STATEMENT OF INDEBTEDNESS

As at the close of business on 30 November 2007, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this document, the Group had the following indebtedness.

Borrowings

As at 30 November 2007, the Group had total bank borrowings of approximately HK$4,860.9 million, comprising bank loans of HK$4,834.0 million and overdrafts of HK$26.9 million. The bank borrowings of HK$185.9 million which were drawn to fund securities margin financing to its clients, were collateralised by its margin clients' securities pledged to the Group for seeking financing. The bank loans of HK$4,500.0 million were drawn to finance the subscription of IPO shares by its clients.

As at 30 November 2007, a cash deposit of approximately HK$10.6 million was pledged as collateral for a loan facility of HK$10.0 million which was fully drawndown at 30 November 2007. Another deposit of HK$44.0 million was pledged to facilitate a letter of credit of HK$44.0 million granted to a subsidiary of the Company. A further deposit of HK$1.0 million was pledged to secure a general banking facility granted to a subsidiary of the Company. In addition, pursuant to a letter of undertaking provided by the Group to a bank, the Group covenant to maintain deposits of not less than HK$15.0 million with the bank as a pre-condition for an overdraft facility of HK$15.0 million granted by the bank. Therefore a bank deposit of approximately HK$16.9 million was held for this purpose.

Contingent liabilities

As at 30 November 2007, the Group had litigations as disclosed in the paragraph "Litigations and disciplinary actions" in the section headed "Business" of this document.

Save as disclosed above, the Group had no other material contingent liabilities as at 30 November 2007.

Disclaimers

Save as disclosed above, as at the close of business on 30 November 2007, the Group did not have any bank overdrafts or loans, or other similar indebtedness, mortgages, charges, hire purchase commitments, or guarantees or other material contingent liabilities.

The Board has confirmed that, save as disclosed above, there has not been any other material change in the indebtedness, commitments or contingent liabilities of the Group since the Latest Practicable Date.

Maturity profile of the borrowings of the Group

Set out below is the maturity profile of the borrowings of the Group as at each of the three years ended 31 December 2006 and 31 July 2007:

	As at 31 December			As at 31 July
	2004	**2005**	**2006**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
On demand or within one year	96,218	202,129	278,736	409,653
In the second year	–	159	1,362	–
In the third to fifth years inclusive	39,834	–	–	–
	136,052	202,288	280,098	409,653
Less: amount due for settlement within one year shown under current liabilities	(96,218)	(202,129)	(278,736)	(409,653)
Amount due for settlement after one year	39,834	159	1,362	–

Note: The above figures have already included the corresponding outstanding amount of convertible note and finance leases.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE MAIN BOARD LISTING RULES

The Directors confirm that as at the Latest Practicable Date, save as the Margin Financing Arrangement, there were no circumstances which would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Main Board Listing Rules.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Net current assets

As at 31 July 2007 and 30 November 2007, the Group had net current assets of approximately HK$327.9 million and HK$613.8 million respectively.

	As at 31 July 2007 (Audited) *HK$ million*	As at 30 November 2007 (Unaudited) *HK$ million*
Current assets		
Account receivables, loan receivables, prepayments, deposits and other receivables	1,083.8	5,484.4
Amount due from ultimate holding company, associates and fellow subsidiaries	9.6	–
Investments held for trading	24.1	33.1
Bank balances (trust and segregated accounts)	879.8	748.4
Bank balances (general accounts) and cash	157.1	279.4
Bank deposits under conditions	28.3	72.8
	2,182.7	6,618.1
Current liabilities		
Account payables, accrued liabilities and other payables	1,412.7	1,114.0
Taxable payable	18.7	15.7
Obligations under finance leases – amount due within one year	0.1	–
Bank borrowings – amount due within one year	409.6	4,860.9
Loan from minority shareholder	13.7	13.7
	1,854.8	6,004.3
Net current assets	327.9	613.8

Capital commitments

On 27 June 2007, the Company announced that on the same date, through its subsidiary, it formed a joint venture with maximum commitment of the Group of up to RMB150 million (approximately HK$156.8 million) with Independent Third Parties to invest in a property development in Shanghai, the PRC which comprises a 11-storey office tower, a single-storey retail podium and a single-storey car parking basement, and part of property may be used as the Company's offices. Up to 30 November 2007, total amounts of HK$78.39 million have been paid to the joint venture by the Group which represent the share of capital contribution of the Group due.

Save as disclosed herein, the Group currently does not have any future plans for material investments or capital assets.

Foreign currency exposure

As at 30 November 2007, the Group did not have any material unhedged foreign exchange exposure or interest rate mismatch.

Working capital

The Directors are of the opinion that taking into account the Group's existing cash and bank balances as well as the present available banking facilities, the Group has sufficient working capital for its present requirements for at least the next twelve months from the date of publication of this document.

CRITICAL ACCOUNTING POLICIES

Audited consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards for each of the three years ended 31 December 2006 and the seven months ended 31 July 2007 (the "Underlying Financial Statements").

Recognition of revenue

Revenue arising from the Group's financial services is recognised on the following basis:

- The net increase or decrease in fair value for trading investments are recognised directly in net profit or loss;
- commission income from broking businesses is recorded as income on a trade date basis;

- underwriting commission income, sub-underwriting commission 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 is recognised on a time proportion basis, taking into account the principal amounts outstanding and the effective interest rates applicable.

Revenue arising from the discontinued business, online game services, is recognised on the following basis:

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

- sales of online game auxiliary products are recognised when products are delivered and title has passed; and

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

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

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

Others

The Group's financial information has been prepared under the historical cost basis except for certain financial instruments and investment property, which are measured at fair values. For details of the additional significant accounting policies relating to the Group's financial information, please refer to note 4 to the Accountants' Report set out in Appendix I to this document.

RESULTS OF OPERATIONS

	For the year ended 31 December			For the seven months ended 31 July	
	2004	2005	2006	2006	2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)	(unaudited)	(audited)
Continuing operations					
Revenue	239,972	213,557	345,977	196,991	322,366
Other operating income	7,710	2,721	2,178	716	879
Salaries, commission and related benefits	(119,778)	(108,303)	(151,449)	(88,517)	(123,873)
Depreciation	(15,906)	(10,606)	(7,056)	(3,808)	(4,548)
Finance costs	(8,748)	(14,568)	(49,024)	(24,172)	(45,827)
Other operating and administrative expenses	(58,570)	(56,316)	(77,477)	(41,571)	(152,977)
Reversal of allowance for (allowance for) bad and doubtful debts	1,139	702	(180)	(53)	79
Net (decrease) increase in fair value of listed investments held for trading	(20,140)	(3,298)	10,261	3,980	14,562
(Loss) gain on disposal of property and equipment	(7)	43	–	–	–
Convertible loan note settlement (expenses) income	(310)	(85)	291	291	–
Profit before taxation	25,362	23,847	73,521	43,857	110,661
Taxation (charge)/credit	(350)	3,440	(5,796)	(3,258)	(15,037)
Profit for the year/period for continuing operations	25,012	27,287	67,725	40,599	95,624
Discontinued operation					
(Loss) profit for the year/period from discontinued operations	–	–	(27,527)	(13,990)	30,904
Profit for the year/period	25,012	27,287	40,198	26,609	126,528
Attributable to:					
Equity holders of the Company	24,588	26,626	39,944	26,320	126,540
Minority interests					
– Continuing operations	424	661	39	289	460
– Discontinued operations	–	–	215	–	(472)
	25,012	27,287	40,198	26,609	126,528
Dividend:					
Proposed final dividend (2004: HK$0.01 per ordinary share based on 754,556,448 Shares; 2005: nil; 2006: HK$0.02 per ordinary share based on 1,382,051,448 Shares 31 July 2006: nil; 31 July 2007: HK$0.02 per ordinary share based on 1,448,351,448 Shares)	7,546	–	27,641	–	28,967
Earnings per share					
From continuing and discontinued operations					
– Basic, HK cents	3.3[1]	2.8[3]	2.5[5]	1.7[7]	7.9[9]
– Diluted, HK cents	N/A[2]	2.6[4]	2.5[6]	1.6[8]	7.7[10]

Notes:

1. Based on 744,642,827 Shares, being the weighted average number of Shares adjusted for the rights issue on 21 November 2007 for the purpose of basic earnings per Share for the year ended 31 December 2004.

2. For the year ended 31 December 2004, there was no dilutive effect on the earning per share calculation.

3. Based on 964,557,144 Shares, being the weighted average number of Shares adjusted for the rights issue on 21 November 2007 for the purpose of basic earnings per Share for the year ended 31 December 2005.

4. Based on 1,095,497,009 Shares, being the weighted average number of Shares adjusted for the rights issue on 21 November 2007 for the purpose of diluted earnings per Share for the year ended 31 December 2005.

5. Based on 1,589,792,062 Shares, being the weighted average number of Shares adjusted for the rights issue on 21 November 2007 for the purpose of basic earnings per Share for the year ended 31 December 2006.

6. Based on 1,619,782,032 Shares, being the weighted average number of Shares adjusted for the rights issue on 21 November 2007 for the purpose of diluted earnings per Share for the year ended 31 December 2006.

7. Based on 1,581,562,346 Shares, being the weighted average number of Shares adjusted for the rights issue on 21 November 2007 for the purpose of basic earnings per Share for the seven months ended 31 July 2006.

8. Based on 1,624,999,712 Shares, being the weighted average number of Shares adjusted for the rights issue on 21 November 2007 for the purpose of diluted earnings per Share for the seven months ended 31 July 2006.

9. Based on 1,610,915,101 Shares, being the weighted average number of Shares adjusted for the rights issue on 21 November 2007 for the purpose of basic earnings per Share for the seven months ended 31 July 2007.

10. Based on 1,648,291,517 Shares, being the weighted average number of Shares adjusted for the rights issue on 21 November 2007 for the purpose of diluted earnings per Share for the seven months ended 31 July 2007.

Revenue by segments

The following tables are analysis of the Group's revenue by revenue types and business activity for the years ended 31 December 2004, 2005 and 2006 and for the seven months ended 31 July 2007.

	For the year ended 31 December						For the seven months ended 31 July			
	2004		2005		2006		2006		2007	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
	audited		*audited*		*audited*		*unaudited*		*audited*	
Fees and commissions	210,729	87.8	178,719	83.7	263,032	76.0	153,322	77.8	248,995	77.2
Interest income	29,243	12.2	34,838	16.3	82,945	24.0	43,669	22.2	73,371	22.8
	239,972	100.0	213,557	100.0	345,977	100.0	196,991	100.0	322,366	100.0
Discontinued operation: Online game services income	–		–		37,251		8,315		35,111	
Consolidated	239,972		213,557		383,228		205,306		357,477	

	For the year ended 31 December						For the seven months ended 31 July			
	2004		2005		2006		2006		2007	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
	audited		*audited*		*audited*		*unaudited*		*audited*	
Broking	204,092	85.0	171,628	80.4	247,547	71.6	145,481	73.9	240,006	74.4
Financing	29,243	12.2	34,838	16.3	85,054	24.6	44,194	22.4	73,371	22.8
Corporate finance	6,637	2.8	7,091	3.3	13,376	3.8	7,316	3.7	8,989	2.8
	239,972	100.0	213,557	100.0	345,977	100.0	196,991	100.0	322,366	100.0
Discontinued operation: Online game services	–		–		37,251		8,315		35,111	
Total	239,972		213,557		383,228		205,306		357,477	

As shown in the above tables, a substantial portion of the Group's revenue was contributed by its brokerage businesses during the Track Record Period. The brokerage business generates income for the Group by charging commissions (plus some associated fees) in respect of transactions executed through the Group's traditional and online trading platforms. Set out below are breakdown of brokerage income and the segment profit from the traditional and online brokerage business of the Group during the Track Record Period:

	For the year ended 31 December						For the seven months ended 31 July			
	2004		2005		2006		2006		2007	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Brokerage income:										
Traditional	184,814	90.6	154,189	89.8	225,238	91.0	132,200	90.9	212,318	88.5
Online	19,278	9.4	17,439	10.2	22,309	9.0	13,281	9.1	27,688	11.5
Total brokerage income	204,092	100.0	171,628	100.0	247,547	100.0	145,481	100.0	240,006	100.0
Segment results:										
Traditional	31,709	64.8	14,367	48.1	45,109	69.5	30,499	72.1	78,785	78.0
Online	17,227	35.2	15,480	51.9	19,808	30.5	11,797	27.9	22,268	22.0
Total segment profit from brokerage business	48,936	100.0	29,847	100.0	64,917	100.0	42,246	100.0	101,053	100.0
Segment profit margin *(%)* (Segment profit/Brokerage income)										
Traditional		17.16%		9.32%		20.03%		23.07%		37.11%
Online		89.36%		88.77%		88.79%		88.83%		80.42%

The proportion of the brokerage income from the traditional brokerage business to that from the online brokerage business during the Track Record Period was quite stable for brokerage income from the traditional brokerage business represented approximately 88.5% to 91.0% of the total brokerage income, while that from the online brokerage business represented approximately 9.0% to 11.5% of the total brokerage income.

Notwithstanding the fact that brokerage income from the traditional brokerage business represented about 90% of the total brokerage income during the Track Record Period, segment profit of the traditional brokerage business only represented about 48.1% to 78.0% of the total segment profit from the brokerage business during the period while the segment profit of the online brokerage business represented about 22.0% to 51.9% of the total segment profit from the brokerage business during the period.

The segment profit margin from the online brokerage business of the Group during the three years ended 31 December 2006 remained relatively steady at about 88.77% to 89.36% due to the relatively stable commission rate charged by the Group to its online clients and the relatively small and stable fixed overheads. For the seven month ended 31 July 2007, the segment profit margin from the online brokerage business of the Group decreased slightly to 80.42% due to the lower net commission rate that the Group charged to its new online brokerage clients during the period in competition with other competitors in the market.

The segment profit margins from the traditional brokerage business of the Group during the Track Record Period was generally lower than those from the online business because the traditional brokerage business incurred more direct overheads including salaries, commission to account executives and rental expenses. The segment profit margin from the traditional brokerage business of the Group decreased from 17.16% during the year ended 31 December 2004 to 9.32% during the year ended 31 December 2005. The decrease was a result of brokerage commission de-regulation where the brokerage commission was subject to market forces and the net commission was generally adjusted downwards during the period. The segment profit margin from the traditional brokerage business of the Group increased to 20.03% for the year ended 31 December 2006 and further to 37.11% during the seven months ended 31 July 2007 because of the increase in the trading volume during the period while the fixed overheads including salaries and rentals did not increase significantly in proportion with the trading volume.

For further analysis of financial performance of the Group's business during the Track Record Period, please refer to the following paragraphs headed "Review of the Audited Consolidated Results" and "The nine months ended 30 September 2007 compared to the nine months ended 30 September 2006" of this section.

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

General overview

During the Track Record Period, the Group was engaged in five categories of business activities, namely (i) broking of securities, options, futures and mutual funds as well as insurance-linked investment products, (ii) financing business, (iii) provision of corporate finance services including sponsorship for IPOs, advisory together with shares underwriting, and (iv) wealth and asset management and (v) the discontinued online game business. Apart from financing activities which recognised interest income, the Group recognised the fee income from provision of or incidental to the above services. The financial activities of the Group are based in Hong Kong, whereas the online game business is based in the PRC and Taiwan which has been discontinued after the year ended 31 December 2006.

Since 31 December 2006, the date of the Group's last published audited accounts, the Group has continued to enjoy sustained growth in all of its core financial services businesses. The strong performance of the Group's brokerage and financing businesses, which have been the backbone of the Group's financial services operations, have been largely attributable to (i) Hong Kong's strong economic recovery and sustained positive securities and commodities market environment; (ii) the Group's ability to maintain its lean cost structure; and (iii) the strengthened capital position of the Group which has caused an increase in the business capacity of the Group.

During the Track Record Period, as the domestic equities market has been favored by the economic recovery from Severe Acute Respiratory Syndrom (i.e. SARS) in 2003/2004, unprecedented low interest rate environment between 2003 to 2005, together with speculation on appreciation of Renminbi in 2004/2005 and the booming securities market in Hong Kong and the PRC in 2006/2007, brokerage operations remained the major pillar of the Group's financial performance. Whilst the Directors have focused on maintaining the Group's brokerage platforms and complementary financing businesses in short to medium-term, part of their long-term strategy has been to secure for the Group a more diversified stream of revenues strengthening the Group's portfolio of diversified financial services such as investment banking, wealth management, and more recently, asset management, all of which have grown since their inception and have performed in line with expectations.

With respect to the investment banking business, the Group has over the past three years built a solid track record and now possesses a substantial deal pipeline targeting at both Hong Kong and PRC based clients in respect of the medium-sized advisory transactions and Hong Kong listings, which the Directors view as a promising segment of the market. Going forward, the Directors are of the view that the outlook for the Group's investment banking operation is positive, in light of Hong Kong's and the PRC's anticipated strong economic growth going forward.

Wealth management and asset management businesses have become increasingly important fields in Asia, due to the substantial amount of wealth generated by organisations and individuals in the region over the past two decades. As a result there has been an emergence of a more sophisticated strata of investors, who wish to invest their new found wealth. This factor coupled with Hong Kong's status as an investor friendly global financial centre and capital market have contributed to favorable market conditions for growing the Group's wealth management business as well as its asset management business going forward. The Directors expect these businesses to expand steadily in the near future, on the back of Asia's positive economic outlook.

The following discussion should be read in conjunction with the audited consolidated financial statements of the Group, which are included in the Accountants' Report, and which were prepared in accordance with HK GAAP, as well as the changes and development in the industries in which the Group operated during the Track Record Period as set out in the section headed "Industry overview" of this document. For the purposes of this section, unless the context otherwise requires, references to "2004", "2005" and "2006" refer to the Company's financial year ended 31 December of such year.

Outlook

The Group is cautiously optimistic about growth in the coming months. There are challenges and factors ahead that could affect the global and local investment sentiments. The management is specifically concerned about high energy and commodity prices, inflationary pressure, any US interest rate hikes, impact of the US economic slowdown and PRC's macro-tightening policy. While the Directors believe that the Group has been on track with its business plan thus far, the Directors will remain commit to managing the Group's cost structure and its businesses overall with a sense of discipline as a good business practice. The Group will continue to diversify its revenue mix through strengthening existing businesses and enriching product and service types. The Group's goal is to position the Group as clients' financial services house of choice that has comprehensive product and service offerings to meet their diverse financial needs, executes well and values their business relationships.

Apart from the opportunities and challenges which the Group are expected to face going forward, there are various risks to the businesses which the management of the Group need to tackle from time to time. Details of the risk factors are set out in the section headed "Risk factors" of this document.

Principal income statement components

Revenue

The Group's principal sources of revenue comprise (i) commissions from its securities and commodities brokerage business and related operations, as well as from wealth management and asset management businesses; (ii) fees from its investment banking business; and (iii) interest income from its financing business.

The Group's securities and commodities brokerage commission income is dependent upon the volume and type of trades conducted through the Group's traditional brokerage and online brokerage channels. The Group charges a commission of the transaction value for the securities and commodities transactions of the clients. After the minimum commission rate has been abolished in 2003, the commission rate charged will base on the then market situation and the clients' background and does not have a standard rate for reference.

The wealth management and asset management businesses are relatively new additions to the Group's portfolio of businesses, so their revenue contribution at the moment is relatively small in proportion to the Group's securities and commodities brokerage commissions and investment banking fees. However, the Directors are of the view that as the Group garners more clients for its wealth management and asset management services, these operations will bring in a growing stream of commission as well as non-commission based fees including management and performance fees.

As a complementary service to its securities and commodities brokerage businesses, the Group offers share margin financing and IPO financing to its brokerage clients in order to facilitate their trading activities. The Group charges fees and interest respectively for these services. The amount of fees and interest received is also dependent on trading volume conducted through the Group's brokerage businesses. The Group also provides other financing services to clients by charging fees and interest.

As for investment banking revenues, fees are negotiated on a case by case basis between clients and the Group, on an arm's length basis. Investment banking fees are typically comprised of a fee paid upon each milestone and completion of the relevant project and/or a monthly retainer for services in addition to success fees. Deals involving underwriting will involve underwriting fees comprised of a pre-negotiated or scaled percentage of total funds raised from the underwriting exercise.

During the Track Record Period, the Group's investing banking business showed an increasing trend. However, inherent time gap exists between obtaining mandates for new deals and the actual revenue recognition from projects which often need on-going handling and long preparation and lead times (e.g. IPOs). In mid-2003, Hong Kong suffered from significant economic setback as a result of SARS, and business activity only began to pick up during late 2004. As such, many deals secured by the Group were delayed or still in progress in 2005. In 2006, most deals were crystalised to raise both revenue and profit to approximately HK$13.4 million and HK$2.2 million respectively.

The Group also engages in proprietary trading activities incidental to its brokerage businesses and as part of the Group's treasury function. For the years ended 31 December 2004 and 2005, the Group recorded losses in such trading activities. The lackluster performance of the Group's proprietary trading activities during these years was attributable to:

(i) the liquidation of collateral relating to doubtful loan receivables from the Group's financing businesses, which (if no action was taken) may have had an adverse impact on the Group's overall investment performance;

(ii) the fact that proprietary investment is part of the Group's treasury function and is used to balance the Group's fund flow utilisation to finance margin receivables; and as such any investment decisions might be affected by changes in market activities, especially with respect to the equities market sentiment in Hong Kong. As such investment performance may be affected from time to time; and

(iii) the fact that the Group had relatively large securities portfolio in mid 2004, which due to the surging oil prices and the implementation of macro-economic controls in the PRC, resulted in losses in stock trading for the Group during that period.

For the year ended 31 December 2006 and the seven months ended 31 July 2007, the Group picked up with the general market boom in Hong Kong and the PRC and recorded profits in such trading activities.

Other operating income

Other income derived incidental to its businesses (namely, foreign exchange difference, real time quote fees and provision of advertising and telecommunication service) are classified as "Other operating income". For the three years ended 31 December 2004, 2005 and 2006 as well as for the seven months ended 31 July 2007, the Group has recorded approximately HK$7.7 million, HK$2.7 million, HK$2.2 million and HK$0.9 million of other operating income respectively.

The significant part of other operating income for the year ended 31 December 2004 mainly represented a gain in exchange difference recognised during the year.

Such substantial exchange gain generated during the year ended 31 December 2004 was due to the investment actions of the Group. Due to the low interest rate policy of the US Government in the post 911 period, the interest rate of US dollars reached the bottom in 2003. These weakened the US dollars as well as the Hong Kong dollars. In order to protect the value of the Group's assets, the management of the Company decided to convert certain surplus fund temporarily into other currencies before the further depreciation of US dollars. When US dollars then reached the bottom, the backward conversion realised the gain.

Since 2004, the US's interest rate policy changed after the recovery of the US economy, such investment opportunity reduced thereafter. Moreover, the foreign currencies exposure reduced due to the changes in client mix and product mix at the same time. The resulting financial impact of the exchange difference decreased.

The foreign exchange differences of the Company in 2005 and 2006 was mainly arising from the Group's daily operations because the Group engaged in overseas broking business, both securities and commodities, as well as it has some overseas clients. From time to time, it handles some foreign currencies as part of its treasury activities. As there were always fluctuations in exchange rate of such currencies, the Group resulted in certain exchange differences during 2005 and 2006.

With regard to the real time quote fees, it was related to the provision of real time quote on marketable securities of the Stock Exchange, primarily to brokerage clients of the Group at approximately cost, which were also incidental to the Group's normal and ordinary course of business – the brokerage businesses.

Allowance for bad and doubtful debts

For the years ended 31 December 2004, 2005 and 2006 as well as for the seven months ended 31 July 2007, the Group has reversed the allowance for or (made allowance for) bad and doubtful debts amounted to approximately HK$1.1 million, HK$0.7 million, (HK$0.2 million) and HK$0.01 million respectively.

Since the Group is engaged in the financial services businesses (in particular, the securities and commodities brokerage businesses), it is normal for the Group to record on a particular cut-off date, for example, the year end date, the net position of whether to provide for bad and doubtful debts or to reverse the over-provision of previously made allowance for bad and doubtful debts. Taking into account the level of the revenue generated by the Group, the amount of bad and doubtful debts provided for was reducing over the Track Record Period which, in the Directors' view, indicates an effective and efficient control of credit risk management of the Group.

The Group evaluates the receivables arising from various financial services businesses by reference to the net position of the clients in comparing with their respective balances at a particular reporting date, for example, the year end date. Additional provision for bad and doubtful debts required or reversal of over-provision of previously made allowance is charged or credited to respective income statement.

Operating and administrative expenses

For the years ended 31 December 2004, 2005 and 2006 and the seven months ended 31 July 2007, the amount of other operating and administrative expenses was approximately HK$58.6 million, HK$56.3 million, HK$77.5 million and HK$53.0 million respectively.

The Group's principal expenses consist mainly of operating expenses such as salaries, commissions, staff expenses and staff benefits. The Group's other principal operating expenses are rental expenses, costs associated with maintaining and running the Group's technology infrastructure, as well as various advertising and promotional expenses. Other operating and general and administrative expenses include legal and professional fees, and communication expenses.

Finance costs

For the years ended 31 December 2004, 2005 and 2006 and the seven months ended 31 July 2007, the amount of finance costs of the Group was approximately HK$8.7 million, HK$14.6 million, HK$49.0 million and HK$45.8 million respectively.

The Group's finance costs include respective interest expenses on bank overdrafts and loans wholly repayable within five years, finance leases, and the effective interest rate expenses on the Group's Convertible Loan Note, outstanding balance of which had been fully repaid on 28 June 2006.

Depreciation charges

The depreciation policy of property and equipment of the Group is in a straight line basis with estimated useful life of around 5 years. Most of the property and equipment of the Group were acquired during 2000 and 2001 as well as those assets acquired from CASH in 2001 (which were acquired by CASH in 1999 to 2001). These assets were gradually and fully depreciated during the period from 2004 to 2006. As a result, the depreciation charge was in a decreasing trend during the Track Record Period. This implies that the Group is expected to incur significant capital expenditure to replace its existing worn out/obsolete equipments. The budgeted capital expenditure is estimated to be approximately HK$22.0 million.

Taxation

The Group's profits are subject to the relevant prevailing tax rates set by the Inland Revenue Department of Hong Kong, details of which are set out in the Accountants' Report.

For year 2004, the effective tax rate was low because some of the Group companies had tax losses brought forward and set off part of the current year taxable profit of those companies.

For year 2005, deferred tax asset of certain subsidiaries had been recognised (HK$3,940,000) due to only the profit stream of those subsidiaries can be foreseeable ascertained. This amount had been credited to income statement. The effect of setting off tax losses of other subsidiaries with the same reason as in 2004 (HK$5,492,000) further lowered the effective tax rate of the year.

For year 2006, with the same reason as stated above for year 2004, the effect of the current was HK$5,708,000. Most of the loss from online game business was subject to other jurisdiction and should be separately considered.

For the seven months ended 2007, most of the result from the online game business was subject to other jurisdiction and the gain on disposal of game group was of capital nature, which is not subject to Hong Kong's tax. Such that the effective tax rate was affected. The effect of tax loss setting off was HK$5,417,000 for such current period.

Notable balance sheet items

Accounts receivables

The Group's account receivables represent the amounts receivable under the Group's principal business activities. The increases during the Track Record Period were mainly attributable to the rise in the Group's margin receivables (in relation to the Group's margin loan business) resulting from a significant jump in market trading volume, especially within the Hong Kong equities market.

As at 31 July 2007, there was no significant delay in settlement of the Group's accounts receivable balance due from clearing houses, brokers and dealers, and cash clients. The amounts due from securities clearing houses were fully settled on their respective settlement dates, and the amounts due from most of the cash clients for the Group's securities broking business were also settled when due and on their respective settlement dates.

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

Except for the loans to margin clients as mentioned below, most of the account receivables arising from the business of dealing in securities and equity options aged within 30 days.

Loans to margin clients are secured by clients' pledged securities, repayable on demand and bear interest at commercial rates.

The Group is also engaged in the broking of overseas securities, commodities products and option products, which are all part of the Group's principal activities. In order to meet the respective settlement requirements and margin maintenance requirements of these activities, there are from time to time account receivables from the Group's overseas brokers and dealers, commodities and options clearing houses. Any excesses over the minimum margins required of our brokers and dealers, which change from time to time, are repayable to the Group on demand.

Loan receivables

Money lending is also one of the businesses of the Group. The Group has granted certain loans to clients for interest income. Depending on the terms of their respective loan agreements, some debtors have pledged some collaterals to the Group for their borrowings. In addition, some of the receivables and their provisions stem from restructuring of margin loans due from certain securities and commodities margin clients who have financial problems, following which the margin clients are not required to repay the loan immediately and instalment repayment schedule will be agreed with them. In the event of the occurrence of any financial difficulties of the margin clients to meet the Group's demands for payment, the Group would start to make provision and adjust the amount pursuant to management assessment in the following years. Other loans to clients are mainly for marketing purpose such as pre-IPO financing, or provided to the clients of the brokerage units as well as other business units on a case by case basis. These loan services are not opened for general public.

The Group's provisioning policy is based on the management's evaluation of the collectability and aging analysis of the receivables, and the worthiness of their collaterals. A considerable amount of judgment is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each client.

Subsequent to management's assessment on the recoverability of loan/accounts receivable balances together with test on impairment, the Directors believe that the balance receivables have been fairly stated.

Allowance for and reversal of allowance for bad and doubtful debt amounting to approximately HK$28.6 million, HK$27.9 million, HK$20.1 million and HK$9.6 million respectively for the three years ended 31 December 2006 and the seven months ended 31 July 2007 have been made on the above commission receivables from brokerage of mutual funds and insurance-linked investment plans and products as well as account receivables arising from the business of provision of investment banking services.

In determining the recoverability of the loan receivables, the Group considers any change in the credit quality of the loan receivable from the date credit was initially granted up to the reporting date.

Prepayments, deposits and other receivables

The balances represent prepaid expenses, rental, utility and other deposits etc. and the receivables of the administrative and operating activities, other than those directly related to the principal operating balances of the Group, including interest receivable from clients.

The increase in amount in 2005 was mainly due to the increase in interest receivables both from the soaring of margin loan book as well as of certain loans receivable at those period end dates. The increase in amount in 2006 and 2007 were mainly due to the deposits placed for acquiring the properties in Shanghai, the PRC.

Listed investment held by the Group

The Group from time to time holds certain listed investment as part of its ordinary course of business, most of which (during the Track Record Period) were acquired for the purposes of proprietary trading. As at 31 December 2004, 2005 and 2006 and 31 July 2007 respectively, the amount of listed securities held by the Group for trading amounted to approximately HK$47.0 million, HK$42.5 million, HK$54.3 million and HK$24.1 million.

Accounts payables

The settlement terms of the account payables arising from the business of dealing in securities and to commodities are two days and one day after the trade date respectively. Except for the amount payables to margin clients, the age of these balances is within 30 days. Amount due to margin clients are repayable on demand.

Accounts payable to clients arising from the business of dealing in futures and options and leveraged foreign exchange contracts are margin deposits received from clients for their trading of these contracts. The excesses of the outstanding amounts over the required margin deposits stipulated are repayable to clients on demand.

With respect to the Group's discontinued on-line gaming business, the Group receives payments on a cash-on-delivery basis (for prepaid cards, payment is technically made on a prepay basis). Hence, the Group does not provide credit terms to its on-line gaming customers. In reference to age of payments for its on-line gaming operations, payments are made in accordance to the respective contracts signed with suppliers, and in general all payments are made within the same month official invoices are issued. In cases where advertising contracts are involved, payments may be made in accordance with certain mutually agreed schedules, though any installments are settled within the same month the respective official invoices are issued. The on-line gaming business was discontinued from June 2007.

Bank borrowings

As part of its brokerage and financing businesses, the Group regularly pledges its clients' marketable securities to banks in order to secure bank borrowings. As at 31 December 2004, 2005 and 2006 and 31 July 2007, the Group's bank borrowings were approximately HK$96.2 million, HK$171.7 million, HK$279.8 million and HK$409.6 million respectively which were secured by corporate guarantee from the Company and marketable securities of the Group's clients (with clients' consent).

Accrued liabilities and other payables

The Group's accrued liabilities and other payables represent the payables relating to the Group's administrative and operating activities other than those directly related to principal operating balances of the Group. These include:

- accrued operating expenses related to broking businesses, e.g. trading fee and levy ;
- commission payable to accounts executive and consultants;
- interest payable to clients and banks;
- accrued other administrative expenses, e.g. rental, financial information charges ; and
- deposits received etc.

There was no material fluctuation during the two years ended 31 December 2004 and 2005. The increase for the year ended 31 December 2006 was mainly due to the accruals relating to the discontinued online game business. The decrease in the accrued liabilities and other payables as at 31 July 2007 as compared to those as at 31 December 2006 was also mainly due to discontinuation of the online game business.

Cashflow from operating activities

For the year ended 31 December 2004, the Group recorded net cash inflow from operating activities of approximately HK$149.8 million, which were mainly attributable to operating cash inflow before movements in working capital of approximately HK$51.2 million, increase in loan receivables of approximately HK$36.5 million, decrease in accounts receivable of approximately HK$126.4 million, increase in bank balances regarding trust and segregated accounts of approximately HK$51.1 million, increase in account payables of approximately HK$53.0 million.

For the year ended 31 December 2005, the Group recorded net cash outflow from operating activities of approximately HK$36.4 million, which were mainly attributable to operating cash inflow before movements in working capital of approximately HK$48.5 million, increase in account receivables of approximately HK$106.5 million, decrease in bank balances regarding trust and segregated accounts of approximately HK$80.3 million, decrease in account payables of approximately HK$61.3 million.

For the year ended 31 December 2006, the Group recorded net cash outflow from operating activities of approximately HK$37.4 million, which were mainly attributable to operating cash inflow before movements in working capital of approximately HK$114.0 million, decrease in loan receivables of approximately HK$19.0 million, increase in accounts receivable of approximately HK$306.4 million, increase in investment held for trading of approximately HK$11.8 million, increase in bank balances regarding trust and segregated accounts of approximately HK$221.7 million, increase in account payables of approximately HK$364.0 million.

For the seven months ended 31 July 2007, the Group recorded net cash inflow from operating activities of approximately HK$67.9 million, which were mainly attributable to operating cash inflow before movements in working capital of approximately HK$154.4 million, increase in accounts receivable of approximately HK$256.9 million, increase in prepayments, deposits and other receivables of approximately HK$28.4 million, decrease in investment held for trading of approximately HK$30.2 million, increase in bank balances regarding trust and segregated accounts of approximately HK$305.2 million, increase in account payables of approximately HK$430.5 million and increase in accrued liabilities and other payables of approximately HK$44.8 million.

During the Track Record Period, the net cash inflow and outflow from operating activities of the Group largely affected by the securities trading business and the stock market in Hong Kong. As a result of the volatility of the stock market in Hong Kong and the clients' trading position during the Track Record Period, the Group's net cashflow from operating activities fluctuated with the trading position of the clients, amounts of the clients' trust money and margin loans with the Group. The Group has used internal resources, bank borrowings including bank overdraft to finance the fluctuation in the net cashflow from operating activities. The Board considers that the bank overdrafts provide flexibility to the Group in managing its operating cashflow which fluctuates with the clients' trading activities and market circumstances.

Liquidity and capital resources

The Group's cashflow movement during the Track Record Period is affected by the Group's operating performance, refinancing from bank and financial institutions on margin receivables, investing activities together with financing activities in the areas of new shares placement. As the Group's operating activities are substantially affected by the market sentiments of domestic equities and futures market, uncertainty of cashflows, especially in operating cashflows is inherent in the Group's businesses activities.

During the Track Record Period, apart from deposit placed for acquisition of online game business and the deposits paid for the acquisition of the properties in Shanghai, capital expenditures of the Group were not significant.

During the Track Record Period, owing to continuous improvement in financial performance and the proceeds from issue of new Shares and convertible loan note, the Group was able to expand its business and operation by maintaining its gearing ratio (being total debt to total assets as at the end of the relevant year/period) within the range of approximately 13.18% to 17.51%.

REVIEW OF THE AUDITED CONSOLIDATED RESULTS

The following outlines the audited consolidated results of the Group for the seven months ended 31 July 2007 together with the unaudited comparative figures for the last corresponding period and for the three years ended 31 December 2006.

The seven months ended 31 July 2007 compared to the seven months ended 31 July 2006

Revenue

During the seven months ended 31 July 2007, the Group's revenues increased by approximately 63.7% to approximately HK$322.4 million as compared with approximately HK$197.0 million recorded during the same period in the previous year, largely due to the significant growth in the Group's brokerage business this year coupled with a related increase in interest income and in fees from financing activities. This was mainly due to the market boom of the Hong Kong and PRC securities market.

The Group's other operating income comprised mainly real time quote income from clients, which increased slightly to approximately HK$0.9 million for the seven months ended 31 July 2007 as compared to approximately HK$0.7 million during the corresponding period in 2006.

Operating expenses

Salaries, commission and related benefits jumped approximately 40% to approximately HK$123.9 million for the seven months ended 31 July 2007 as compared with approximately HK$88.5 million during the same period in 2006, due mainly to a significant increase in trading activity from the Group's brokerage business. There was also a significant rise in other operating expenses and administrative expenses from approximately HK$41.6 million for the seven months ended 31 July 2006 to approximately HK$53.0 million for the seven months ended 31 July 2007, primarily as a result of the inclusion of a bank charges for a syndicated loan and the general increase in expenses because of the increase in business.

Depreciation remained at similar level during the seven months ended 31 July 2007 as compared with the corresponding seven months ended 31 July 2006. This was because the reduction of depreciation charge as the result of the assets which had been fully depreciated diminished. The amount of charge became stable during the period.

Finance costs

Finance costs also increased significantly from approximately HK$24.2 million for the seven months ended 31 July 2006 to approximately HK$45.8 million for the seven months ended 31 July 2007. The increase was mainly due to a significant increase in IPO loan interest as IPOs in Hong Kong surge significantly and a significant increase in margin financing as more loans have been granted because of the active securities market in Hong Kong.

Tax

For the seven months ended 31 July 2007, the Group provided for approximately HK$15.0 million in taxation relating to operating profits recorded from brokerage operations. This compares with a provision of approximately HK$3.3 million for the previous corresponding period. The increase in provision was in line with the increase in profit during the same period.

Net income

Net profit attributable to Shareholders increased by 381.0% from approximately HK$26.3 million during the seven months ended 31 July 2006 to approximately HK$126.5 million for the seven months ended 31 July 2007. This increase was due to the abovementioned continued improved performance of the Group's brokerage operations and financing activities.

Year ended 31 December 2006 compared to year ended 31 December 2005

Revenue

For the year ended 31 December 2006, the Group recorded an increase in revenue of approximately 62.0% to approximately HK$346.0 million, as compared to the approximately HK$213.6 million recorded in 2005. The increase was primarily due to surge of commission income and interest income given significant growth of the trading volume of Hong Kong stock market. In addition, in 2006, the total capital raised on new issues reached a record high level of HK$332 billion. This contributes substantially the interest earned on IPO financing.

The Group's other operating income comprised mainly real time quote income from clients and exchange gains from treasury transactions, decreased by approximately 18.5% to approximately HK$2.2 million for the year ended 31 December 2006 from approximately HK$2.7 million for the year ended 31 December 2005. This was attribute to absence of exchange gains from treasury transactions as their activities became less active in 2006 given the booming market sentiments.

Operating expenses

For the year ended 31 December 2006, the Group's operating expenses increased significantly compared to those for the year ended 31 December 2005. Salaries, commission and related benefits amounted to approximately HK$151.4 million, approximately 39.8% higher than the previous year's level of approximately HK$108.3 million. Increase in salaries, commission and related benefits were primarily caused by surge of commission rebate to the account executives given the marked growth of commission income under the booming equities market. And the remaining variance mainly comprised the additional costs incurred in new staff headcounts, annual salary increment and performance incentive payment. Other operating and administrative expenses also increased significantly to approximately HK$77.5 million as compared to approximately HK$56.3 million the year before representing an increase of 37.7%. Approximately 70% of the increase was incurred for new advertising and promotion campaign in the year and the professional expenses incurred for preparation work on application for listing of Shares on the Main Board. And the remaining amount was primarily related to increasing spending on rental costs and subscription of real time quote date and telecommunication lease-line to meet the expansion of brokerage business.

Finance costs

The Group's finance costs increased by approximately 2.4 times to approximately HK$49.0 million during the year ended 31 December 2006 from approximately HK$14.6 million during the year ended 31 December 2005. The increase was due mainly to intense demand for share margin financing and the IPO financing activities.

Tax

For the year ended 31 December 2006, as certain subsidiaries of the Group showed continued profitability and the Group's deferred tax assets were fully recognised, resulting in a tax charge for the year. As such, the Group had a tax charge of approximately HK$5.8 million.

Net income

For the year ended 31 December 2006, the Group recorded a profit attributable to Shareholders of approximately HK$39.9 million, which represented an increase of approximately 50.0% over the net profit attributable to Shareholders of approximately HK$26.6 million recorded in the previous year. The increase was mainly due to improved performance of both the Group's broking business and the proprietary trading portfolio.

Year ended 31 December 2005 compared to year ended 31 December 2004

Revenue

For the year ended 31 December 2005, the Group recorded a decrease in revenue of approximately 11.0% to approximately HK$213.6 million, as compared to the approximately HK$240.0 million recorded in 2004. The decrease was in part a reflection of a directionless local securities and commodities market environment throughout the first half of the year under review, and in part a result of brokerage commission de-regulation as brokerage commission was subject to market forces and was adjusted accordingly from to time to time, especially with respect to the Hong Kong domestic securities market rebate for the year. After abolition of the minimum commission requirement in 2003, a significant portion of the Group's income was changed from gross to a net basis. While this technically reduced the revenue for the year, it had virtually no impact on that year's net profit. Brokerage revenues in the second half of the year picked up albeit at a much slower pace due mainly to the expectation at the time that the US Federal Reserve would soon end its rising interest rate cycle. At the same time, the Group's margin book and IPO financing activity increased significantly. The Group's investment banking activity had various outstanding transactions on going during the year, which were yet to be completed.

The Group's other operating income comprised mainly real time quote income from clients and exchange gains from treasury transactions, decreased by approximately 64.9% to approximately HK$2.7 million for the year ended 31 December 2005 from approximately HK$7.7 million for the year ended 31 December 2004. This was attributable to the absence of exchange gains recorded during the year as compared to the previous year.

Operating expenses

For the year ended 31 December 2005, the Group's operating expenses were at a similar level as compared to those for the year ended 31 December 2004. Salaries, commission and related benefits amounted to approximately HK$108.3 million, slightly lower than the previous year's level of approximately HK$119.8 million. Other operating and administrative expenses remained relatively stable at approximately HK$56.3 million as compared to approximately HK$58.6 million for the year before.

Finance costs

The Group's finance costs increased by approximately 67.8% to approximately HK$14.6 million during the year ended 31 December 2005 from approximately HK$8.7 million during the year ended 31 December 2004, due mainly to increase bank borrowings and rising local bank interest rates.

Tax

For the year ended 31 December 2005, as certain subsidiaries of the Group showed continued profitability, the Group's deferred tax assets were recognised, resulting in a tax credit for the year. As such, the Group had a tax credit of approximately HK$3.4 million.

Net income

For the year ended 31 December 2005, the Group recorded a profit attributable to Shareholders of approximately HK$26.6 million, which represented an increase of approximately 8.1% over the net profit attributable to Shareholders of approximately HK$24.6 million recorded in the previous year. The increase was mainly due to an improved performance of the securities trading portfolio, and a decrease in depreciation and amortisation charges resulting from the adoption of the new financial reporting standards during the 2005 financial year.

THE NINE MONTHS ENDED 30 SEPTEMBER 2007 COMPARED TO THE NINE MONTHS ENDED 30 SEPTEMBER 2006

	Unaudited nine months ended 30 September	
	2007	**2006**
	HK$'000	*HK$'000* (restated)
Continuing operations:		
Revenue	449,615	245,700
Other operating income	1,202	3,162
Salaries, commission and related benefits	(174,142)	(108,249)
Depreciation and amortisation	(5,539)	(4,852)
Finance costs	(60,420)	(31,850)
Other operating, selling and administrative expenses	(76,563)	(50,925)
Net increase in fair value of listed investments held for trading	17,549	6,784
Allowance for bad and doubtful debts	(3,000)	–
Profit before taxation	148,702	59,770
Taxation charge	(16,800)	(5,291)
Profit for the period from continuing operations	131,902	54,479
Discontinued operation:		
Profit (Loss) for the period from discontinued operation	27,832	(20,376)
Profit for the period	159,734	34,103

	Unaudited nine months ended 30 September 2007 *HK$'000*	2006 *HK$'000* (restated)
Attributable to:		
Equity holders of the Company	158,387	33,054
Minority interests		
– continuing operations	682	1,049
– discontinued operation	665	–
	159,734	34,103
Dividends recognised as distribution during the period:		
– 2007 interim		
– HK$0.02 per Share (2006: HK$0.03 per Share)	29,671	41,462
– 2006 final		
– HK$0.02 per Share (2005: nil)	27,661	–
	57,332	41,462
Earnings per Share		
From continuing and discontinued operations:		
– Basic	11.2 cents	2.4 cents
– Diluted	11.2 cents	2.4 cents
From continuing operations:		
– Basic	9.3 cents	3.9 cents
– Diluted	9.3 cents	3.9 cents

Revenue

During the nine months ended 30 September 2007, the Group's revenues increased by approximately 83.0% to approximately HK$449.6 million as compared with approximately HK$245.7 million recorded during the same period in the previous year. The brokerage turnover experienced significant growth and recorded successive new highs in the third quarter of 2007. This was attributable mainly to the large inflow of funds after the announcement that Mainland individuals would be allowed to invest directly in the Hong Kong stock market and the commencement of QDII investments during the third quarter of 2007. Another driver of growth came from the income generated from IPO activities and margin financing.

Operating expenses

Salaries, commission and related benefits jumped approximately 60.9% to approximately HK$174.1 million for the nine months ended 30 September 2007 as compared with approximately HK$108.2 million during the same period in 2006, due mainly to a significant increase in trading activity from the Group's brokerage business. There was also a significant rise in other operating expenses and administrative expenses from approximately HK$50.9 million for the nine months ended 30 September 2006 to approximately HK$76.6 million for the nine months ended 30 September 2007, primarily as a result of the inclusion of bank charges for a syndicated loan and the general increase in expenses because of the increase in business.

Depreciation remained at similar level during the nine months ended 30 September 2007 as compared with the corresponding nine months ended 30 September 2006. This was because the reduction of depreciation charge as a result of the assets which had been fully depreciated diminished. The amount of charge became stable during the period.

Finance costs

Finance costs also increased significantly from approximately HK$31.9 million for the nine months ended 30 September 2006 to approximately HK$60.4 million for the nine months ended 30 September 2007. The increase was mainly due to a significant increase in IPO loan interest as IPOs in Hong Kong surge significantly and a significant increase in margin financing as more loans have been granted because of the active securities market in Hong Kong.

Tax

For the nine months ended 30 September 2007, the Group provided for approximately HK$16.8 million in taxation relating to operating profits recorded from brokerage operations. This compared with a provision of approximately HK$5.3 million for the previous corresponding period. The increase in provision was in line with the increase in profit during the same period.

Net income

Net profit attributable to Shareholders increased by 379.2% from approximately HK$33.1 million during the nine months ended 30 September 2006 to approximately HK$158.4 million for the nine months ended 30 September 2007. This increase was due to the abovementioned continued improved performance of the Group's brokerage operations and financing activities.

FINANCIAL PERFORMANCE OF THE DISCONTINUED OPERATION – ONLINE GAME BUSINESS

For the period from 10 January 2006 to 31 December 2006

During the period from 10 January 2006 (date of acquisition of the Netfield Group by the Group) to 31 December 2006, the Netfield Group recorded revenue of approximately HK$37.3 million, which mainly consisted of fees paid by the registered subscribers of "King of Pirate", the first three-dimensional massively multiplayer online role-playing game developed by the Netfield Group, for the virtual items, tools, weapons and other enhancements that a game character might need in order to achieve various game objectives. Online game income and sales of online game auxiliary products amounted to approximately HK$25.3 million and HK$9.5 million respectively for the period. In addition, the Netfield Group expanded its online game business from PRC to other markets in Asia by licensing "King of Pirate" to operators in Hong Kong, Singapore, Malaysia and Thailand for licensing income of approximately HK$2.5 million.

In 2006, the Netfield Group secured an exclusive licence of "CABAL" from a South Korean developer to operate in PRC, Taiwan and Hong Kong. "CABAL" was first launched in Taiwan in November 2006 and was on its trial run in the PRC in December 2006.

During the period, the major costs and expenses of the Netfield Group were (i) salaries, commission and related benefits which amounted to approximately HK$12.0 million; and (ii) other operating and administrative expenses of approximately HK$47.5 million which mainly consisted of staff costs of the Netfield Group's research and development team and the sales and marketing costs to promote the online games. Netfield Group recorded net loss of approximately HK$27.5 million during the period from 10 January 2006 to 31 December 2006.

For the period from 1 January 2007 to 31 May 2007

During the period from 1 January 2007 to 31 May 2007 (date of disposal of the Netfield Group by the Group), the Netfield Group recorded revenue of approximately HK$35.1 million, which consisted of online game income, sales of online game auxiliary products and licensing income of approximately HK$23.3 million, HK$9.7 million and HK$2.1 million respectively.

During the period, the major costs and expenses of the Netfield Group continued to be (i) salaries, commission and related benefits which amounted to approximately HK$10.7 million; and (ii) other operating and administrative expenses of approximately HK$31.3 million which mainly consisted of staff costs of the Netfield Group's research and development team and the sales and marketing costs to promote the online games. Netfield Group recorded net loss of approximately HK$23.6 million during the period from 10 January 2006 to 31 December 2006. Since the Group recorded a gain on disposal of the Netfield Group in the amount of HK$41.7 million, the profit for the period from 1 January 2007 to 31 May 2007 form such discontinued operation was approximately HK$30.9 million.

PROPERTY INTERESTS

Details of the properties owned and leased by the Group are set out below:

1. **Golden Riverside Industrial Limited**, a wholly-owned subsidiary of the Company, owned Shops A and B on 2nd Floor, Chee Sun Building, No. 163 Reclamation Street, Yau Ma Tei, Kowloon. The property is currently vacant and the Group intends to sell the property when opportunities arises.

2. **All Success Limited**, a wholly-owned subsidiary of the company, has leased Rooms 1709-10 on 17th Floor, New York Life Tower, Windsor House, No. 311 Gloucester Road, Causeway Bay, Hong Kong. The said lease commenced on 19 April 2007 and expires on 18 April 2009. The property is occupied by the Group for office purpose.

3. **Celestial Asia Investment Limited,** a wholly-owned subsidiary of the Company, has leased or will lease:

   7th, 9th and 21st Floor of Low block, Grand Millennium Plaza, No. 181 Queen's Road Central, Hong Kong. The said lease commenced on 16 November 2007 and expires on 15 November 2010. The property has already been occupied by the Group for office purpose.

4. **CASH E-Trade Limited,** a wholly-owned subsidiary of the Company, has leased:

   a. Room A on the 3rd Floor of Sui Sing Building, Nos. 202 & 204 Cheung Sha Wan Road, Shamshuipo, Kowloon. The said lease commenced on 16 September 2007 and expires on 15 September 2009. The property is occupied by the Group for office purpose.

   b. the whole of 1st Floor of Sui Sing Building, Nos. 202 & 204 Cheung Sha Wan Road, Shamshuipo, Kowloon. The said lease commenced on 1 June 2006 and expires on 31 May 2008. The property is occupied by the Group for office purpose.

   c. Shops A&B on the ground floor and the 1st Floor of Berkeley Building, No. 81 Bulkeley Street and No. 2 Marsh Street, Hunghom, Kowloon. The said lease commenced on 26 March 2006 and expires on 25 March 2008. The property is occupied by the Group for office purpose.

5. **RACCA Capital Limited**, a wholly-owned subsidiary of the Company, has leased Room 2613 on 26th Floor, The Center, 99 Queen's Road Central, Hong Kong. The said lease commenced on 1 July 2006 and expires on 30 June 2008. The property is occupied by the Group for office purpose.

Further details of the above properties are set out in the property valuation report in Appendix III to this document.

Share-based compensation of the Group

Pursuant to an ordinary resolution passed at the special general meeting of the Company held on 19 February 2002, the Company adopted the GEM Share Option Scheme to replace the share option scheme adopted on 20 November 2000. An ordinary resolution will be proposed at the SGM for the Shareholders to adopt the Proposed Share Option Scheme to replace the GEM Share Option Scheme. All the options granted under the GEM Share Option Scheme remained valid and unchanged and were treated in accordance with the terms under the GEM Share Option Scheme. The major terms of the Proposed Share Option Scheme to be adopted are summarized as follows:

– The purpose was to provide incentives to award and retain the participants who have made contributions to the Group or to attract potential candidates to serve the Group for the benefit of the development of the Group.

– The maximum number of shares in respect of which options might be granted under the Proposed Share Option Scheme must not exceed 10% of the issued share capital of the Company as at the date of approval of the Proposed Share Option Scheme and such limit might be refreshed by Shareholders in general meeting.

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

– The exercise price of an option must be the highest of:

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

– The life of the Proposed Share Option Scheme is effective for 10 years from the date of adoption.

For the details of the major terms, please refer to the subsection entitled "Proposed Share Option Scheme" in the Appendix V to this document.

The number and the exercise price of options which remained outstanding have been adjusted due to rights issue of Shares with effect from 24 April 2004. The exercise prices per share were adjusted from HK$1.08 to HK$0.83, from HK$0.60 to HK$0.46 and from HK$0.44 to HK$0.34. Also, the options are vested in 2 tranches as to (i) 50% exercisable from the commencement of the exercise period; and (ii) 50% exercisable from the expiry of 12 months from the commencement of the exercise period.

The share-based compensation cost incurred during the Track Record Period for the year ended 31 December 2004, 2005, 2006 and seven months ended 31 July 2007 were HK$219,000, HK$203,000, HK$1,613,000 and nil, respectively.

The fair value of share options granted is charged to the income statement of the Company on a straight-line basis over the vesting period in accordance with Hong Kong Financial Reporting Standards 2 "Share-based Payment". Moreover, investors will experience a dilution to the extent that new Shares are issued upon the exercise of share option pursuant to the share option schemes of the Company.

RECONCILIATION ON PROPERTIES VALUATION

The Directors confirmed that no adjustments have been made to the valuation of the properties of the Group as at 31 July 2007 adopted for the preparation of the financial statements of the Group for the seven months ended 31 July 2007 and the properties valuation as at 30 November 2007 as disclosed in Appendix III – Property valuation to this document. Therefore, no reconciliation on property valuation is necessary.

DIVIDEND POLICY

The Company may distribute dividends by way of cash or by other means that the Directors consider appropriate and which are allowable under the Bye-laws and applicable rules and regulations. The declaration, payment and the amount of dividends will be subject to the discretion of the Directors, and will depend on, among other things, the Group's operations, capital requirements and surplus, general financial conditions, contractual restrictions and such other factors as the Board may deem relevant.

For the year ended 31 December 2004, a final dividend of HK$0.01 per Share was declared and paid. No dividend was declared for the year ended 31 December 2005. For the year ended 31 December 2006, an interim dividend of HK$0.03 per Share and a final dividend of HK$0.02 per Share were declared and paid. For the six months ended 30 June 2007, an interim dividend of HK$0.02 per Share was declared and paid.

The Directors expect that, in the future, dividends (if any) will be paid on a semi-annual basis, interim dividends and final dividends, in respect of any financial year, which will be paid in or around October of that year and June of the following year respectively.

DISTRIBUTABLE AND OTHER RESERVES

As at 31 July 2007, the Company's reserves available for distribution to Shareholders amounted to HK$93.4 million comprising a contributed surplus of HK$82.8 million plus retained earnings of HK$10.6 million, and the Company's share premium was approximately HK$133.5 million.

NET TANGIBLE ASSETS

The following table illustrates the Group's net tangible assets as at 31 July 2007:

	HK$'000
Consolidated net tangible assets value of the Group as at 31 July 2007 *(Note 1)*	582,147
Net tangible asset value per Share *(Note 2)*	HK$0.40

Notes:

1. The consolidated net tangible assets value of the Group as at 31 July 2007 was arrived at based on the consolidated assets value excluding intangible assets and goodwill of the Group, as disclosed in the Accountant's Report, net of liabilities and intangible assets, if any.

2. Net tangible asset value per Share was calculated by dividing the Group's consolidated net tangible assets value referred to in note 1 above by a total of 1,448,351,448 Shares outstanding.

NO MATERIAL ADVERSE CHANGE

The Directors confirm that since 31 July 2007, being the date to which the latest audited consolidated financial statements of the Group were made up, there has been no material adverse change in the financial or trading position or prospects of the Group.