**	4,136
Repayable beyond five years	**57,372**	31,419
	573,254	511,342
Less: Current portion due within one year included under current liabilities	**(484,228)**	(383,071)
Non-current portion included under non-current liabilities	**89,026**	128,271

At 31 December 2009, bank borrowings of HK$457,536,000 (2008: HK$319,892,000) were secured by:

(a) corporate guarantees from the Company, CFSG and a subsidiary of the Company for both years;

(b) corporate guarantees from certain subsidiaries of CFSG (2008: Nil);

(c) marketable securities of the Group's clients with carrying value of HK$314,843,000 (2008: HK$175,432,000) (with client's consent);

(d) buildings, prepaid lease payments and investment properties as disclosed in notes 15, 16 and 17 respectively;

(e) pledged bank deposits as disclosed in note 29;

(f) guarantees from the Government of the Hong Kong Special Administrative Region, under the Special Loan Guarantee Scheme (2008: Nil); and

(g) a charge over the properties to be delivered by the residential property developer for the year ended 31 December 2008.

The other borrowings amounting to HK$100,011,000 (2008: HK$100,012,000) as at 31 December 2009 was secured by the shares of Celestial Investment Group Limited, a wholly-owned subsidiary of the Company.

In addition, pursuant to a letter of undertaking given by the Group to a bank, the Group covenants to maintain deposits of not less than HK$15,000,000 (2008: HK$15,000,000) with a bank as a condition precedent to an overdraft facility granted by the bank (note 29).

Bank overdrafts amounting to HK$71,480,000 (2008: HK$15,023,000) carried interest at either Hong Kong Interbank Offered Rate ("HIBOR") plus a spread or Hong Kong Prime Rate plus a spread. Bank loans amounting to HK$288,481,000 (2008: HK$225,083,000) are at variable-rate borrowings which carry interest at either HIBOR plus a spread or Hong Kong Prime Rate plus a spread. Trust receipt loans amounting to HK$97,575,000 (2008: HK$79,066,000) carry interest at Hong Kong Prime Rate plus a spread. The unsecured other borrowings amounting to HK$15,707,000 (2008: HK$91,438,000) carry interest at Hong Kong Prime Rate plus 3% per annum. Secured other borrowings of HK$100,011,000 (2008: HK$100,012,000) carry interest rate at HIBOR plus 4% per annum.

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

33. DERIVATIVE FINANCIAL INSTRUMENTS

As at 31 December 2008, the derivative financial instruments comprised equity-linked derivative contracts (trading as accumulators) with certain brokers for a period of one year. Under the equity-linked derivative contracts, the Group receives predetermined equity securities at stipulated strike prices on a weekly basis. When the market price of equity securities moved favorable to the Group (i.e. market price above strike price), the Group got to buy the agreed amount of equity securities at the strike price. However, when the market price moved unfavorable to the Group (i.e. dropped below the strike price), the Group got to buy 2 times the pre-determined equity securities at strike price. When the market price was above the knock out price, the derivative contract would be terminated (i.e. the profit is capped at the knock out price).

The fair value of derivative financial instruments was determined based on valuation techniques that incorporated market observable data. Such equity-linked derivative contracts are not accounted for using hedge accounting mechanism. They were measured at fair value at each reporting date with any gains or losses arising from changes in fair value being recognised in profit and loss immediately. As at 31 December 2008, there were 5 outstanding equity linked derivative contracts with fair value of HK$3,067,000. All the 5 equity-linked derivative contracts expired during the year ended 31 December 2009 and resulted in a gain of HK$3,067,000, calculated with reference to the number of equity securities taken up, and the difference between the strike price and market price as at the date of settlement.

During the year ended 31 December 2008, the Group acquired a number of equity-linked structured deposits with contract term of one year from inception date. It was a hybrid instrument which comprised a debt instrument with coupon payments and a put option with the underlying basket of equity securities. The coupon payments were determined based on the market price of the underlying basket of equity securities during the relevant period. According to the terms of the instruments, at maturity, if the market price of the underlying basket of equity securities was above a pre-determined level, the Group would receive par value of the bond and coupon interest. If the market price of the underlying basket of equity securities was below a pre-determined level, the Group would receive the underlying basket of equity securities at the strike price as set out in the instrument. All these equity-linked structured deposits were early redeemed by the Group in last year and there were no outstanding equity-linked structured deposits as at 31 December 2009 and 2008.

34. LOAN FROM A MINORITY SHAREHOLDER

The loan is unsecured, interest-free and repayable on demand.

35. CONVERTIBLE NOTES

On 17 February 2009, the Company issued 3 years 2% per annum convertible notes with a principal amount of HK$43,243,000 ("Convertible Notes") at 100% of principal amount to Cash Guardian Limited ("Noteholder" or "Cash Guardian"), a company ultimately controlled by Mr Kwan Pak Hoo Bankee, executive director of the Company, in relation to the acquisition of subsidiaries as detailed in note 38. The fair value of the Convertible Notes on 17 February 2009 was HK$33,929,000.

In respect of the Convertible Notes issued during the year, the Company has the right to request the Noteholder to convert, and the Noteholder has the right to convert, the whole or any part (in an amount or integral multiple of HK$1,000,000) of the outstanding principal amount of the Convertible Notes into the ordinary shares of the Company of HK$0.10 each for the period commencing on the expiry of 6 months from the date of issue and ending on the maturity date ("Conversion Period") at initial conversion price of HK$1 per share subject to adjustment upon the occurrence of a capitalisation issue, right issue, subdivision or consolidation of shares and other dilutive events.

35. CONVERTIBLE NOTES (continued)

At the discretion of the Company only, the Convertible Notes would be redeemed in whole or in part of integral multiple of HK$1,000,000 of outstanding principal amount at any time during the Conversion Period by giving the Noteholder redemption request not less than 3 business days' notice at the following redemption amount:

— if the redemption request is made within the period from the date of issue up to 31 December 2009, the Company may redeem the Convertible Notes at a redemption premium of 110% of the principal amount of the Convertible Notes outstanding less all the coupon interest paid to the Noteholder up to the date of redemption;

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

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

The Convertible Notes were valued as at 17 February 2009 and 31 December 2009 by an independent professional valuer, Norton Appraisals Limited.

The fair value of the liability component of the Convertible Notes was calculated using discount rate method. The fair value of the equity component was calculated using Binomial Model on the date of issue and is included in shareholders' equity in convertible notes equity reserve.

The fair value of the embedded derivative of the Convertible Notes was calculated using Binomial Model with major inputs used in the model as follows:

	31 December 2009	17 February 2009
Stock price	**HK$1.36**	HK$1
Risk-free rate	**1.14%**	1.18%
Expected additional yield spread	**5.91%**	25.37%
Expected volatility	**45.24%**	64.93%
Expected life	**2 years**	2.87 years
Expected dividend yield	**Nil**	Nil

The carrying values of the liability component, derivative component and equity component of the Convertible Notes are as follow:

	Embedded derivative HK$'000	**Liability component** HK$'000	**Equity component** HK$'000	**Total** HK$'000
Net carrying amounts on initial recognition	9,746	(23,389)	(20,286)	(33,929)
Imputed interest expenses	—	(5,537)	—	(5,537)
Interest on convertible notes paid	—	754	—	754
Change in fair value	5,921	—	—	5,921
Net carrying amounts at 31 December 2009	15,667	(28,172)	(20,286)	(32,791)

35. CONVERTIBLE NOTES (continued)

Imputed interest expenses of approximately HK$5,537,000 has been recognised in profit or loss in respect of the Convertible Notes for the year ended 31 December 2009 and is calculated using the effective interest method by applying the effective interest rate of 27.17% per annum to the liability component of the Convertible Notes.

As at 31 December 2009, the carrying amount of the liability component at amortised cost was HK$28,172,000 and the fair value of the liability component was HK$39,352,000.

Further details of the principal terms and conditions regarding the issue of Convertible Notes during the year ended 31 December 2009 have been set out in the circular of the Company dated 21 January 2009.

36. DEFERRED TAXATION

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

	Accelerated tax depreciation HK$'000	Fair value adjustment on intangible assets under business combination HK$'000	Revaluation of investment properties HK$'000	Total HK$'000
At 1 January 2008	—	(7,879)	—	(7,879)
(Charged)/Credited to profit or loss	(342)	615	—	273
At 31 December 2008 and 1 January 2009	(342)	(7,264)	—	(7,606)
Credited/(Charged) to profit or loss	—	615	(10,143)	(9,528)
At 31 December 2009	(342)	(6,649)	(10,143)	(17,134)

Deferred tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefit through the future taxable profits is probable. The Group has unrecognised estimated tax losses of HK$450,799,000 (2008: HK$425,786,000) to carry forward against future taxable income. The tax losses can be carried forward indefinitely. For certain subsidiaries operated in the PRC, unrecognised estimated tax losses of HK$31,987,000 (2008: HK$12,948,000) are subject to expiry periods of five years from the year in which tax losses arose under the current tax legislation. No deferred tax asset has been recognised due to the uncertainty of future profit streams against which the asset can be disclosed.

37. SHARE CAPITAL

	Notes	Par value of each ordinary share HK$	Number of shares '000	Amount HK$'000
Ordinary shares				
Authorised:				
At 31 December 2008 and 31 December 2009		0.10	3,000,000	300,000
Issued and fully paid:				
At 1 January 2008		0.10	902,526	90,253
Share consolidation	(a)		(722,021)	—
			180,505	90,253
Capital reduction		0.50	—	(72,202)
At 31 December 2008 and 1 January 2009		0.10	180,505	18,051
Subscription of new shares	(b)		25,000	2,500
At 31 December 2009			**205,505**	**20,551**

Notes:

(a) Share consolidation and capital reduction

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

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

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

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

(b) On 5 August 2009, a total of 25,000,000 subscription shares of HK$0.10 each were issued at a subscription price of HK$2 each to Cash Guardian. The net proceeds from the subscription of shares, after deducting all related expenses were HK$49,820,400. The Company intended to provide additional working capital for the Group. These shares rank pan passu in all respects with other shares in issue.

38. ACQUISITION OF SUBSIDIARIES

On 11 November 2008, the Group entered into a sale and purchase agreement with Mr Kwan Pak Hoo Bankee, an executive director of the Company and is a controlling shareholder of the Company in relation to the acquisition of the entire equity interest of Excelbright Enterprises Limited ("Excelbright") and its subsidiaries (collectively referred as the "Excelbright Group") and an interest-free shareholder's loan at a total consideration of fair value of HK$33,929,000 satisfied by way of issue of the Convertible Notes.

The Excelbright Group is principally engaged in property investment and the transaction was completed on 17 February 2009 upon the approval of the independent shareholders of the Company in the special general meeting held on 12 February 2009.

The above constituted a major transaction under the Listing Rules. More details were disclosed in the Company's circular dated 21 January 2009.

The fair value of the identifiable assets and liabilities of the Excelbright Group at the date of acquisition and the corresponding carrying amounts immediately before the acquisition are as follows:

	Fair value	**Acquiree's carrying amount**
	HK$'000	HK$'000
Investment properties	85,186	94,500
Payment for acquisition of a property under construction	13,800	13,800
Deposits and prepayments	39	39
Cash and cash equivalents	11	11
Payables and accruals	(581)	(581)
Bank borrowings	(64,498)	(64,498)
Taxation payables	(28)	(28)
Amount due to a shareholder	(33,929)	(36,250)
Net assets acquired	—	6,993
Net cash inflow arising on acquisition:		
Cash and cash equivalents in subsidiaries acquired	11	

Details of the net assets acquired are as follows:

	HK$'000
Purchase consideration settled in issue of convertible notes	33,929
Shareholder's loan	(33,929)
Goodwill	—

There was no acquisition of subsidiaries during the year ended 31 December 2008.

39. DISPOSAL OF SUBSIDIARIES

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

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

40. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

(a) As detailed in note 38, the purchase consideration of the entire equity interest in Excelbright was satisfied by the issue of Convertible Notes with a fair value of HK$33,929,000.

(b) The purchase consideration of investment properties was settled by the deposits of HK$77,071,000 paid to the residential property developers.

41. CONTINGENT LIABILITIES

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

42. OPERATING LEASE COMMITMENTS

At the reporting 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:

	2009 **HK$'000**	2008 HK$'000
Within one year	**124,352**	130,914
In the second to fifth year inclusive	**89,144**	122,612
	213,496	253,526

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

43. SHARE OPTION SCHEMES

(A) Share option scheme of the Company

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

(i) The purpose was to provide incentives to:

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

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

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

(iii) The maximum number of shares in respect of which share options might be granted under the Share Option Scheme must not exceeded 10% of the issued share capital of the Company as at the date of approval of the Share Option Scheme and such limit might be refreshed by shareholders in general meeting. The maximum number of shares was 18,050,514 shares, representing around 8.78% of the issued share capital of the Company as at the date of this annual report. However, the total maximum number of shares which might be issued upon exercise of all outstanding share options granted and yet to be exercised under the Share Option Scheme and any other share option scheme must not exceed 30% of the shares in issue from time to time.

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

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

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

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

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

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

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

- the nominal value of the Company's share.

43. SHARE OPTION SCHEMES (continued)

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

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

All share-based compensation will be settled in equity. The Group has no legal or constructive obligation to repurchase or settle the options other than by issuing the Company's ordinary shares.

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:

	2009		2008	
	Number of share options	**Weighted average exercise price HK$**	Number of share options	Weighted average exercise price HK$
Outstanding at 1 January	**10,000,000**	**2.442**	70,000,000	0.441
Adjusted upon Share Consolidation	**N/A**	**N/A**	(56,000,000)	N/A
Granted	**17,300,000**	**1.13**	N/A	N/A
Lapsed	**(11,800,000)**	**2.242**	(4,000,000)	1.615
Outstanding at 31 December	**15,500,000**	**1.13**	10,000,000	2.442
Exercisable at 31 December	**15,500,000**	**1.13**	10,000,000	2.442

The exercisable periods of share options of the Company are as follows:

	2009		2008	
	Number of share options	**Weighted average exercise price HK$**	Number of share options	Weighted average exercise price HK$
Exercisable period:				
6 June 2007 to 31 May 2009	**—**	**—**	8,460,000	2.450
30 May 2007 to 31 May 2009	**—**	**—**	1,540,000	2.400
13 March 2009 to 31 March 2011	**15,500,000**	**1.130**	—	—

The weighted average remaining contractual life of share options outstanding as at 31 December 2009 is 1.24 years (2008: 1.58 years).

The fair values of share options granted during the year ended 31 December 2009 were determined using the Black-Scholes pricing model ("B-Model").

43. SHARE OPTION SCHEMES (continued)

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

The following table lists the inputs to the B-Model used for calculating the fair value of the options granted during the year ended 31 December 2009:

Date of grant	13 March 2009
Weighted average share price	HK$1.644
Exercise price	HK$1.13
Expected volatility (note (a))	57.96%
Expected life of option (note (b))	2 years
Risk-free rate (note (c))	1.43%
Expected dividend yield	Nil

Notes:

(a) Expected volatility: being the approximate historical volatility of closing prices of the shares of the Company in the past 1 year immediately before the date of grant.

(b) Expected life of option: being the effective life of options estimated from the expected exercising time frame.

(c) Risk-free rate: being the approximate yields to maturity of Hong Kong Exchange Fund Note.

In total, HK$565,000 of share-based compensation expenses has been recognised in profit or loss for the year ended 31 December 2009 (2008: Nil) and the corresponding amount of which has been credited to the share option reserve. No liabilities were recognised due to share-based payment transactions.

(B) Share option scheme of CFSG

(a) CFSG New Option Scheme

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

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

(i) The purpose was to provide incentives to:

— award and retain the participants who have made contributions to the Group; or

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

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

43. SHARE OPTION SCHEMES (continued)

(B) Share option scheme of CFSG (continued)

(a) CFSG New Option Scheme (continued)

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

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

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

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

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

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

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

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

— the nominal value of the share of CFSG.

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

43. SHARE OPTION SCHEMES (continued)

(B) Share option scheme of CFSG (continued)

(b) CFSG Option Scheme

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

(i) The purpose was to provide incentives to:

— award and retain the participants who have made contributions to the Group; or

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

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

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

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

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

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

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

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

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

— the average closing price of the shares of CFSG for the 5 trading days immediately preceding the date of grant; and the nominal value of the share of CFSG.

43. SHARE OPTION SCHEMES (continued)

(B) Share option scheme of CFSG (continued)

(b) CFSG Option Scheme (continued)

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

All share-based compensation will be settled in equity. The Group has no legal or constructive obligation to repurchase or settle the options other than by issuing the Company's ordinary shares.

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:

Share options and weighted average exercise price are as follows for the reporting periods presented:

	2009		2008	
	Number of share options	**Weighted average exercise price HK$**	Number of share options	Weighted average exercise price HK$
Outstanding at 1 January	**113,000**	**1.310**	5,424,341	0.262
Adjusted upon Share Consolidation	**N/A**	**N/A**	(2,274,241)	N/A
Adjusted upon Rights Issue	**11,000**	**N/A**	N/A	N/A
Granted	**59,000,000**	**0.729**	N/A	N/A
Exercised	**—**	**—**	(1,203,000)	0.439
Cancelled	**(5,000,000)**	**0.720**	—	—
Lapsed	**(5,000,000)**	**0.734**	(1,834,100)	0.406
Outstanding at 31 December	**49,124,000**	**0.731**	113,000	1.310
Exercisable at 31 December	**27,624,000**	**0.728**	143	1.310

For the year ended 31 December 2008, the weighted average share price for share options exercised during the year at the date of exercise was HK$0.972.

43. SHARE OPTION SCHEMES (continued)

(B) Share option scheme of CFSG (continued)

(b) CFSG Option Scheme (continued)

The exercisable periods of share options of the Company are as follows:

	2009		2008	
	Number of share options	**Weighted average exercise price HK$**	Number of share options	Weighted average exercise price HK$
Exercisable period:				
7 July 2008 to 31 July 2010	**157**	**1.180**	143	1.310
7 July 2009 to 31 July 2010	**123,843**	**1.180**	112,857	1.310
22 June 2009 to 30 June 2013	**15,000,000**	**0.720**	—	—
15 December 2009 to 30 June 2013	**12,500,000**	**0.734**	—	—
15 June 2010 to 30 June 2013	**15,200,000**	**0.734**	—	—
15 June 2011 to 30 June 2013	**2,700,000**	**0.734**	—	—
15 June 2012 to 30 June 2013	**3,600,000**	**0.734**	—	—

The weighted average remaining contractual life of share options outstanding as at 31 December 2009 is 3.49 years (2008: 1.58 years).

The fair values of share options granted during the year ended 31 December 2009 were determined using the B-Model.

The following table lists the inputs to the B-Model used for calculating the fair value of the options granted during the year ended 31 December 2009:

Date of grant	**15 June 2009**	**22 June 2009**
Share price on date of grant	HK$0.700	HK$0.690
Exercise price	HK$0.734	HK$0.720
Expected volatility (note (a))	59.30%	59.30%
Expected life of option (note (b))	3 years	3 years
Risk-free rate (note (c))	1.43%	1.43%
Expected dividend yield	Nil	Nil

Notes:

(a) Expected volatility: being the approximate historical volatility of closing prices of the shares of CFSG in the past 1 year immediately before the date of grant.

(b) Expected life of option: being the effective life of options estimated from the expected exercising time frame.

(c) Risk-free rate: being the approximate yields to maturity of Hong Kong Exchange Fund Note.

In total, HK$7,566,000 of share-based compensation expenses has been recognised in profit or loss for the year ended 31 December 2009 (2008: Nil). No liabilities were recognised due to share-based payment transactions.

43. SHARE OPTION SCHEMES (continued)

(C) Share option scheme of Netfield (Bermuda)

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

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

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

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

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

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

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

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

43. SHARE OPTION SCHEMES (continued)

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

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

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

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

- the closing price of the Netfield (Bermuda)'s shares on the date of grant which day must be a trading day; the average closing price of the Netfield (Bermuda)'s shares for the 5 trading days immediately preceding the date of grant; and

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

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

However, if the grantee is a connected person of the Company under the Listing Rules, such redemption shall be in compliance with the requirement of the Listing Rules.

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

44. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances detailed elsewhere in these financial statements, the Group had the following transactions with related parties:

	Notes	**2009 HK$'000**	2008 HK$'000
Commission and interest income received from the following substantial shareholders of the Company	(a)		
Cash Guardian		**125**	3
Mr Kwan Pak Hoo Bankee and associates		**53**	67
		178	70
Commission and interest income received from a substantial shareholder	(b)	**13**	86
Commission and interest income received from the following directors of the Company	(c)		
Mr Lin Che Chu George and associates	(d)	**9**	8
Mr Law Ping Wah Bernard and associates		**105**	36
Mr Wong Kin Yick Kenneth and associates	(e)	**N/A**	104
		114	148
Commission and interest income received from the following directors of CFSG	(f)		
Mr Cheng Man Ben and associates		**63**	33
Mr Chan Chi Ming Benson and associates		**—**	—
Mr Yune Pak Lau Raymond and associates		**18**	13
		81	46
Interest expenses paid to Cash Guardian	(g)	**754**	—
Rental expenses paid to an associate of the Group	(h)	**11,266**	11,777
Loan interest income received from directors of the Company	(i)		
Mr Lin Che Chu George	(d)	**45**	—
Mr Ng Kung Chit Raymond		**39**	—
		84	—
Loan interest income received from directors of CFSG	(j)		
Mr Law Ping Wah Bernard		**56**	—
Mr Cheng Man Pan Ben		**56**	—
Mr Yuen Pak Lau Raymond		**56**	—
Mr Chan Chi Ming Benson		**56**	—
		224	—

44. RELATED PARTY TRANSACTIONS (continued)

Notes:

(a) During the year ended 31 December 2009, the Group received commission and interest income from margin financing of approximately HK$178,000 (2008: HK$70,000) from substantial shareholders of the Company.

(b) During the year ended 31 December 2009, the Group received commission and interest from margin financing of approximately HK$13,000 (2008: HK$86,000) from a substantial shareholder of the Company.

(c) During the year ended 31 December 2009, the Group received commission and interest income from margin financing of approximately HK$114,000 (2008: HK$148,000) from certain directors of the Company.

(d) During the year ended 31 December 2009, Mr Lin Che Chu George resigned as an executive director of the Company

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

(f) During the year ended 31 December 2009, the Group received commission and interest income from margin financing of approximately HK$81,000 (2008: HK$46,000) from certain directors of CFSG.

(g) During the year ended 31 December 2009, the Group paid interest expense of approximately HK$754,000 (2008: Nil) to Cash Guardian in relation to the issue of Convertible Notes as detailed in note 38.

(h) During the year ended 31 December 2009, the Group paid rental expenses of approximately HK$11,266,000 (2008: HK$11,777,000) to an associate of the Group.

(i) During the year ended 31 December 2009, the Group derived interest income from loan to certain directors of the Company of approximately HK$84,000 (2008: Nil). Details are disclosed in note 24.

(j) During the year ended 31 December 2009, the Group derived interest income from loans to certain directors of CFSG of approximately HK$224,000 (2008: Nil). Details are disclosed in note 24.

Compensation of key management personnel

Remuneration of key management personnel represents amounts paid to the Company's directors as disclosed in note 10.

45. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Name	Place of incorporation	Nominal value of issued and fully paid ordinary share capital/ paid up capital	Voting power held by the Company		Proportion of nominal value of issued share capital held by the Company		Principal activities
			2009	2008	**2009**	2008	
			%	%	**%**	%	
CFSG	Bermuda	HK$61,710,811	**55.11***	54.09	**48.32**	48.32	Investment holding
CASH Asset Management Limited	Hong Kong	HK$10,000,000	**55.11**	54.09	**48.32**	48.32	Provision of asset management services
CASH E-Trade Limited	Hong Kong	HK$4,000,000	**55.11**	54.09	**48.32**	48.32	Provision of management services for group companies
CASH Group Limited	BVI	US$1	**100**	100	**100**	100	Investment holding
CASH Retail Management (HK) Limited	BVI	US$100	**55.11**	100	**48.32**	100	Investment holding
CASH Payment Services Limited	Hong Kong	HK$2	**55.11**	54.09	**48.32**	48.32	Provision of payment gateway services
Celestial Capital Limited	Hong Kong	HK$30,000,000	**55.11**	54.09	**48.32**	48.32	Provision of corporate finance, investment and financial advisory services
Celestial Commodities Limited	Hong Kong	HK$10,000,000	**55.11**	54.09	**48.32**	48.32	Future and options broking and trading
Celestial Investments (HK) Limited	Hong Kong	HK$10,000,000	**55.11**	54.09	**48.32**	48.32	Money lending
Celestial Investment Group Limited	BVI	US$10,000	**100**	100	**100**	100	Investment holding
Celestial Securities Limited	Hong Kong	HK$140,000,000	**55.11**	54.09	**48.32**	48.32	Securities, equity options broking and trading, leveraged foreign exchange contracts
icoupon Limited	BVI	US$1	**55.11**	54.09	**48.32**	48.32	Investment holding and trading
Linkup Assets Management Limited	BVI	US$1	**55.11**	54.09	**48.32**	48.32	Investment holding and trading
CASH Wealth Management Limited (formerly known as CASH Frederick Taylor Limited)	Hong Kong	HK$10,000,000	**55.11**	54.09**	**48.32**	48.32	Financial advisory consultancy
摩力遊(上海)信息科技有限公司# (MOLI China Information Technology Limited)	PRC	US$7,150,000	**100**	100	**100**	100	Online game developer and operator
上海摩力游數字娛樂有限公司## (Shanghai Moliyo Digital Entertainment Limited)	PRC	RMB2,800,000	**100**	100	**100**	100	Online game developer and operator
Pricerite Electrical Appliances Limited (formerly known as 3C Electrical Appliances Limited)	Hong Kong	HK$1	**55.11**	100	**48.32**	100	Retailing of electrical appliances
Libra Capital Management (HK) Limited (formelry known as E-Tailer Holding Limited)	BVI	US$1	**100**	100	**100**	100	Securities trading
Lifeztore (HK) Limited	Hong Kong	HK$1	**100**	100	**100**	100	Retailing of furniture and household goods through corporate sales
Praise Joy Limited	BVI	US$1	**100**	100	**100**	100	Investment holding
Think Right Investments Limited	BVI	US$1	**55.11**	54.09	**48.32**	48.32	Properties holding
Pricerite Stores Limited	Hong Kong	HK$200,000,000	**55.11**	100	**48.32**	100	Retailing of furniture and household goods
Pricerite.com.hk Limited	Hong Kong	HK$2	**55.11**	100	**48.32**	100	Retailing of furniture and household goods through corporate sales
Wealthy View Investment Limited	BVI	US$10	**100**	100	**100**	100	Investment holding
Richwell Target Limited	Hong Kong	HK$2	**55.11**	100	**48.32**	100	Property holding
Go Lucky Investments Limited	BVI	US$100	**100**	—	**100**	—	Property investment

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

* The Group holds 48.32% equity interests in CFSG through CIGL. Cash Guardian, a company in which Mr Kwan Pak Hoo Bankee has a beneficial interest and is also a director, holds 2.75% equity interest in CFSG. Cash Guardian has agreed that it will cast all votes at all shareholder's meeting of CFSG, in accordance with the voting decision of the Company at all times. Mr Kwan Pak Hoo Bankee, Mr Law Ping Wah Bernard and Mr Ng Kung Chit Raymond directors of the Company, who have 1.32%, 2.23% and 0.49% equity interests and voting power respectively in CFSG, have agreed that they will not vote against the voting decision of the Company at all times. In the opinion of the directors, this arrangement can be extended at a minimal cost. As a result, the Group is able to control the voting power at all the general meetings of CFSG. Accordingly, CFSG is accounted for a subsidiary of the Company.

** The Group controlled a 70% of voting power at general meetings of CASH Wealth Management Limited through the 54.09% of voting power interest in CFSG as at 31 December 2008.

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

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

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

46. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS

The Group's major financial instruments include equity investments, embedded derivative of the convertible notes, bank balances and deposits, borrowings, account receivables, other receivables, loans 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.

Categories of financial instruments

	2009 **HK$'000**	2008 HK$'000
Financial assets		
Financial assets at fair value through profit or loss		
— Investments held for trading	**45,232**	79,155
Embedded derivative of the convertible notes	**15,667**	—
Loans and receivables (including cash and cash equivalents)	**1,685,495**	1,339,850
Financial liabilities		
Amortised cost	**1,828,442**	1,399,760
Derivative financial liabilities	**—**	3,067

46. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (continued)

Market risk

Foreign currency risk

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

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

The policies to manage foreign currency risk have been followed by the Group since prior years and are considered to be effective.

Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group is exposed to fair value interest rate risk in relation to fixed-rate bank balances, fixed-rate loan receivables and deposits with brokers. The Group currently does not have a fair value hedging policy.

The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank borrowings, loan receivables, loans to margin clients and bank balances. The Group currently does not have a cash flow interest rate hedging policy. However, management is closely monitoring its exposure arising from margin financing and other lending activities undertaken by allowing an appropriate margin on the interest received and paid by the Group. A 100 basis point (2008: 100 basis point) change is used when reporting cash flow interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

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

The sensitivity analysis is prepared assuming the financial instruments outstanding at the reporting date were outstanding for the whole year. As at 31 December 2009, if the interest rate of borrowings, loan receivables, loans to margin clients and bank balances had been 100 basis point higher/lower, the Group's profit would increase/decrease by HK$8,519,000 (2008: the Group's loss would increase/decrease by HK$3,638,000). This is mainly attributable to the bank interest expense under finance costs or interest income under revenue.

The policies to manage interest rate risk have been followed by the Group since prior year are considered to be effective.

Equity price risk

Equity price risk related to the risk that the fair values or future cash flows of a financial instrument will fluctuate because of change in market prices (other than changes interest rate and foreign exchange rate). The directors of the Company manage the exposure by closely monitoring the portfolio of equity investments and derivative financial instrument (see note 33).

46. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (continued)

Market risk (continued)

Equity price sensitivity

The sensitivity analyses below have been determined based on the exposure to equity price risk at the reporting date. The analysis is prepared assuming the financial instruments outstanding at the reporting date were outstanding for the whole year. A 30 percent (2008: 30 percentage) change is used when reporting equity price risk internally to key management personnel and represents management's assessment of the reasonably possible change in equity price.

As at 31 December 2009, if the market bid prices of the Group's listed equity investments had been 30 percent higher/ lower, the Group's profit would increase/decrease by HK$11,020,000 (2008: the Group's loss would decrease/increase by HK$23,747,000). This is mainly attributable to the changes in fair values of the listed investments held for trading.

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

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

The policies to manage equity price risk have been followed by the Group since prior years and are considered to be effective.

Credit risk

As at 31 December 2009, 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 reporting date in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position.

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 reporting date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group does not have any significant concentration of credit risk as the exposure spread over a number of counterparties and customers.

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

The credit policies have been followed by the Group since prior years and are considered to have been effective in limiting the Group's exposure to credit risk to a desirable level.

46. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (continued)

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 customers. To address the risk, treasury team works closely with the settlement division on monitoring the liquidity gap. In addition, for contingency purposes, clean loan facilities are put in place.

For retailing 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.

The maturity profile of the Group's financial liabilities as at the reporting date, based on the contracted undiscounted payments, was as follows:

	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 31 December 2009						
Account payables	1,159,544	1,159,544	1,159,544	—	—	—
Other payables	39,720	39,720	39,720	—	—	—
Bank borrowings	573,254	598,582	487,195	15,402	25,209	70,776
Loan from a minority shareholder	27,437	27,437	27,437	—	—	—
Convertible notes	28,172	45,307	7,654	37,653	—	—
Obligations under finance leases	315	338	150	150	38	—
	1,828,442	1,870,928	1,721,700	53,205	25,247	70,776
At 31 December 2008						
Account payables	823,593	823,593	823,593	—	—	—
Other payables	36,946	36,946	36,946	—	—	—
Bank borrowings	511,342	538,613	394,514	96,927	4,756	42,416
Loan from a minority shareholder	27,437	27,437	27,437	—	—	—
Obligations under finance leases	442	496	131	147	218	—
	1,399,760	1,427,085	1,282,621	97,074	4,974	42,416

Fair value measurements recognised in the statement of financial position

The Group adopted the amendments to HKFRS 7 Improving Disclosures about Financial Instruments effective from 1 January 2009. These amendments introduce a three-level hierarchy for fair value measurement disclosures and additional disclosures about the relative reliability of fair value measurements. The Group has taken advantage of the transitional provisions in the amendments to HKFRS 7 and accordingly, no comparatives for the hierarchy for fair value measurement disclosures have been presented.

46. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (continued)

Liquidity risk (continued)

Fair value measurements recognised in the statement of financial position (continued)

The following table presents financial assets measured at fair value in the statement of financial position in accordance with the fair value hierarchy. The hierarchy groups financial assets into three levels based on the relative reliability of significant inputs used in measuring the fair value of these financial assets. The fair value hierarchy has the following levels:

— Level 1: quoted prices (unadjusted) in active markets for identical assets;

— Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset, either directly (i.e. as prices) or indirectly (i.e. derived form prices); and

— Level 3: inputs for the asset that are not based on observable market data (unobservable inputs).

The level in the fair value hierarchy within which the financial asset is categorised in its entirety is based on the lowest level of input that is significant to the fair value measurement.

The financial assets measured at fair value in the statement of financial position are grouped into the fair value hierarchy as follows:

Assets	**Level 1** HK$'000 (note (a))	**Level 2** HK$'000 (note (b))	**Level 3** HK$'000 (note (c))	**Total** HK$'000
Embedded derivative of convertible notes	—	15,667	—	15,667
Listed securities held for trading:				
— Equity securities listed in Hong Kong	36,733	—	—	36,733
— Unlisted securities in Hong Kong	—	—	8,499	8,499
	36,733	15,667	8,499	60,899

The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting periods.

Notes:

(a) Fair values of listed equity securities have been determined by reference to their quoted bid prices at the reporting date and have been translated using the spot foreign currency rates at the end of the reporting period where appropriate.

(b) Fair value of the embedded derivative are based on Binomial model which the assumptions are supported from prices from observable market transactions and determined based on available observable market data.

(c) In the opinion of the directors, the carrying amounts of unlisted securities approximate to their fair value.

The Group's financial assets of unlisted securities in Hong Kong classified in Level 3 was assessed by reference to recent similar market transaction that are not based on observable market data. The financial instruments within this level can be reconciled from the opening to closing balances as follows:

	HK$'000
Opening balance	—
Additions	8,499
Closing balance	8,499

47. CAPITAL 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 convertible notes disclosed in note 35, and equity attributable to owners of the Company, comprising issued share capital disclosed in note 37, reserves and accumulated losses as disclosed in consolidated statements of changes in equity. The management reviews the capital structure by considering the cost of capital and the risks associated with each class of capital. In view of this, the Group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt. The Group's overall strategy remains unchanged throughout the year.

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

48. COMPARATIVE FIGURES

Certain comparative figures have been adjusted to conform with changes in presentation in the current year if necessary.

49. SUMMARISED THE COMPANY'S STATEMENT OF FINANCIAL POSITION

	2009 **HK$'000**	2008 HK$'000
Assets		
Investment in subsidiaries	**—**	—
Property, plant and equipment	**—**	—
Prepayments, deposits and other receivables	**—**	2,170
Embedded derivative of convertible notes	**15,667**	—
Amounts due from subsidiaries	**627,941**	543,223
Bank balances (general accounts)	**41**	46
	643,649	545,439
Liabilities		
Accrued liabilities and other payables	**300**	308
Convertible notes	**28,172**	—
Amounts due to subsidiaries	**1,026**	1,026
	29,498	1,334
Net assets	**614,151**	544,105
Capital and reserves		
Share capital	**20,551**	18,051
Reserves	**593,600**	526,054
Total equity	**614,151**	544,105

Appendix I — Investment Properties

Held as at 31 December 2009

Location	Approximate gross floor area*/ saleable area** (sq. ft.)	Land use
Room 1606 (also known as 19G), Li Jing Yuan, Residence 8, No. 8 Jinan Road, Luwan District, Shanghai, the PRC	891*	The property is vacant
Room 1607 (also known as 19A), Li Jing Yuan, Residence 8, No. 8 Jinan Road, Luwan District, Shanghai, the PRC	1,593*	The property is vacant
Room 1806 (also known as 21G), Li Jing Yuan, Residence 8, No. 8 Jinan Road, Luwan District, Shanghai, the PRC	891*	The property is vacant
Room 602 on Level 5, Maison des artiste, No. 16 Lane 688, Huang Jin Cheng Road, Changning District, Shanghai, the PRC	1,160*	The property is vacant
Room 802 on Level 7, Maison des artiste, No. 16 Lane 688, Huang Jin Cheng Road, Changning District, Shanghai, the PRC	1,160*	The property is vacant
Room 902 on Level 8, Maison des artiste, No. 17 Lane 688, Huang Jin Cheng Road, Changning District, Shanghai, the PRC	1,160*	The property is vacant
Room 2002 on Level 17, Maison des artiste, No. 17 Lane 688, Huang Jin Cheng Road, Changning District, Shanghai, the PRC	2,469*	The property is vacant
Room 2102 on Level 18, Maison des artiste, No. 18 Lane 688, Huang Jin Cheng Road, Changning District, Shanghai, the PRC	2,469*	The property is vacant
Flat B on 3rd Floor and Car Parking Space No. 25 on Ground Floor, Rose Gardens, No. 9 Magazine Gap Road, The Peak, Hong Kong	2,235**	The property is vacant

Appendix II — Five-Year Financial Summary

For the year ended 31 December 2009

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:

RESULTS

	Year ended 31 December				
	2009	2008	2007	2006	2005
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**1,129,142**	1,312,746	1,665,452	816,622	588,145
Profit/(Loss) before income tax	**38,111**	(387,081)	169,723	59,300	(30,058)
Income tax (expense)/credit	**(19,174)**	(9,425)	(30,079)	(5,939)	2,999
	18,937	(396,506)	139,644	53,361	(27,059)
Attributable to:					
Owners of the Company	**35,997**	(358,113)	51,902	32,057	(37,022)
Minority interests	**(17,060)**	(38,393)	87,742	21,304	9,963
	18,937	(396,506)	139,644	53,361	(27,059)

ASSETS AND LIABILITIES

	As at 31 December				
	2009	2008	2007	2006	2005
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Property, plant and equipment	**179,018**	172,019	109,252	98,750	12,802
Prepaid lease payments (non-current)	**15,133**	15,548	15,963	16,378	—
Investment properties	**163,712**	—	5,000	5,000	—
Goodwill	**146,071**	192,547	233,115	212,027	17,426
Interest in associates	**116,931**	111,684	65,778	—	103,870
Intangible assets	**50,790**	55,929	68,255	68,712	11,261
Other non-current assets	**48,283**	83,685	36,260	51,864	68,324
Current assets	**1,814,166**	1,486,561	2,641,543	1,856,640	1,051,541
	2,534,104	2,117,973	3,175,166	2,309,371	1,265,224
Current liabilities	**1,752,196**	1,353,062	2,025,791	1,700,728	821,420
Long term borrowings	**89,026**	128,271	1,249	32,277	79,564
Other non-current liabilities	**45,486**	7,921	7,919	9,035	159
Total liabilities	**1,886,708**	1,489,254	2,034,959	1,742,040	901,143
Net assets	**647,396**	628,719	1,140,207	567,331	364,081
Equity attributable to the Company's owners	**368,631**	258,395	648,001	304,955	183,344
Equity component of convertible loan notes and share option reserve of a listed subsidiary	**—**	—	88	2,496	1,464
Minority interests	**278,765**	370,324	492,118	259,880	179,273
	647,396	628,719	1,140,207	567,331	364,081

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

Definitions

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

"ARTAR"	Abdulrahman Saad Al-Rashid & Sons Company Limited, a substantial shareholder of CFSG
"Audit Committee"	the audit committee of the Company established pursuant to the CG Code of the Listing Rules
"Board"	the board of Directors
"Cash Guardian"	Cash Guardian Limited, a company incorporated in the British Virgin Islands; a substantial Shareholder of the Company and an associate of Mr Kwan Pak Hoo Bankee
"Celestial Capital"	Celestial Capital Limited, a company incorporated with limited liability in Hong Kong, is a non-wholly-owned subsidiary of the Company via CFSG. It is a licensed corporation under the SFO which is engaged in types 1 (dealing in securities) and 6 (advising on corporate finance) regulated activities
"Celestial Commodities"	Celestial Commodities Limited, a company incorporated with limited liability in Hong Kong, is a non-wholly-owned subsidiary of the Company via CFSG. It is a licensed corporation under the SFO which is engaged in type 2 (dealing in futures contracts) regulated activity
"Celestial Securities"	Celestial Securities Limited, a company incorporated with limited liability in Hong Kong, is a non-wholly-owned subsidiary of the Company via CFSG. It is a licensed corporation under the SFO which is engaged in types 1 (dealing in securities) and 3 (leveraged foreign exchange trading) regulated activity
"CEO"	the chief executive officer of the Company
"CFO"	the chief financial officer of the Company
"CFS"	Celestial Financial Services Limited, a company incorporated in the British Virgin Islands with limited liability. It is a non-wholly-owned subsidiary of the Company via CFSG and is the direct holding company of CASH Wealth Management Limited (formerly known as CASH Frederick Taylor Limited)
"CFSG"	CASH Financial Services Group Limited (stock code on Main Board: 510), a company incorporated in Bermuda with limited liability and whose shares are listed on the Main Board
"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 Report"	the corporate governance report of the Company covering the year ended 31 December 2009 as required to be included in this annual report under the Listing Rules
"CGL"	CASH Group Limited, a company incorporated in the British Virgin Islands with limited liability, is a wholly-owned subsidiary of the Company
"CIGL"	Celestial Investment Group Limited, a company incorporated in the British Virgin Islands with limited liability, is a wholly-owned subsidiary of the Company. It is also a controlling shareholder of CFSG
"Company" or "CASH"	Celestial Asia Securities Holdings Limited (stock code: 1049), a company incorporated in Bermuda with limited liability and whose shares are listed on the Main Board
"Connected Clients"	Mr Kwan Pak Hoo Bankee and Mr Law Ping Wah Bernard (executive directors of each of the Company and CFSG), Mr Chan Chi Ming Benson and Mr Cheng Man Pan Ben (executive Directors of CFSG), Cash Guardian (a substantial shareholder of the Company), and Libra Capital Management (HK) Limited (formerly E-Tailer Holding Limited) and Cashflow Credit Limited (wholly-owned subsidiaries of the Company and substantial Shareholders of CFSG), all of which, except Libra Capital Management (HK) Limited and Cashflow Credit Limited, are connected persons of the Company (as defined under the Listing Rules
"COO"	the chief operating officer of the Company
"CRMG" or "CRMG Group"	CASH Retail Management Group Limited, a company incorporated in the British Virgin Islands with limited liability, together with its subsidiaries (including the Retail Group), engage in retail management business of the Group. The CRMG Group are subsidiaries of the Group
"Directors"	the directors of the Company
"ED(s)"	the executive Director(s) of the Company
"Group" or "CASH Group"	the Company and its subsidiaries
"Hong Kong" or "HKSAR"	the Hong Kong Special Administrative Region of the PRC
"INED(s)"	the independent non-executive Director(s) of the Company
"Listing Rules"	The Rules Governing the Listing of Securities on the Stock Exchange
"Main Board"	the main board of the Stock Exchange
"Margin Financing Arrangement"	the grant of margin financing facilities by CFSG to the Connected Clients for each of the three financial years ending on 31 December 2012, details of which are disclosed in (2)(b) under 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" or "Moli Group"	Netfield (Bermuda) and its subsidiaries, which mainly operate and develop online games in the PRC, are wholly-owned subsidiaries of the Company

Definitions

"NED(s)"	the non-executive Director(s) of the Company
"Netfield (Bermuda)"	Netfield Technology Limited, a company incorporated in Bermuda with limited liability. It is a wholly-owned subsidiary of the Company and the holding company of the Moli Group
"Netfield (BVI)"	Netfield Technology Limited, a company incorporated in the British Virgin Islands with limited liability, is a subsidiary of the Moli Group
"PE ratio"	price-to-earning ratio
"PRC"	the People's Republic of China
"Previous Connected Clients"	Mr Kwan Pak Hoo Bankee and Mr Law Ping Wah Bernard (executive directors of each of the Company and CFSG), Mr Wong Kin Yick Kenneth (an ex-director of each of the Company and CFSG), Mr Cheng Man Pan Ben (an executive Director of CFSG), Mr Lin Che Chu George (an ex-director of the Company), Cash Guardian (a substantial Shareholder of the Company), and ARTAR (a substantial shareholder of CFSG), and Kawoo Finance Limited (a then wholly-owned subsidiary of the Company and is currently a wholly-owned subsidiary of CFSG) and Libra Capital Management (HK) Limited (formerly E-Tailer Holding Limited) (a wholly-owned subsidiary of the Company), all of which, except Kawoo Finance Limited and Libra Capital Management (HK) Limited, are connected persons of the Company (as defined under the Listing Rules)
"Previous Margin Financing Arrangement"	the grant of margin financing facilities by CFSG to the Previous Connected Clients, which had been expired on 31 December 2009. The facilities granted to certain Previous Connected Clients have been renewed by the Margin Financing Arrangement. Details of which are disclosed in (2)(a) under sub-section headed "Continuing Connected Transactions" in the Directors' report
"Principles"	a set of corporate governance principles adopted by the Board
"Remuneration Committee"	the remuneration committee of the Company established pursuant to the CG Code of the Listing Rules
"Retail Group"	CASH Retail Management (HK) Limited (a company incorporated in the British Virgin Islands with limited liability) and its subsidiaries, which mainly engage in retail business in Hong Kong, are part of CRMG's retail management division. The Retail Group is wholly-owned subsidiaries of the CFSG Group since 12 October 2009 and non-wholly-owned subsidiaries of the Company via CFSG
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	ordinary shares of HK$0.10 each in the share capital of the Company
"Share Option Scheme"	the existing share option scheme of the Company adopted by the Shareholders at the special general meeting held on 19 February 2002 and is currently the only share option scheme of the Company
"Shareholder(s)"	holder(s) of the Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong

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